

**CEBS – CP09****« Guidelines for co-operation between consolidating and host supervisors »****Response of the Belgian Bankers' & Stockbroking Firms' Association  
(ABB-BVB)**

1. We welcome the Consultative Paper (CP09) with the “Guidelines for co-operation between consolidating supervisors and host supervisors”, issued by the Committee of European Banking Supervisors (CEBS). We strongly support the commitment of CEBS “to develop an integrated, risk-based and coordinated approach to supervision, as banking groups are centralising their risk management activity” and “to promote efficient, coherent, and cost- and resource-effective cross-border supervision for the benefit of both supervisory authorities and supervised institutions.”<sup>1</sup>
2. We highly appreciate the practical arrangements included in the CP09, which formalise the information exchange between supervisors and which will enhance the supervisory cooperation. CEBS considers the proposed guidelines as the starting point for substantial developments and we agree that those guidelines are a first step in the right direction. Nevertheless, we think that more can be done in the short time within the framework of articles 129, 131 and 132 of the CRD to maximise the cross-border supervision, particularly in the sharing of tasks, delegation and mutual recognition.
3. We share and support the position of the European Banking Federation (FBE). In the comment hereafter, we will stress the issues linked to integrated cross-border banks.
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***I. Are there any changes not mentioned here that you deem significantly impacting on the European financial sector and, in particular, on the supervision of cross-border banking groups ?*****A. Comments**

5. Size of the institution  
As highlighted by CEBS, an overwhelming majority of institutions have a small to medium size and are active only at national or local level. Consolidated supervision and cross-border coordination do not directly concern them.  
A small number of institutions are active cross-border and a smaller number are integrated cross-border banks. Those institutions are highly concerned by a consistent supervision and the cooperation between the consolidating and the host supervisors. They are key actors in the integration of the European financial markets and in the implementation of the European Single Market.
6. “Expectations” of European major cross-border banks  
The “vision” or “long-term expectations” of large cross-border banks is best expressed by the European Financial Services Roundtable<sup>2</sup> (EFR).  
EFR assesses that « For internationally active groups, supervisory responsibilities no longer coincide with, nor are they suited to the reality of those groups. The institutional set-up of financial supervision in Europe currently is a patchwork of different and sometimes inconsistent regimes where responsibilities and procedures can be unclear ».  
EFR proposes a vision and the target that should be aimed : « The lead supervisor, which is the

<sup>1</sup> CP09 – Executive summary § 3 and Guidelines § 3

<sup>2</sup> « On the lead supervisor model and the future of the financial supervision in the EU – Follow-up recommendations of the EFR – June 2005 », issued with a press release on 29 June 2005

supervisor of the parent company, would be fully empowered to conduct the entire prudential supervision over all operations of a financial institution within the EU. The interests of the supervisors from the host member states should be taken adequately into account by their being represented in the college of supervisors ».

EFR highlights the challenge : « Optimising the environment for financial services providers in Europe is not only in the interest of the financial industry, but is of benefit to the EU's economy as a whole. In this respect, the system of financial supervision has an important impact on the competitive position of financial institutions. As competition in the financial industry is also becoming increasingly globalised, lawmakers and regulators must ensure that the supervisory regime does not put Europe's financial services providers at a competitive disadvantage vis-à-vis its peers elsewhere ».

7. “Target” assigned by CRD – Recital 11A new

The recital of the CRD and the review clauses highlight also that the target is the consolidated supervision

« The Directive should aim at requiring Member States to enable competent authorities to apply capital requirements on a consolidated basis and, where they deem this appropriate, additionally on a solo basis. This is without prejudice to a the wider review, as highlighted in the Commission's Green Paper on Financial Services Policy (2005-2010), concerning the way that credit institutions operating cross-border through branches or subsidiaries should be supervised in the future »<sup>3</sup>

8. CP09 target

Since the CAD CP3, huge progresses has been booked and the CEBS CP09 is a new step in the right direction. Nevertheless, there is still a large gap between the risk management of integrated cross-border institutions and the fragmented supervision. Therefore, the CP09 should express a clear and strong view on the targeted supervisory architecture.

## **B. Recommendations**

9. The environment under “Legislative background” and “The European Financial Market” should be completed with the “expectations” of European major cross-border banks, with the “target” as expressed in the recital of the CRD and the “implementation framework” as designed by the Green Paper. As a consequence of this, CEBS should confirm that it is fully committed to maximise the “consolidated supervision” within the framework authorised by the CRD and to prepare as far as possible the further evolutions towards application of the CRD primarily at consolidated level and towards a coordinated supervision under the leadership of the consolidating supervisor, the legitimate interest of the host supervisors being taken adequately into account.

## ***II. What are your views on the need for a co-operative framework among supervisors that is at the same time comprehensive and flexible ?***

### **A. Comments**

10. We fully support the aims of the legal and regulatory framework, the assessment concerning cross-border groups, and the goal of a comprehensive framework of cooperation which will ensure financial stability and adaptation to changing environment<sup>4</sup>  
Nevertheless, we think that CEBS's objectives should not be limited to prudential aims. They should be broadened to the removal of supervisory obstacles fragmenting the European financial single market, or handicapping European cross-border banks.
11. The experience of the last months has shown that convergence is not necessarily a natural trend<sup>5</sup>. At the contrary, we may fear that the complexity of the CRD framework and the divergence in implementation and interpretation will conduct to additional fragmentation of the European single financial market.

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<sup>3</sup> As expressed in the text approved by ECON in 13 July 2005

<sup>4</sup> CEBS CP09 § 6, 14 & 15

<sup>5</sup> We refer to the great disappointment of the banking industry on the CP04 (Corep), as expressed by FBE. The latest version of October 2005 lets appear that supervisors still fail to agree on convergent best practices, jeopardising the *CEBS – CP09 « Guidelines for co-operation between consolidating and host supervisors »*  
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12. The experience of previous CEBS consultative papers has also shown that “flexibility” is at odds with convergence and consistency. On one hand, CEBS recognises the evolution of cross-border risks of cross-border banks and is committed to develop a comprehensive framework of cooperation.<sup>6</sup> On the other hand, the general impression given by the wording of CP09<sup>7</sup>, and by the principle of flexibility is that the framework could be jeopardised by unsolved divergences between supervisors, or by the non application by a supervisor of commonly agreed practices.
13. We recognise and welcome that CEBS is committed to reach convergence, and we highly appreciate the progress already booked. But we are convinced that guidelines requiring consensus and application of those guidelines on voluntary basis will be insufficient to reach timely the assigned target. Same rules should apply to all supervisors. Divergence in implementation and national discretions should be eliminated.

## **B. Recommendations**

14. The CP09 should clearly state that the commitment of CEBS is to reach the highest degree of convergence allowed within the current regulatory framework and that the final target is the consolidated supervision conducted by the lead or consolidating supervisor, with the interests of the host supervisors being taken adequately into account.
15. The CP09 should clarify how an active monitoring by CEBS will measure and assess the progress towards the target; and how will be reached the “efficient, coherent, and cost-and resource-effective cross-border supervision for the benefit of both supervisory authorities and supervised institutions”  
The principle of “flexibility” should be removed, at least in its meaning of national discretion.
16. CEBS should elaborate on how to ensure that the commonly agreed common understandings, standards, best practices and guidelines are binding on all the European supervisors and that they are effectively and fairly applied.  
CEBS should also elaborate on how to solve divergences between supervisors, which impeach the adoption of the European supervisory best practices.

## ***III. What are your views on the description of the respective roles of consolidating and local supervisors within the proposed framework ?***

### **A. Comments**

17. The CP09 refers to the articles 129, 131 & 132 of the CRD, and the paragraphs 16 to 20 have to be read in this framework. Nevertheless, paragraphs 16 to 23 seem weaker than paragraphs 34 & following. Indeed, the first one’s apparently do not fully recognise the position of the consolidating supervisor<sup>8</sup>:
18. The cooperative framework and the repartition of tasks, as described in CP09, constitute a significant step forward. Nevertheless, it does not offer a solution in case of disagreement between supervisors or in case of uncooperative host supervisors.  
Institutions should not have to support additional workload and costs, just because supervisors don’t succeed to develop an integrated, risk-based and coordination approach to supervision.

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benefit for integrated cross-border banks of the “common reporting”, and creating an additional fragmentation in the European financial single market.

<sup>6</sup> CP09 - § 4, 14 & 15

<sup>7</sup> CP09 – Executive summary : « promote efficiency », « work together »)

<sup>8</sup> § 16 : In the first bullet is not indicated the leading role of the consolidated supervisor. Host supervisors should recognise that it is also in their interest that the lead supervisor supervises the consolidated level, and agree to co-operate with the consolidating supervisor.

§ 18 : The framework appears to be primarily an exchange of information on a voluntary basis. This target is clearly below the expectations of the banking industry.

§ 20 : This paragraph lets appear that the leadership of the consolidating supervisor is not fully recognised. Consolidating and host supervisors are on equal foot linked just by mutual interest.

19. For a specific cross-border institution, some host supervisors are more concerned than others are, due to the relative size and role of the subsidiaries active in their countries. CP09 does not differentiate between key host supervisors and less concerned supervisors. The rule of proportionality should apply.

## **B. Recommendations**

20. In line with the paragraphs 34 & following, the role of the consolidating supervisor should be fully recognised.  
We agree that the legitimate interest of each host supervisor has to be taken into account. Nevertheless, some kind of proportionality should be introduced. The college of supervisors with the key host supervisors under the leadership of the consolidating supervisor is one of the solutions.
21. We urge CEBS to recognise that the consolidating supervisor has a clear role in managing the process of solving disagreements. We ask to examine which practical arrangements can be made to facilitate and accelerate the solving of disagreements. Otherwise, the risk is great that the welcome CP09 could be jeopardised.

### ***IV. What are your views on the concept that supervisory co-operation should go beyond the mere exchange of information in order to enhance effectiveness ?***

22. Exchange of information is necessary, but not sufficient. The range of tools has to be much broader as explained in answer VII.

### ***V. What are your views on the suggestion that supervisors should, with the view on efficiency, consider the possibility to perform tasks on behalf of one another in strict respect of each other's powers and responsibilities ?***

23. After exchange of information, sharing of tasks is probably the second necessary step, but still insufficient. Sharing of tasks is the best way to avoid duplication both for the supervisors and for the banking group.

### ***VI. Do you see major risks for duplication of tasks under the proposed framework ? If yes, which are these ?***

24. It is difficult to predict how the framework designed by the CP09 will work in practice.  
CEBS was successful in some domains, such as precisely the CP09, to agree on a first set of common best practices and common processes, which will constitute the basis of further convergence and integrated supervision. But in other domains, such as CoRep, CEBS fails, showing that in some cases, a consensus between supervisors can not be reached on common best practices.  
The flexibility embedded in the CRD or in the CEBS papers allows too often that a national supervisor will not apply the commonly agreed best practices.  
The recent experience shows that the administrative burden for banks is not diminishing. On the contrary, each time that common understandings, standards or processes cannot be set up, the banking industry suffers of duplication of tasks and is paying the price of divergence.

### ***VII. Do you wish to make any comments or suggestions with regard to the considerations set out in this chapter ?***

#### **25. Broad set of tools**

CEBS considers the proposed guidelines as the starting point for substantial developments and we agree that those guidelines are a first step in the right direction. Nevertheless, we think that more can be done in the short time within the framework of articles 129, 131 and 132 of the CRD to maximise the cross-border supervision. In the next paragraphs, we propose to further reinforce some tools already raised by CEBS. We believe that some proposals could be implemented without delay. Other proposals need more time and should be integrated in a second step.

We are willing to contribute in due time to the further “substantial developments”, within the review of the level of application of the CRD.

## 26. Communication

We believe that the communication and the exchange of communication could be streamlined and the responsibilities better defined. There are two-ways dialogues between the consolidating supervisor and the supervised banking group's central functions, between the consolidating supervisor and the host supervisors, between the banking group's central functions and the management of the subsidiaries and between the local subsidiary and its local supervisor. Those four dialogues are all important and supporting each other. But they should not duplicate each other.

- Within the continuous dialogue between the consolidating supervisor and the supervised banking group, the banking group's central functions will explain and justify the implementation of the CRD within the banking group, including the local implementation in the subsidiaries and branches.
- Within the supervisors' information exchange, the consolidating supervisor will inform the host supervisors about the overall approach of the banking group and the implementation's parts concerning the host supervisor.  
The host supervisor will address to the consolidating supervisor, its questions about the overall approach of the banking group.
- Within the banking group, the central functions will make the local management fully aware and they will monitor and control the local implementation of the banking group's policy, approaches, models, roll-out, etc.  
The local management has to be fully aware of its responsibilities within the banking group, but also towards the host supervisor.
- In the host country, the dialogue between the host supervisor and the subsidiary, will be focused on the implementation within the subsidiary.

We are ready to further develop this approach and to illustrate it by case studies on basis of the experience of integrated cross-border banks.

We urge CEBS to develop as soon as possible a chapter on this critical topic to increase sharing of information and to avoid duplication of work for banks.

## 27. Sharing of tasks

The sharing of tasks between the consolidating supervisor and the host supervisors, or also amongst host supervisors will highly contribute to a coordinated and efficient supervision, and therefore eliminate duplicated works.

- The consolidating supervisor may delegate to the host supervisor the supervision of topics where the host is better placed to conduct an efficient supervision (including for instance the approval of a model in the framework of article 129).
- The host supervisor may focus on local implementation, when it is ensured that the consolidating supervisor has reviewed the banking group as a whole on all risks.
- The results of the supervision by the consolidating supervisor give to the host supervisors a robust framework. Host supervisor can then focus on the local implementation.
- The consolidating supervisor to build up a complete assessment of the banking group can integrate the results of the supervision by the host supervisors.

We believe that, as for "Information exchange"<sup>9</sup>, a table should be developed in the short time with the key tasks to be shared.

## 28. Delegation of responsibilities

The previous directive has already opened the possibility for a supervisor to delegate responsibilities or powers to another. This provision has never been used.

This provision is kept in the recasted directive, but the obstacles to its use have not been removed.

Delegation should be a powerful mean to build an integrated risk-based and coordinated approach to supervision and to avoid duplication of tasks.

Particularly in countries where the subsidiaries or branches of a banking group are non significant in the local market, or where there are no national depositors, the host supervisors might be willing to rely on the consolidating supervisor and avoid investing resources in the supervision of such subsidiaries.

Therefore, we urge CEBS to identify and assess the existing obstacles to the delegation, paving the way

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<sup>9</sup> CEBS CP09 after § 46

to the removal of those obstacles.

29. Mutual recognition

In the meanwhile that delegation of responsibilities or powers will be feasible, a shortcut could be used. Without giving up its powers or responsibilities, the host supervisor should rely on the tasks performed by other supervisors and on the overall assessment of the consolidating supervisor. He will be able to take the decision without having to perform additional tasks. A “qualification certificate” issued by the consolidating supervisor<sup>10</sup>, could facilitate the mutual recognition.

30. Memoranda of Understanding

With separate bilateral Memoranda of Understanding signed between the consolidating supervisor and each host supervisor, the supervised banking group has to cope with a patchwork of supervisory frameworks, possibly not consistent from one country to the other. This will create inconsistencies within the risk management of the banking group and add cumbersome administrative work.

To ensure a coordinated approach to supervision, the consolidating supervisor should sign one single multilateral Memorandum of Understanding with all the concerned host supervisors. This MoU should be tailored to a specific cross-border banking group.

We urge CEBS to agree in the short time on best practices for the setting up of multilateral memorandum of understanding tailored for each cross-border bank.

31. “Consultative process between supervisors”

We understand that the “consultative process between supervisors” as called in the CP09, is near of the concept of the “college of supervisors”, as generally called by the banking industry.

The positive results experienced by some cross-border banks<sup>11</sup> with “college of supervisors” shows that this also one of the powerful tools to implement an integrated approach to supervision. The consolidating supervisor, leading the “college of supervisors” has, among others, the task to create mutual trust between supervisors, to develop common understandings and assessments, to share the supervisory tasks between the consolidating and the host supervisors. The host supervisors get the opportunity to have a complete view of the banking group and to participate fully to the common understanding and the assessment.

We are convinced that “consultative process between supervisors”, under the leadership of the consolidating supervisor is one of the tools that CEBS should push.

32. Common understandings and European-wide best practices

Common understandings and European-wide best practices are, in our opinion, key factors of success for “an integrated, risk-based and coordinated approach to supervision”, whilst the banking groups are centralising their risk management activity. They will contribute “to promote efficient, coherent, and cost-and resource-effective cross-border supervision for the benefit of both supervisory authorities and supervised institutions.

We insist that the removal of the national discretions by commonly agreed identical decisions or by supervisory practical arrangements remain a top priority.

We insist also that the same rules receive, EU-wide, the same interpretation and the same implementation. Divergent interpretation or implementation should be systematically eliminated from the beginning by the setting up by CEBS of common understandings and European-wide best practices.

33. Transparency

Transparency in the implementation of the guidelines for cooperation between consolidating and host supervisors should be ensured by mean of the supervisory disclosures.

CP09 should clearly express that any non-application, or any divergent interpretation or implementation of the CP09 have to be disclosed in the framework of the “Supervisory disclosures”

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<sup>10</sup> As proposed by FBE in its response to CEBS CP10

<sup>11</sup> For instance : A cross-border working group constituted by CBFA, CSSF & DNB under the leadership of the consolidating supervisor CBFA meets at least quarterly with Fortis Bank. The whole Basel project (all pillars, all risks, all business units and legal entities of the whole banking group) is reported and assessed. This “college of supervisors” is working at the satisfaction of Fortis Bank and apparently also of the supervisors. It streamlines the supervisory cooperation and simplifies the workload.

34. Third countries

We understand that the mandate of CEBS is limited to the implementation of the CRD within the European Union. Nevertheless, we encourage CEBS to continue and intensify the dialogue with third countries, aiming to develop, where appropriate and feasible, common understanding and best practices.

**VIII. What are your views on significance of each entity within a group and/or within its domestic market as key elements, with a view on proportionality, for structuring the process ?**

**A. Comments**

35. SREP<sup>12</sup>

The application to the top consolidated parent undertaking fulfils the target of an integrated, efficient risk-based supervision. The application at sub-consolidated and solo levels requires that the guidelines are adapted to the way of operating of cross-border groups.

For instance, IG 4 should be read at level of the subsidiary as « The responsibilities of the management body should be clearly defined in a written document. They should include that the local management body is fully aware of the business objectives, risk strategies, risk profile and policies defined by the banking group and that the local management is fully responsible for the appropriate implementation in the subsidiary »<sup>13</sup>

Coordination under the leadership of the consolidating supervisor is vital to ensure the consistency of the local SREP within the consolidated SREP.

36. Significant subsidiaries<sup>14</sup>

We agree that significance or materiality have be assessed on both dimensions : the relative importance within the banking group and the relative size or role in the local market.

The CP10 stipulates that “it is the institution’s responsibility to justify permanent exemptions” and that “non-significant business units or exposure classes that are immaterial in terms of size and perceived risk profile can be permanently exempted from the IRB approach”<sup>15</sup>

“Materiality can be measured at the aggregate level, at the level of the individual portfolio/business unit or at both levels”<sup>16</sup>.

The CP09 stipulates the criteria for measuring the impact on the host local market in terms of market share and/or in terms of key role in specific local markets or local systems<sup>17</sup>

37. Divergence of view

“The consolidating supervisor and the host supervisor could have different view on the degree of significance or systemic relevance of the entities.” “Consolidating supervisors and host supervisors should have written arrangements”<sup>18</sup>

We would stress that article 129 should be fully applied :

- A cross-border bank will define group-wide own immateriality criteria in compliance with those defined in CP09 and CP10. It will apply its own criteria consistently top-down through the whole banking group.
- The cross-border bank will justify to its consolidating supervisor the defined immateriality criteria and the correct and efficient implementation within the group.
- The consolidating supervisor should review and possibly challenge the institution’s criteria and implementation in coordination with the concerned host supervisors. And the institution will, if appropriate, amend its criteria or improve the implementation.
- In case of dissent, it’s the responsibility of the consolidating supervisor to take the final decision.

We believe that this approach is the only one to ensure the consistency and efficiency of the internal risk management of the banking group. This approach will also ensure an integrated, risk-based and coordinated approach to supervision.

<sup>12</sup> CEBS CP09 § 27 & 28. See also ABB-BVB response on CP03 Revised –Pillar 2

<sup>13</sup> See also Belgian ABB-BVB response to CP03 Revised

<sup>14</sup> CEBS CP09 § 29 & 30.

<sup>15</sup> CEBS CP10 § 112 & 115

<sup>16</sup> CEBS CP10 § 118. The criteria in CP09 § 30 seem not be not entirely in line with CP10

<sup>17</sup> CEBS CP09 § 30

<sup>18</sup> CEBS CP09 § 29 & 34

## **B. Recommendations**

38. The CP09 should ensure the consistency between CP's and confirm :
- The definition and the implementation of the non-significance or non-materiality criteria are the responsibility of the institution.
  - The institution has to justify those criteria, including the compliance with those stipulated in CP09 and CP10. It has also to prove that they are correctly implemented.
  - The consolidating supervisor will review and challenge them, in coordination with the concerned host supervisors.
  - The validation process, including the criteria and their implementation, occur within the framework of article 129 CRD.
39. CEBS should encourage and monitor the conclusion of written multilateral Memoranda of Understanding. We insist that those Memoranda should be multilateral, tailored to a specific cross-border banking group, aiming a coordinated and efficient supervision of the whole banking group.
40. The CP03 Revised should clearly state the role and responsibilities in case of dissent between the consolidating supervisor and a host supervisor :
- CEBS is responsible for enacting best practices and to ensure a convergent interpretation of those best practices.  
We urge CEBS to have the needed tools to monitor how the process is working in practice, such as peer groups.
  - The determination of significance or materiality has to be in the best interests of all the supervisors, but also of the institution's group itself. The needed mechanisms should be in place to avoid that a supervisor argues about significance just to enhance its own political standing.
  - The consolidating supervisor is responsible to solve cases specific to a banking group, in the framework of the common best practices and the interpretation given to them by CEBS.<sup>19</sup>

### ***IX. What are your views on the proposed approach to assess significance ? Do you want to make any suggestion as to improve this approach ?***

41. See answer to question VIII.

Same approach, similar "significance" criteria, same processes will be applied as for subsidiaries.

### ***X. What are your views on the general description of the process as set out in the tables above ? Does it depict a logical, workable and comprehensive approach ?***

#### **A. Comments**

42. We find appropriate the distinction between subsidiaries and branches. We support the guidelines overarching the practical cooperative framework. Those guidelines are much more in line with the expectations of the banking industry and with the final target of consolidated supervision than the 34 first paragraphs.  
We think that the tables give a clear repartition of the responsibilities and tasks between the consolidating supervisor and the host supervisors and that they define a clear process. The next years will show if this framework is working efficiently. Possible issues will have to be identified, assessed and solved.
43. We consider the information exchange as the first step and we welcome the proposed guidelines. Nevertheless, the information flow should be clarified, as explained in answer VII

#### **B. Recommendations**

44. The supervision will have to evolve substantially to remain in line with the European single financial market, with the new framework created by the CRD and with the development of integrated cross-border banks. We expect many difficulties and shortcomings. We will need an organisation and tools to follow-up those difficulties and shortcomings, aiming to identify and assess them, to adjust the supervisory framework and processes.

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<sup>19</sup> See also CP08 – CEBS role and responsibilities § 60.



We would invite CEBS to dialogue with the banking industry, which will live the difficulties and shortcomings and will pay for the duplication of tasks.

45. As soon as progress is booked on the items quoted in answer VIII, the tables should be enriched.

**XI. Do you see additional potential for streamlining the process of co-operation, under the present legal provisions ? What suggestions do you wish to make in this respect ?**

46. See answer to question VII.

**XII. What are your views on the general description of the process as set out in the tables above ? Does it depict a logical, workable and comprehensive approach ?**

47. See answer to question X.

**XIII. Do you see additional potential for streamlining the process of co-operation, under the present legal provisions ? What suggestions do you wish to make in this respect ?**

48. See answer to question VII.

**XIV. Do you see any serious obstacles to the smooth process of model approval stemming from the proposed tasks executed by the consolidating supervisor and the host supervisors ? If yes, what are they and how to remove them ?**

#### **A. Comments**

49. We believe that the practical framework for the model approval and the included tables are an adequate tool to develop an integrated risk-based and coordinated supervision.

50. Even if read with § 66, the § 67 may be confusing, creating the feeling of an opposition with the position of the EFR, with the expectations of the banking industry, and even with the recital of the CRD.

The implementation of the CRD requires that the ways that the national supervisors are conducting the supervision have to be completely reviewed and adapted to the framework created by CRD and the evolving European single financial market.

We should distinguish between the target<sup>20</sup> and the possible limitations of the mandate of CEBS and of the current national regulations.

51. While we fully agree that the supervisors, under the leadership of the consolidating, should aim to reach a consensus, we fear that the wording of §77 could be read as a watering down of the CRD article 129. We think that a realistic scenario is that one or more local supervisors could dissent. We think that the worse scenario can not be excluded : the one or the other could be not willing to cooperate and to accept group-wide positions; or a host supervisor should want to “compensate” in the Pillar 2 what he has not got in Pillar 1.

52. Aiming to have the most efficient risk management, a credit institution allowed to be in IRB and/or AMA will continuously improve its organisation, processes and tools : data sourcing and data quality, models, systems, usage, policies, ... The consolidating supervisor, in coordination with the host supervisors, will on an ongoing basis, review and evaluate those improvements and possibly issues warnings or “red flags”. The “Step 6 – Ongoing process” may be understood as not covered by article 129 CRD.

We fear that in the daily supervision process, the scope of Article 129 CRD could be restricted or that the responsibilities attributed by the CRD to the consolidated supervisor could be watered down.

53. An integrated cross-border bank will introduce one single joint application for IRB and/or AMA in name of the ultimate parent entity and of all the subsidiaries concerned. The consolidating supervisor will communicate the joint decision.

The bank will probably have one centrally managed system for the calculation of the Minimum Required Capital and for the supervisory reportings : one single repository or datawarehouse, one single calculator, one straight through processing for the reporting to the several supervisors. Therefore, it's vital that there is no national hurdle.

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<sup>20</sup> See answers to previous questions, particularly I and II

## **B. Recommendations**

54. The “Practical framework (model approval)” should be reworded, particularly §§ 67 & 77.
55. “Step 6-Ongoing process” should clearly be within the process of article 129 CRD.
56. CP09 should clearly state that integrated cross-border banks are allowed to have centrally managed systems for the calculation of the Minimum Required Capital and for the reportings to the concerned supervisors.  
CEBS should be committed to remove the national hurdles.