



CEBS work on Pillar 2 and medium-term agenda

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(P2CN)

CEBS

Committee of European
Banking Supervisors

Outline

1. Introduction to CEBS
2. Role of CEBS
3. CEBS current work on Pillar 2 issues
4. Pillar 2 Convergence Network (P2CN), its current work and medium-term agenda

Introduction to CEBS

- Committee of European Banking Supervisors (CEBS) – Level 3 Committee according to the Lamfalussy framework
- CEBS established in 2003, started work in 2004
- High level representatives from the banking supervisory authorities and central banks of the EU
- 27 Member States, observers from 3 EEA countries, the EU Commission, the ECB and the Banking Supervision Committee of ESCB (European System for Central Banks)
- Chair: Kerstin af Jochnick (Finansinspektionen)

Role of CEBS

- Advise the EU Commission, either at the Commission's request, within a time limit which the Commission may lay down according to the urgency of the matter, or on the Committee's own initiative, in particular as regards the preparation of draft implementing measures in the field of banking activities
- Contribute to the consistent implementation of Community Directives and to the convergence of Member States' supervisory practices throughout the Community
- Enhance supervisory co-operation, including the exchange of information

CEBS work on Pillar 2

- CEBS work on Pillar 2 issues is allocated to various subgroups of the Groupe de Contact:
 - Cross-border aspects of Pillar 2, including scope of application, home-host supervisory cooperation etc – Sub-group on Operational Networks (SON)
 - Liquidity risk management, including answers to EU-COMM's CfA on liquidity – Liquidity Task Force (LiqTF)
 - Technical aspects – Pillar 2 Convergence Network (P2CN)

CEBS work on Pillar 2: ECM examination project

- In addition to topical work on Pillar 2 CEBS members undertake a joint examination project, led by individual colleges of supervisors
- Assessment of Economic Capital Models of a sample of cross-border banking groups:
 - assessments carried out by joint supervisory teams
 - detailed results and assessments presented individually to consolidating supervisors
 - summary report to be addressed to CEBS with anonymised and aggregated information, identifying possible supervisory issues that require further analysis by the competent CEBS working group
 - summary report is expected to be ready in early 2009

Introduction to P2CN

- Technical group with well-balanced mix of policy and supervisory expert
- 29 members from 25 countries
- Groups started its work in October 2007 – 8 meetings and one workshop with industry since then
- Reports to Groupe de Contact, chaired by Jukka Vesala (FIN-FSA), and then to CEBS
- Chaired by Nick Lock (UK-FSA)

P2CN work in progress

Currently addressing:

1. Diversification effects under Pillar 2
2. Concentration risk, and the possible need for revision of existing CEBS guidelines. Focus on:
 - Enlarging scope and interpretation of the definition of concentration
 - Compiling a list of possible questions (similar to diversification paper)
 - Assessing the range of existing supervisory practices to identify “good practice”
3. Risk Assessment Systems, and how national approaches interact with the SREP

P2CN medium-term agenda

- Focus on supervisory practices under SREP and recommendations to supervisors, including:
 - Supervisory approaches to stress testing under Pillar 2
 - Supervisory approaches to treatment of interest rate risk in the banking book
 - Supervisory approaches to treatment of business/strategic risk
 - Common understanding on high-level assessment criteria of ECMs used for ICAAP purposes
 - Supervisory approaches to (economic) capital allocation within the ICAAP framework
- Work on ECM assessment criteria and capital allocation postponed to 2009 (due to delays in ECM examination project)
- *Please note that the detailed CEBS work programme and priorities are currently being discussed by CEBS*

Questions?

Questions and comments?



Thank you!

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