Febelfin

Mr. Giovanni Carosio
Chairman
Committee for European Banking Supervisors (CEBS)
Tower 42 (level 18)
25 Old Broad Street
London EC2N 1HQ
United Kingdom
**By email:** cp34@c-ebs.org

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Brussels, 12/04/2010

**CP 34, Operational functioning of colleges, Febelfin comment**

Dear Sir,

Febelfin, i.e. the Federation which regroups four trade associations from the Belgian financial industry[1], welcomes the opportunity to express its views on the consultation document mentioned above.

We welcome and support the proposed guidelines. In our view, the operational functioning of colleges should be underpinned by an effective supervisory framework with clear decision-making procedures. We take the view that all matters of prudential group supervision (i.e. pillar 1, pillar 2 and reporting) should be discussed within the college with an aim to reach a joint agreement. If no consensus is possible, it should be for the consolidating supervisor to decide. Lasting material disagreements could be brought before the European Supervisory Authorities for binding dispute settlement.

We are also of the opinion that he respective roles of the college, CEBS/EBA and the European Systemic Risk Board should be clearly defined. Finally, we agree that the college is the appropriate body to address the risks of an individual group.

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[1] The following trade associations are constituents of Febelfin: the Belgian Bankers' and Stockbroking Firms' Association (ABB/BVB); the Professional Union of Credit Providers (UPC/BVK); the Belgian Asset Managers Association (BEAMA), the Belgian Leasing Association (BLA). In addition, the following federations have joined Febelfin as associate members : the Belgian Private Banking Association, the Belgian Private Equity and Joint Venture Association. Equally, other financial market infrastructure providers, such as Euroclear, SWIFT and Euronext have taken the status of associate members.

Our more detailed comments can be found in the annex of this letter. We hope these remarks will be taken into account. Please do not hesitate to contact our services and our working group, should you want any further information.

Yours sincerely,

Michel Vermaerke
Chief Executive Officer

Daniel Mareels
General Manager

Enclosure

cc. Mr. Jean-Paul Servais, Chairman, Banking, Finance and Insurance Commission.

**CP 34, Operational functioning of colleges, Febelfin comment, annex**

**General remarks:**

Colleges are only useful if they are part of an effective supervisory framework with clear decision-making procedures. We take the view that all matters of prudential group supervision (i.e. pillar 1, pillar 2 and reporting) should be discussed within the college with an aim to reach a joint agreement. If no consensus is possible, it should be for the consolidating supervisor to decide. Lasting material disagreements could be brought before the European Supervisory Authorities for binding dispute settlement.

Several issues raised by the guidelines are also relevant in other discussions. These issues should be tackled in a consistent, non-duplicative way:

**Guideline 1: To structure the college in accordance with the organization, scale and complexity of the group, the consolidating supervisor should map the group's entities. This mapping should be reviewed at least annually.**

We agree that this is an important exercise and believe that it would contribute to increasing the transparency of group structures and thus help reduce the need for special measures aimed at complex financial institutions.

**Guideline 50: In assessing the risk profile of the group, the college members should assess macro-economic or financial developments as well as sectoral vulnerabilities that may impact the financial situation of the group. This macroprudential assessment should also identify risks specific to the group that may have a systemic impact on the financial system.**

The respective roles of the college, CEBS/EBA and the European Systemic Risk Board should be clearly defined. We agree that the college is the appropriate body to address the risks of an individual group.

**Guidelines 58-64: Planning and coordination of supervisory activities in emergency situations.**
We agree that the college is the appropriate body to coordinate crisis management action vis-à-vis an individual group.

**Specific remarks:**

Para. 31: We agree that the involvement of non-EEA supervisors in the college should not adversely impact the functioning of the EU college. The opposite is true as well: The functioning of the EU college should not unduly hinder the functioning of the global college (e.g. by attributing a major role to CEBS/EBA).

**Guideline 11: As the chair of the college, the consolidating supervisor should take the lead in its activities. He should draw-up the organization of the college, its agenda, timeline and action plans with the objective of enhancing group-wide supervision.**

**Guideline 14: The consolidating supervisor should organize a meeting of the general college at least annually. The core college should have as many meetings as needed to fulfil its tasks.**
**Guideline 18: Under the coordination of the consolidating supervisor, and with due regard to the CRD provisions, each member of the colleges should exchange essential and relevant information for the performance of the other members' tasks.**

We agree that the consolidating supervisor should take the lead in college activities, including exchange of information, and that CEBS/EBA should participate as observer.

**Guideline 23: The members of the college should coordinate, to the greatest exten possible, information requests to the parent company and to the local entities of the group.**

We agree that college members should (at least) coordinate information requests to the parent company and the local entities. In this context, we also recall that the CRD calls for uniform formats, frequencies and dates of reporting by year-end 2012.

**Guideline 24: In general, the consolidating supervisor should be responsible for the communication with the parent company and the host supervisors should be responsible for the communication with locally licensed entities.**

We welcome the envisaged multilateral meetings between the college members and the senior management of the supervised group. We also support para. 128, which provides that the consolidating supervisor should inform the group of supervisors' findings on the group's models and send the group's comments back to the supervisors. This procedure should be extended to all college activities.

**Guideline 26: Sharing and/or delegation of tasks between supervisors within a college should be considered whenever it leads to more effective and efficient supervision, such as avoiding the duplication of tasks, the optimization of supervisory resources and expertise and removing unnecessary burdens for the supervised institutions.**

We welcome the fact that delegation of tasks is recommended ('should be considered'), not just allowed. We call upon CEBS/EBA to also work on the delegation of responsibilities, as envisaged in para. 90.

Para. 149: We regret that CEBS is not more critical about the fact that different supervisors will use different types of evaluation processes, e.g. with a different emphasis on qualitative and quantitative judgments. Without prejudice to the conclusions to be drawn by supervisors, at least they should have a common basis for their evaluation.

Para. 175: We strongly support the assertion that host supervisors should consider in their analysis of the capital adequacy of subsidiaries "the support or guarantees coming from the group and the level of capital of the group as a whole".

Para. 180: We agree that, if a joint agreement can be reached on capital adequacy, it is the parent institution's duty to implement the decision at all group levels.

Para. 193: We strongly support the assertion that supervisors should acknowledge that "while capital has an important role to play in the mitigation of risks it may not always be the sole or best solution to mitigating risk" and that, accordingly, "supervisors should give due weight to the application of qualitative measures which are applied by an institution within its ICAAP".

**Guideline 51: Under the coordination of the consolidating supervisor, the college of supervisors should draw up a coordinated supervisory action plan for the entire group that is, for the parent company and the main activities/entities within the group.**

We agree that a coordinated supervisory action plan should be drawn up for the entire group, under the coordination of the consolidating supervisor.