

## **Minutes of the Tenth Consultative Panel meeting on 23 October 2007 in Lisbon**

### **1) Introduction**

The tenth meeting of the Consultative Panel was held in Lisbon and hosted by Mr. Joao Salgueiro, Portuguese Banking Association.

- The minutes of the last meeting as well as the agenda were approved by the Panel. Minutes of the May meeting (*CPL 2007 24*, has been published on the CEBS website <http://www.c-eps.org/CPL.pdf>)

### **2) Election of Chair**

Freddy Van Den Spiegel (Fortis Bank), current Chair of the Panel, was appointed for a new term of two years to chair the Consultative Panel.

### **3) Update on CRD implementation**

The European Commission could not participate at the Consultative Panel meeting; Andrea Enria, Secretary General of CEBS, updated the Panel on the recent developments and planned amendments to the Capital Requirements Directive (CRD). CEBS has been informed that the Commission will submit a comprehensive package of proposed amendments to the CRD in 2008. CEBS' advice in some areas (e.g., large exposures and own funds) is expected to feed into the Commission's proposals. In order to respect the timeline set by the Commission, the Secretary General informed the Panel that CEBS will have to shorten the consultation period to two months and a half (from early December 2007 to late February 2008).

### **4) Discussion on the tensions in the financial markets / sub-prime crisis**

Mme Danièle Nouy, Chair of CEBS informed the Panel members on the discussion held by CEBS regarding the tensions triggered by the sub-prime crisis in the US. CEBS acknowledged that the events were still unfolding and that rushing to regulatory responses risked being part of the problem instead of contributing to the solution. CEBS discussed the possible need to refocus some work streams and/or open new areas of work to tackle issues highlighted by the crisis. It was agreed that first the analysis has to be developed, understand better the lessons to be extracted from recent developments, and then think to the possible implications for regulators and supervisors.

Panel Members stressed the need to avoid rushed regulatory responses and acknowledged that this is an appropriate timing to do an inventory and an evaluation of what could be learnt from the crisis. Before any regulatory action or legislative changes are undertaken, a clearer picture of the current weaknesses

should be drawn, including in particular the role of rating agencies, supervisory aspects and transparency. Some members argued that regulatory responses would be inappropriate, as market participants are already changing behavior to amend weaknesses highlighted by the crisis. The Chair of the Panel suggested preparing a paper on reactions of bank management to the recent turmoil; CEBS would be very interested in such an analysis. It was agreed that a drafting team of Panel members would be set in order to prepare a note for the February 2008 meeting of the Consultative Panel. The Secretariat will shortly send out the invitation to interested Panel members to establish small drafting team who would prepare the discussion paper on behalf of the Panel.

#### Liquidity

The European Commission is extending the deadline for CEBS' technical advice on liquidity risk management until the mid 2008. CEBS is determined to move ahead with supervisory solutions as soon as possible.

### **5) Update on the national implementation of the supervisory disclosure framework**

CEBS monitors and made an assessment of the state of play of the national implementation of the supervisory disclosure framework in the Member States and the Panel was updated on the progress made. It was noted that the progress made so far is not sufficient enough to ensure the best functioning of the framework, therefore the CEBS Secretariat is preparing letters to each member identifying the areas where further progress is needed. The Chair of CEBS asked the Panel members to assist and look at their national website for shortcomings.

*The Commission has previously informed the Panel that there will be an analysis carried out on the CRD transposition plans in the Members States (MS). It was said consultants will start preparing an in-depth analysis checking the status of CRD transposition in the 27 MS. The report will published by December 2007.*

### **6) CEBS contribution to the Lamfalussy Review**

CEBS Chair informed the Panel about the finalization of CEBS' contribution to the debate on the Lamfalussy review. The draft note has been distributed to the Panel, with a view to collecting feedback before closing the document and sending it to the Inter-Institutional Monitoring Group and other relevant EU committees. The note is still being revised, so Panel members are kindly invited not to circulate it further.

Freddy Van Den Spiegel, Chair of the Panel (who is also a member of the Inter Institutional Monitoring Group (IIMG)), updated the Panel members on the recently published report. Mr. Van Den Spiegel briefed on the discussion such as how supportive it was on the Level 3 work, but also mentioned that there is an ambiguity of the work of the Level 3 Committees and there is a need to clarify it. There is a gap between the speed of market changes and the pace of progress in supervisory convergence, which implies that even if progress is achieved in convergence of supervisory practices, the gap with respect to expectations is widening. Some members argued that in future more substantial changes to the legal setting will be needed. Other stressed that a lot of changes are already taking place and further adjustments, for instance to achieve "hard" convergence in some areas, would not be welcome by part of the industry. Some members have flagged that the implementation of projects,

such as CRD, MiFiD, SEPA are very burdensome for banks and the financial architecture would need to avoid overregulation.

### **7) Operational Networks: progress made and possible developments at the end of the pilot phase**

The statement on the range of practices for the functioning of colleges was sent to the Panel for discussion. On the basis of the identified range of practices, CEBS is developing a template for written agreements, pursuant to article 131 of the CRD. The paper should be published, with the indication that it is not to be intended as a guideline, but as a description of the range of practices encountered so far, which will be further refined and updated over time.

It was noted that host supervisors' requests for confidential information on the group might raise confidentiality issues and even meet with legal constraints. It was also asked whether the practices could be developed to allow for a single contact point for the group in communicating with the college of supervisors. No specific comment was raised on the draft statement; Panel members could provide written comments, if any.

#### **Issues List**

The Panel confirmed the relevance of the issues highlighted by the platform for operational networking. It was pointed out that there are some priorities that would require urgent feedback: among those, the list of central counterparties, the risk weighting for sovereigns and remittance dates. Some members stressed the need to address quickly liquidity risk issues, in particular concentration in funding sources. CEBS representatives stressed that some issues raised by the platform have a more political nature and call for answers which go beyond the powers of supervisory authorities (e.g., request for a lead supervisory model). It was also pointed out that from CEBS perspective the timeframe requested on some of the issues is not realistic.

#### **Coming evaluation of SON**

The pilot phase of SON is coming to an end and CEBS will soon decide whether and how to further develop the project. Some Panel members suggested an expansion of the sample of banks. Emphasis was put on the need that the project demonstrates its ability to deliver practical solutions.

**8) National discretions:** The questionnaire was published on CEBS website for a three month period, which ended on 27 October 2007. The responses to the Consultation Paper (questionnaire) on national discretions are published on the CEBS public website ([http://www.c-ebs.org/advice/optionsND\\_response.htm](http://www.c-ebs.org/advice/optionsND_response.htm)). After processing the input gathered in the questionnaire, CEBS intends to start its dialogue probably through a set of meetings with industry experts. Panel members requested that a summary of the answers to the questionnaire is drafted. Some also pointed out that it would be interesting to have a clear mapping of additions made at the national level, although this should probably be visible through the framework for supervisory disclosure.

### **9) Pillar 3:**

The members of the Consultative Panel and their experts are invited to take part in all working groups. Further discussion has been postponed.

#### **10) 3L3 agenda:**

Together with CESR and CEIOPS, CEBS is now finalising a cross-sector medium term work programme for the next three years, which will be issued for public consultation in the coming weeks. The main topics proposed for joint 3L3 work are (i) home host cooperation and delegation of tasks, (ii) competing products (especially for CESR and CEIOPS, focus on consumer protection rules for similar insurance products and investment funds), (iii) credit rating agencies, (iv) internal governance, (v) conglomerates and (vi) valuation of financial instruments.

#### **11) Update on “Technical advice to the Commission on third country supervision”**

CEBS representatives updated the Panel on the progress achieved in this area: information has been collected through questionnaires to US and Swiss authorities on consolidated and supplementary supervision of respectively banking groups and financial conglomerates. Clarifications are still sought with US and Swiss supervisors, which brought to a postponement of the original deadline until end January 2008.

Some Panel members stressed the concerns on the level playing field issues with US investment banks under the responsibility of the SEC. As an example the more accommodating treatment under Pillar 3 was mentioned. Questions were raised also with reference to the SEC's attitude towards the Basel proposals on incremental default risk charges in the trading book. Some members of the Panel will provide input on this issue.

#### **12) Planning and prioritization of CEBS work programme and also 3L3 work programme for 2008**

Panel members stressed the importance of some work streams (e.g., economic capital modelling and reconciliation with regulatory capital). It was also requested that for each topic the deliverable is clearly identified and the degree of finalisation of the work is also mentioned. The Panel agreed to undertake a prioritisation exercise to help CEBS preparing its work programme for 2008. It was agreed that the table to be prepared for this exercise will also include a field asking panel members whether they consider appropriate to establish working groups of industry experts on specific topics, as there was no time to discuss this issue during the meeting. Panel members suggested referring to working groups instead of standing groups, as they should not be considered as permanent structures. CEBS representatives made clear that the composition of the industry groups will be such as to gather the best technical experts and ensure appropriate balance in the composition. Industry associations will also be involved in the process, together with CEBS members.

During the meeting the following items have not been discussed because of time constraints. Should Panel members have any further comments to the items below, please let the CEBS Secretariat know about it by end November.

- a) Consultation practices: finalizing the guidelines CP01rev and setting up of groups for technical dialogue with CEBS experts
- b) Large Exposures
- c) Reporting Frameworks
- d) Implementation of Francq recommendations
- e) Prudential Filters
- f) Own Funds

**Proposed meeting dates in 2008:**

The following dates have been proposed to the Panel as future meeting dates for 2008.

- **19 February (Stuttgart)** *informal dinner on the 18<sup>th</sup> of February*
- **14 May (London)** *informal dinner on 13<sup>th</sup> of May*
- **21 October (Paris)** *informal dinner on 20<sup>th</sup> of October*

The following members and observers of the Panel were present:

Freddy Van den Spiegel (Chair); Joao Salgueiro, Richard Desmond; Dr. Klaus-Dieter Kremkow; Christian Lajoie; Herbert Pichler; Demetrios Lefakis; Mariusz Zygierewicz; Klaus Willerslev-Olsen; Michel Bilger, Andrew Cross, Bertrand de Saint Mars, Ralph Ricks, Nils-Fredrik Nyblaeus, Jose Maria Alvarez Cedron; Davide Alfonsi; Volker Heegemann (observer); Walburga Hemetsberger (observer); Wilfred Wilms (observer), Anders Karlsson (observer).