



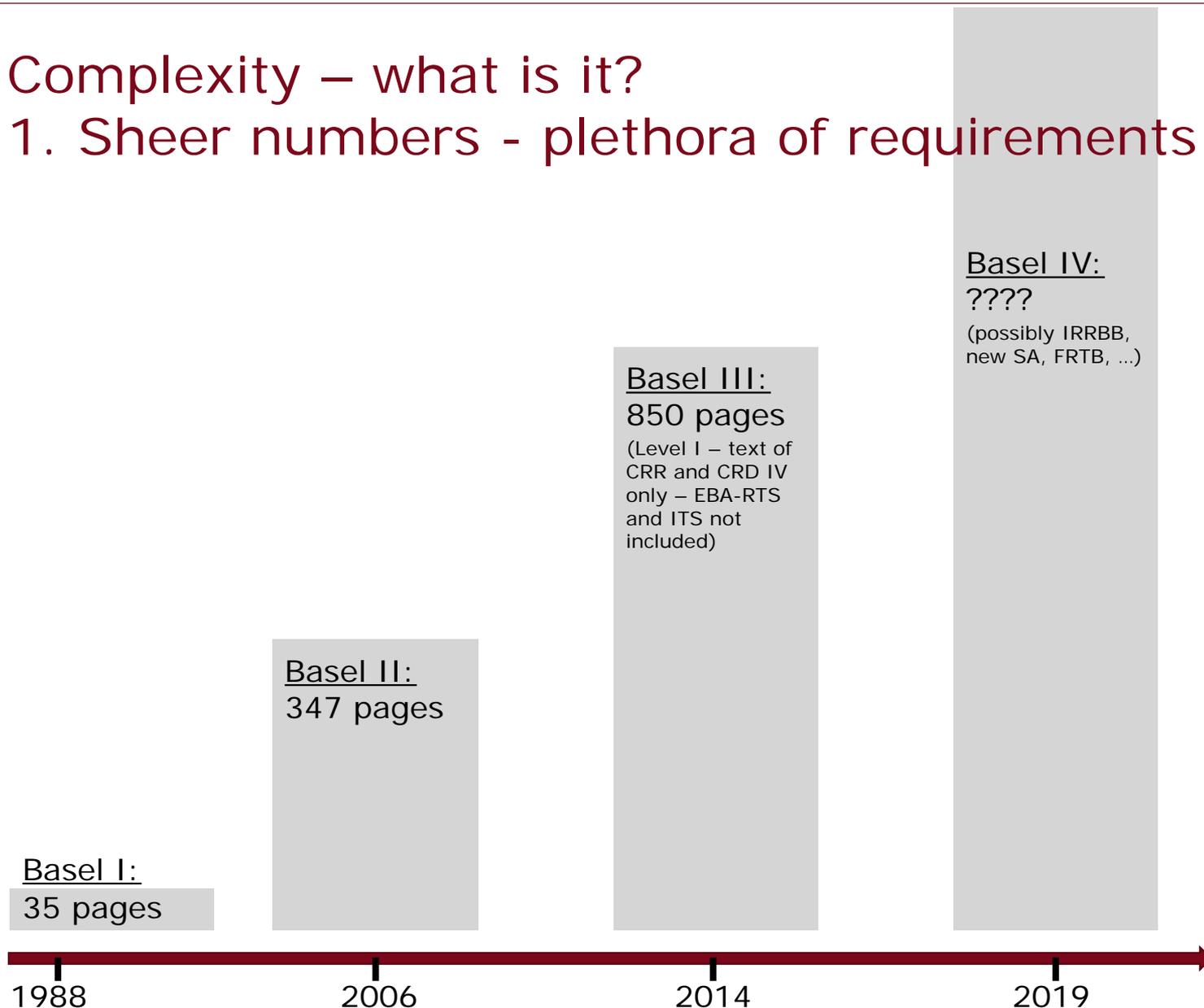
Proportionate Supervision through reduced Complexity

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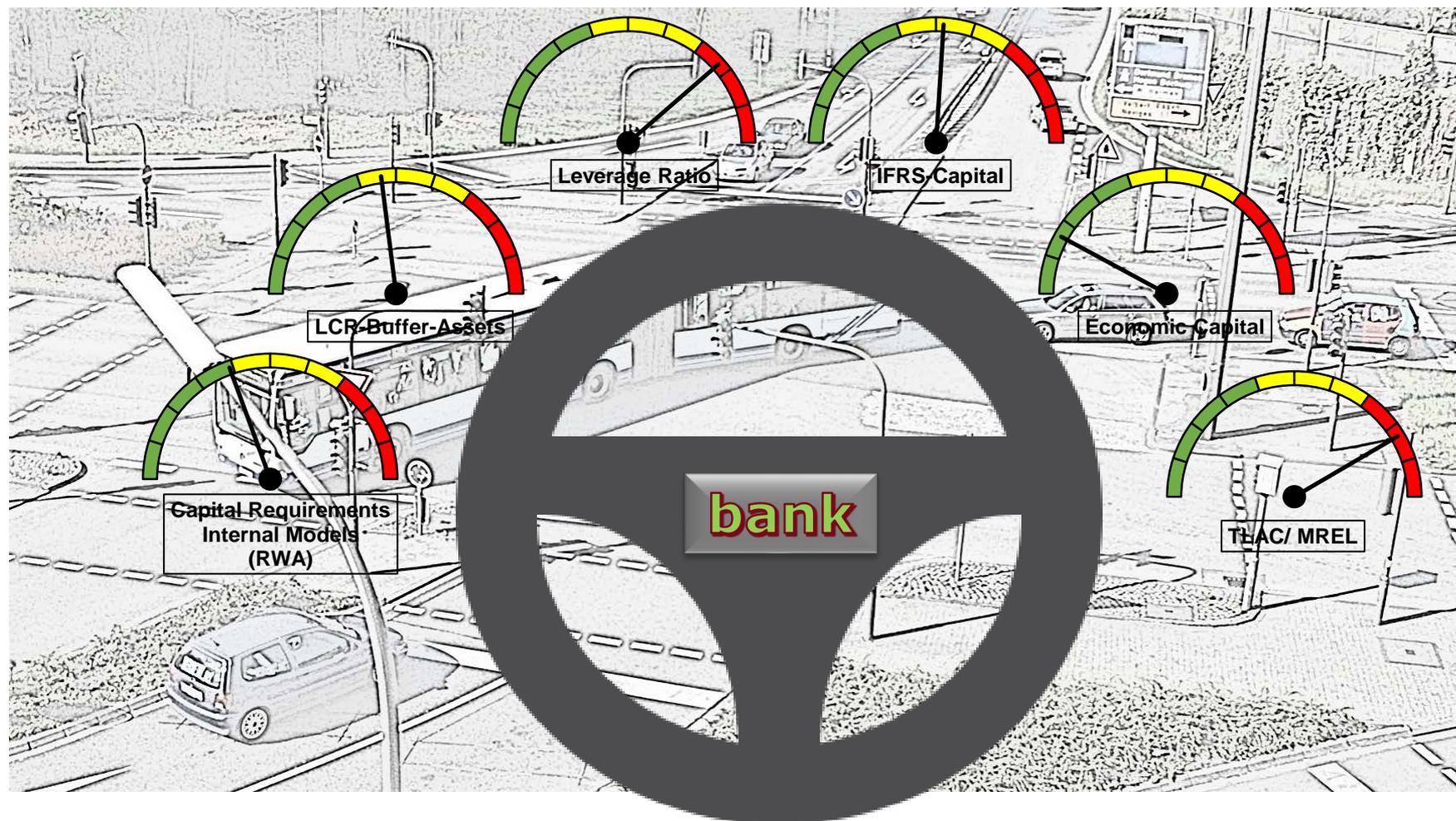
Complexity – what is it?

1. Sheer numbers - plethora of requirements



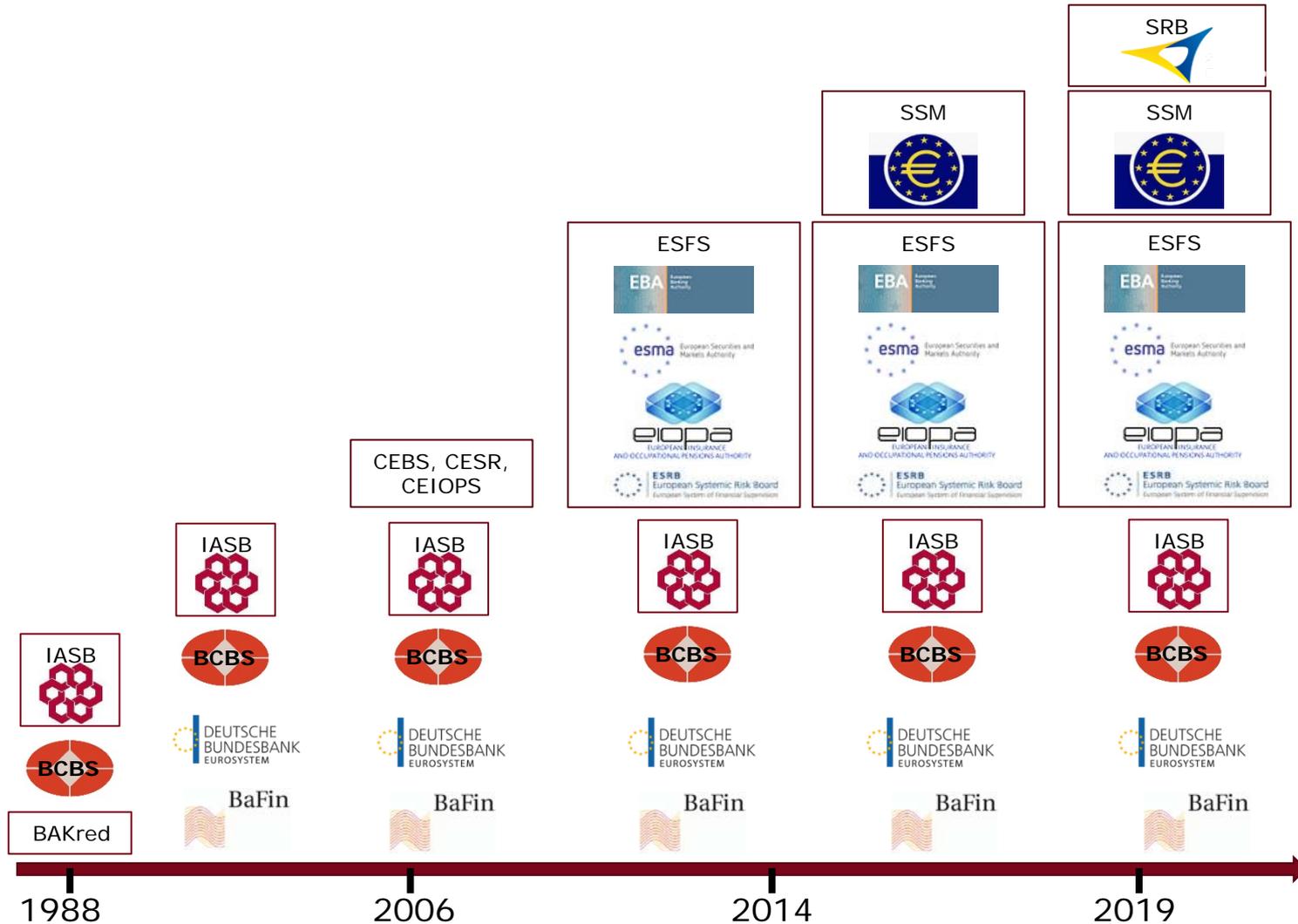
Complexity – what is it?

2. Divergence of regulatory measures

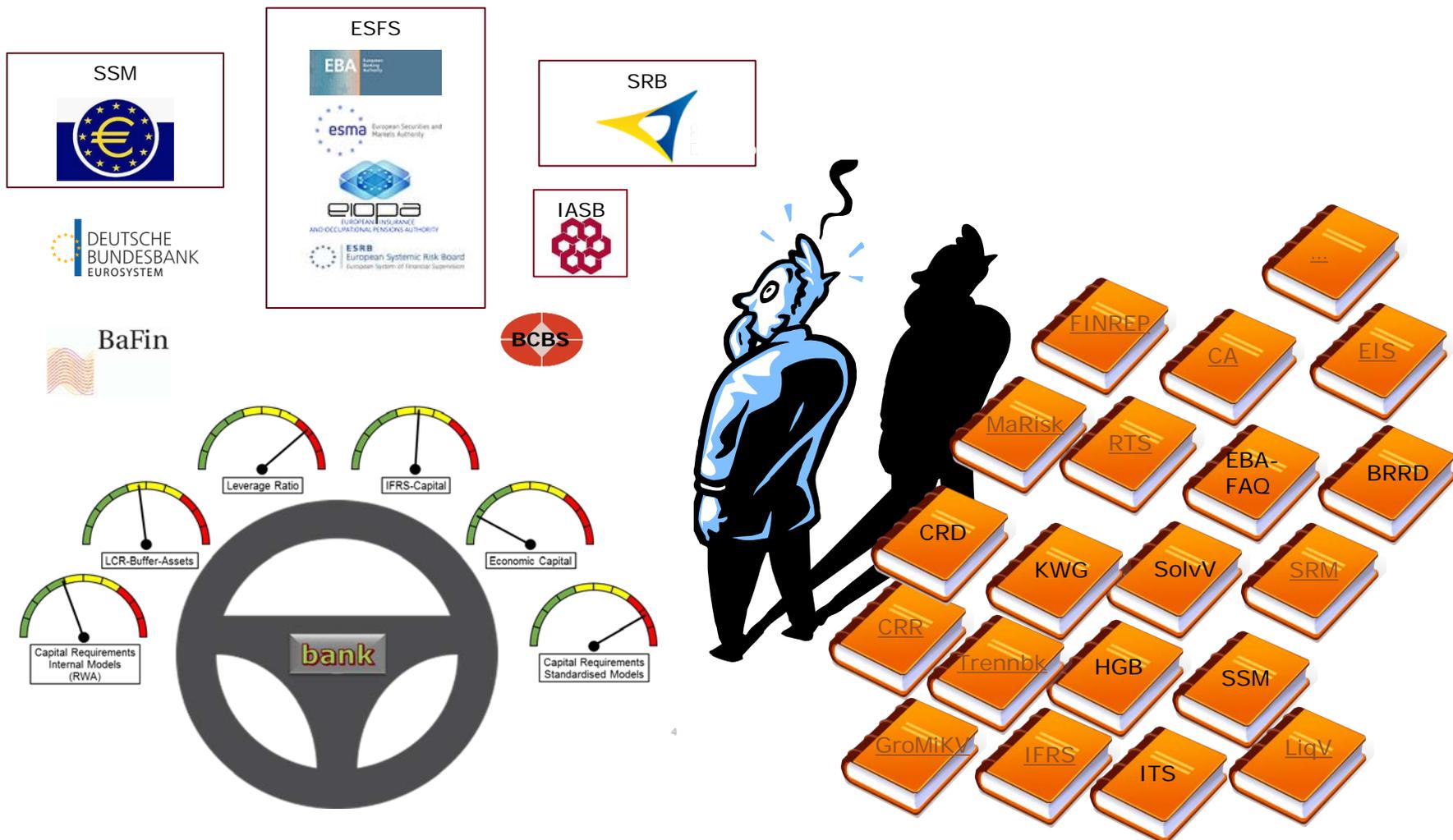


Complexity – what is it?

3. Number and lack of coordination of standard setters



Are banks and supervisors still able to handle the complexity – or is financial stability at risk?



Reducing complexity improves proportionality



Simplification is needed

- to make regulatory **landscape** more **comprehensible**;
- to **limit** the enormous costs caused by more and more **measures** and heterogeneous regulatory landscape;
- to **give** banks the **ability to survive** in the marketplace and supply the business sector with financial services.

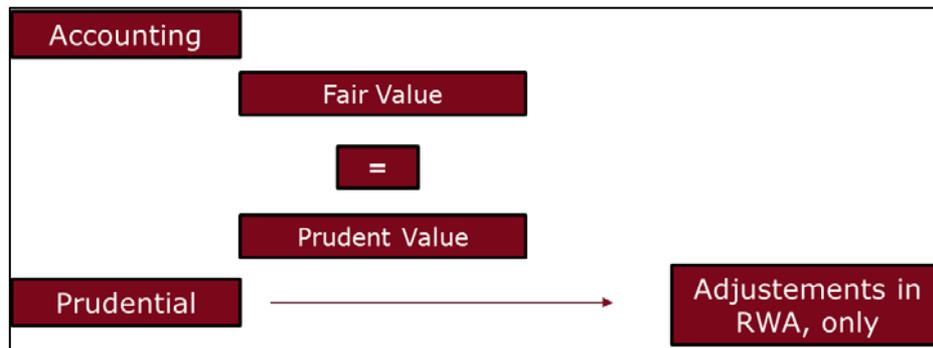
Simplification is not **lowering capital** requirements **but**

- taking a closer look at ways and means of **harmonizing** different **prudential requirements** and **aligning accounting and prudential standards**.

Reducing complexity improves proportionality

1. Align regulation – e.g. ...

- All stakeholders should use the same terminology and develop a common understanding of the different aspects of regulation.
- Diverging impulse from the same regulatory framework, e. g.: LCR-Buffer-Assets vs. Leverage Ratio needs to be assessed
- Accounting and prudential valuation methods should be largely uniform. Different “fair values” and “prudent values” confuse supervisors, management and investors.



- Reporting for regulatory purposes should be harmonised, giving due regard to accounting standards.

Reducing complexity improves proportionality

2. Streamline standard-setting process

Improving the regulatory standard-setting process will avoid further increase in complexity

when new standards are drafted, more attention should be paid again to proportionality, materiality and a principles-based approach

„Front running“ should be avoided:
Ongoing discussions like in the BCBS on IRRBB should not be implemented early – leading to double implementation

ESAs need to stick to their mandate –
e. g. rulemaking on IRRBB has to be done on level 1

rulemakers should make a point of examining interplay with and impact on other areas of regulation

stakeholders should be consulted adequately at an early stage

Association of German Banks

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