

The background features a vertical orange stripe on the left. To its left, there are stylized blue and green lines forming a grid-like pattern. Three large, semi-transparent blue stars are positioned vertically on the left side, with the middle one being the largest and most prominent.

The European Compliance Conference TECC – European Banking Supervision

Kerstin af Jochnick, Chair of CEBS

Vienna, 2 April 2009

CEBS

Committee of European
Banking Supervisors

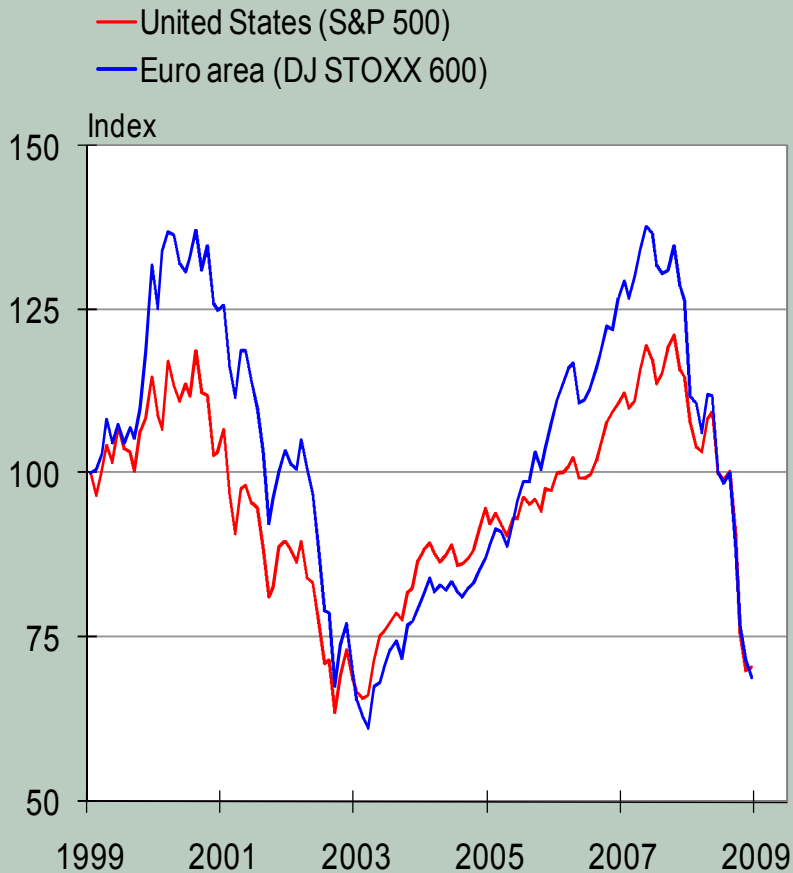
Outline

- The financial crisis
- The de Larosière report
- CEBS work on convergence
 - ✓ *Colleges*
- Tools for regulatory harmonisation
- CEBS work in response to the crisis
 - ✓ *Remuneration*
- Conclusions

Financial crisis

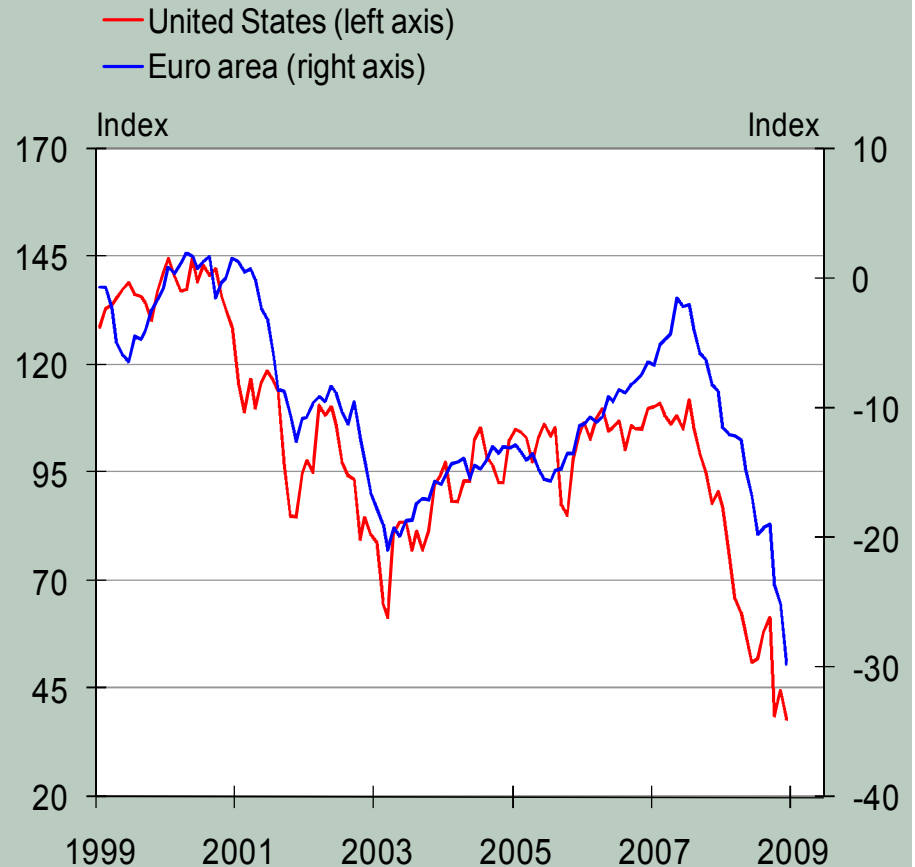
Financial markets and economies are interconnected globally

Stock indices



Source: Bloomberg.

Consumer confidence

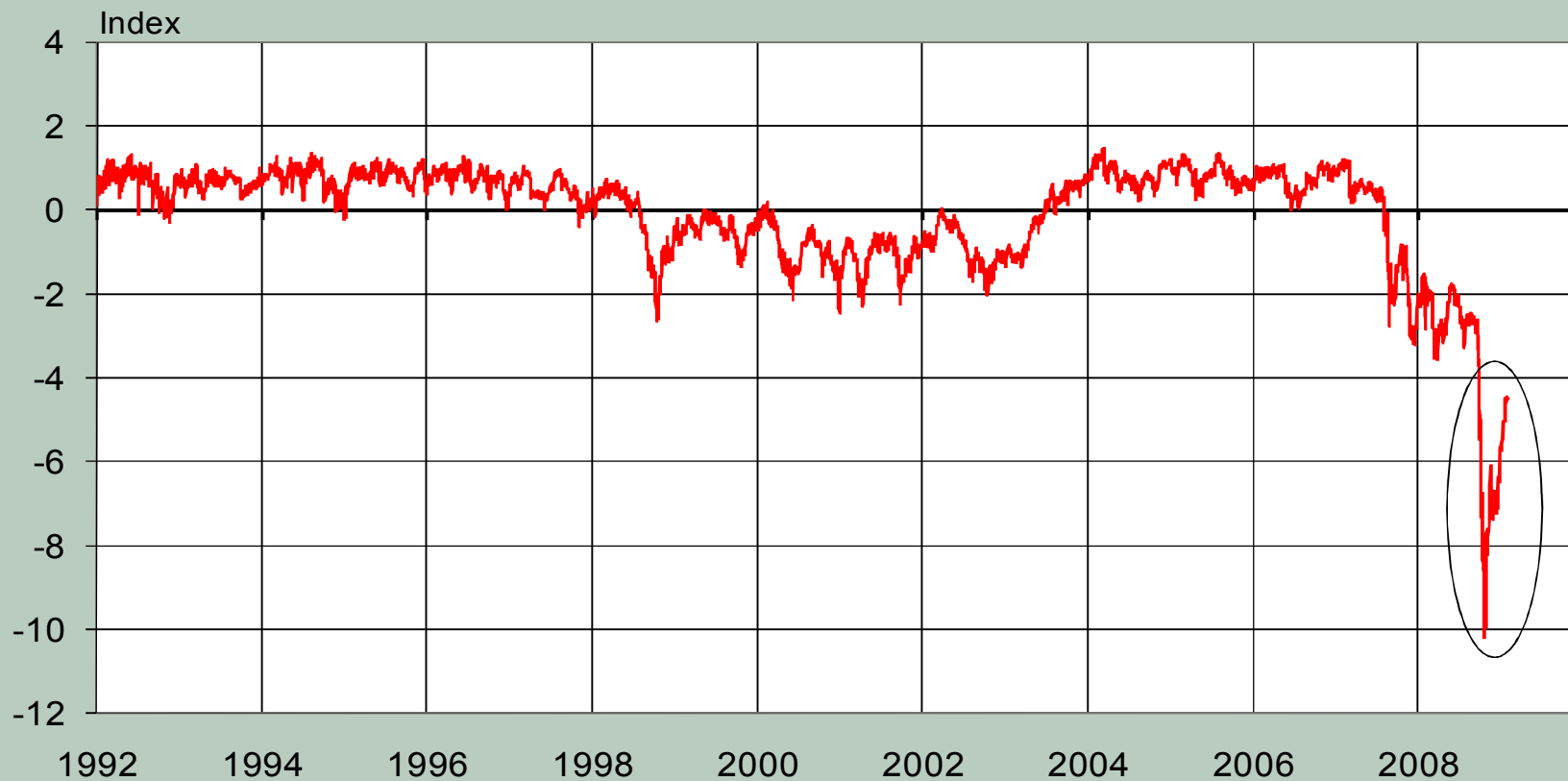


Source: Bloomberg.

Financial crisis

Financial market conditions in the U.S.

— Overall index on the conditions in the money, fixed income and stock markets

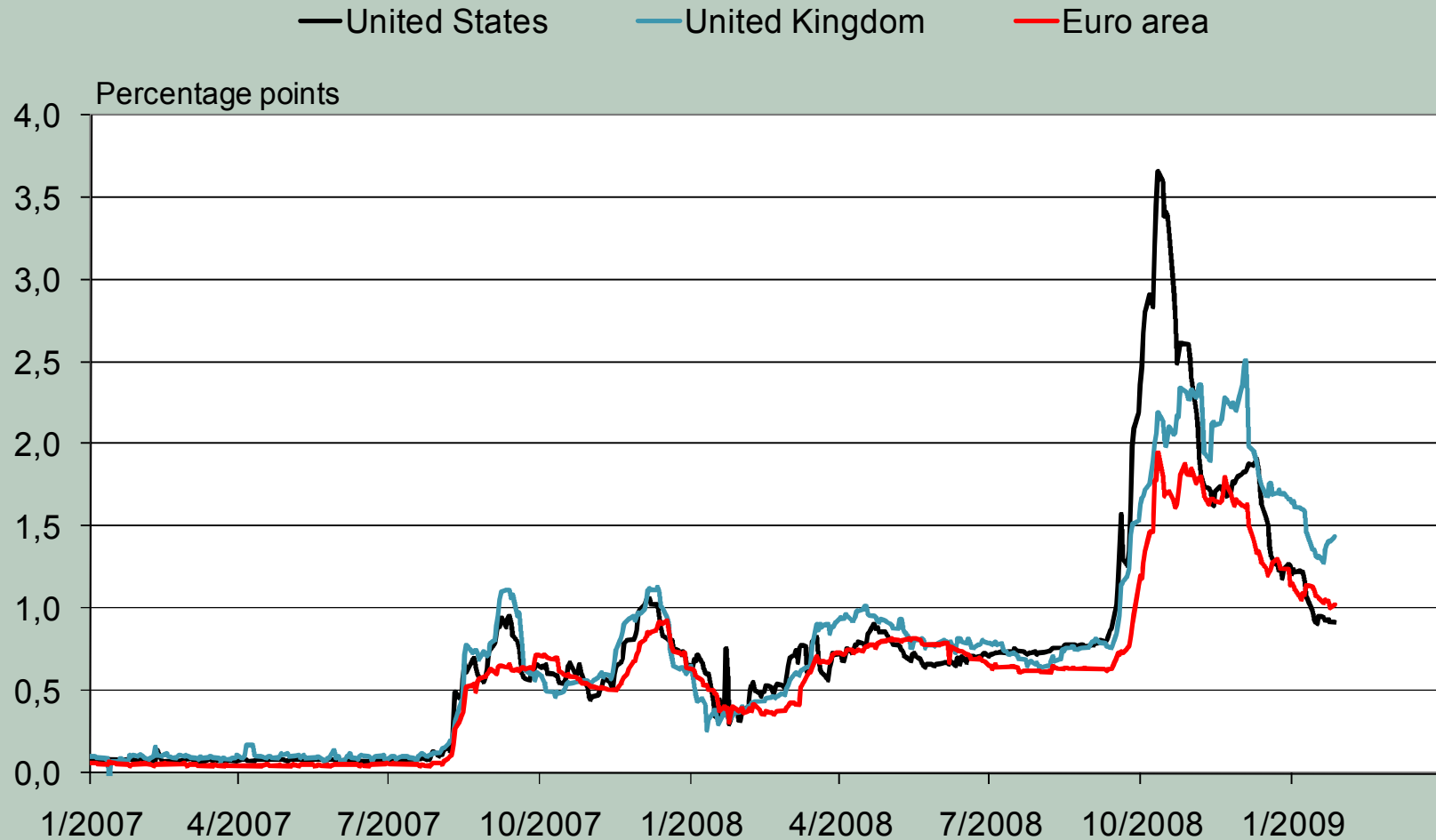


Source: Bloomberg.

* Index shows how many standard deviations the current market conditions differ from the 1992-2009 average.

PTMO/MP

Financial Crisis – Risk premia in the interbank market



Source: Bloomberg.

* Differences between Libor/Euribor and OIS rates

PTMO/MP

The de Larosière report (1)

- The link between macroeconomic and regulatory policy
- Establishing a European Systemic Risk Council,
- Correcting regulatory weaknesses
- Consistent set of rules in EU
- Corporate governance reforms
- Crisis management and resolution
- Establishing a European System of Financial Supervision

The de Larosière report (2)

CEBS supports

- Harmonised set of core rules
- Upgrading and strengthening of macro prudential supervision
- Colleges as the core structure for coordinated and aligned cross border supervision
- Peer reviews for quality assurance
- Strengthened role of host supervisors
- Strengthened role of 3L3 Committees

The de Larosière report (3)

Key challenges

- Mechanism to bring about regulatory convergence
- Balance between the roles and responsibilities of the EU versus national authorities
- Creation of a coherent and workable framework for crisis management in EU, including criteria for burden sharing
- Balance between accountability and independence of the new authority

CEBS work on convergence

Tools developed by CEBS

- Supervisory culture
- Common toolkit
- Colleges

CEBS work on convergence – Colleges (1)

- Guidelines on home-host cooperation (Jan 2006)
- Range of practices paper (Dec 2007)
- Template for written agreements (Jan 2009)
- Joint principles (CEBS/CEIOPS) for supervisory colleges (Jan 2009)
- High-level practices paper (April 2009)

CEBS work on convergence - Colleges (2)

CEBS priorities

- Agreed list of major cross border banking groups in EU
- Regular follow up and monitoring
- Aim for 2009
 - ✓ *To have colleges in place for each group on the list*
 - ✓ *To have MoUs in place*
 - ✓ *To have a good planning of supervisory activities*

Tools for regulatory harmonisation

- Peer review mechanism
- Supervisory disclosure framework
- Mediation mechanism

CEBS work in response to the crisis

- CRD – gaps, pro-cyclicality and capital buffers
- Liquidity risk management
- Transparency and valuation
- Remuneration
- Risk management

CEBS work in response to the crisis-Remuneration

- Take into account business strategy, risk tolerance and long term interests
- Transparent internally and adequately disclosed externally
- Management body responsible
- Performance related remuneration should not be based just on individual results
- Relation between base pay and bonus should be reasonable

Conclusions

- Contribute to restoration of confidence in financial markets
- Contribute to the improvement of the EU supervisory architecture
- Enhance the regulatory harmonisation
- Move further on European convergence of supervisory practices



CEBS

Contacts:

CEBS – <http://www.c-ebs.org>

Kerstin af Jochnick

Chair of CEBS

Kerstin.Jochnick@c-ebs.org

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