Regulatory Panel – Outstanding Policy Issues

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CEBS’ aim and key objectives

- **Aim**
  Sound technical advice based on best banking supervisory and market practices, and enhance financial stability

- **One of its key objectives**
  Work towards the safety and soundness of the financial system by adopting best international supervisory practices and encouraging its members to adopt these in a convergent and consistent manner
**Drivers for Change**
- Cross-border activity
- Consolidation
- Centralization
- Outsourcing
- Diversity

**CEBS**
- Single Reporting Framework for BII
- Operational Networks
- Home-host guidelines
- Pillar II Clarification
- Supervisory Disclosure
- Pillar I work (Validation, AMA)
- Crisis Management (with BCS, FSC)

**Common Supervisory Culture**

**Single Market**
- End-users
- Pan EU Banks
- Small Banks (LPF)
CEBS’ work on CRD implementation

- CRD provides unprecedented opportunity for CEBS to make progress in meeting its objectives.
- **Mean**: promoting a common culture and consistent approach to banking supervision.
- One (non-binding) tool is *developing guidelines* in relation to forthcoming EU legislation.
- Strong incentive to share the burden by working together, exchanging ideas and pooling resources.
Joint Working Group on Validation

- JWGV's mandate proposals for convergence on the implementation and validation of AMA and IRB approaches, with the aim of elaborating guidelines
- Five Workstreams: WS 5 on operational risk
- Focus of the work so far: interpretation of the implicit national discretions dealing with IRB and AMA matters
JWGV guidance

- Addressed to supervisors
- Inform institutions about supervisory expectations
- Neutral on the extent to which supervisors perform their own assessment of validation
- Contain minimum requirements

Consistency with the work of the AIGOR
J WGV time schedule

Three phases

1. Deliver guidelines going out to consultation in mid 2005

2. More in-depth guidance on specific issues

3. Longer term, without fixed outcomes or timelines, designed to further understanding and share experiences
Workstream 5 - AMA Road Map (Examples)

- Partial use
- Allocation methodology
- AMA application
- Documentation
- AMA four elements
- Use test
- EL/UL