

Structures of International Supervisory Cooperation: Supervisory Colleges and MoU with third Countries

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International/European Supervisory Cooperation (1)

**Regulatory consequences drawn
from financial crisis**



Banks

Banking supervisory authorities

**Increase of regulatory standards
in particular higher capital,
liquidity and risk management
standards**

**Revised/enlarged framework for international/
European cooperation of banking supervisory
authorities in supervision of cross-border
banking groups**

Rationale:

Cross-border cooperation as essential government response to increased globalisation and Europeanisation of banking business, developments triggered by

- **deregulation and liberalisation of financial markets and**
- **creation of single European market and European passport for banking services**

Instruments:

- **bilateral Memoranda of Understanding between countries**
- **multilateral institution-specific Memoranda of Understanding between supervisory authorities**
- **supervisory colleges**

International Supervisory Cooperation (1)

G 20 Leaders Declaration, Summit on Financial Markets and the World Economy, Washington, November 15, 2008

Action Plan on “Reinforcing International Cooperation”:

“Supervisors should collaborate to establish supervisory colleges for all major cross-border financial institutions, as part of efforts to strengthen the surveillance of cross-border firms. Major global banks should meet regularly with their supervisory college for comprehensive discussions of the firm’s activities and assessment of the risks it faces.”

“Regulators should take all steps necessary to strengthen cross-border crisis management arrangements, including on cooperation and communication with each other and with appropriate authorities, and develop comprehensive contact lists and conduct simulation exercises, as appropriate.”

International Supervisory Cooperation (2)

Ongoing supervision

- **Establishment of supervisory colleges for largest international banking groups almost finalised**
- **Adoption of eight „good practice principles on supervisory colleges“ by Basel Committee on Banking Supervision in October 2010**
(www.bis.org/publ/bcbs177.pdf)
 - Principle 1: College objectives
 - Principle 2: College structures
 - Principle 3: Information sharing
 - Principle 4: Communication standards
 - Principle 5: Collaborative work
 - Principle 6: Interaction with the institution
 - Principle 7: Crisis management
 - Principle 8: Macroprudential work

International Supervisory Cooperation (3)

Crisis prevention / Crisis management

- **Adoption of „Principles for Cross-Border Cooperation on Crisis Management“ by Financial Stability Board in April 2009 (www.financialstabilityboard.org/publications/r_0904c.pdf)**
- **Establishment of Crisis Management Groups (CMG) „alongside core colleges“**
 - In preparing for financial crisis authorities will inter alia:
 - develop common support tools (key data list, common language for assessing systemic implications)
 - meet at least annually to consider together specific issues and barriers to coordinated action what may arise in handling severe stress at specific firms
 - share a set of minimum information on the specific firms
 - encourage firms to maintain contingency plans and procedures for use in a wind-down situation
 - In managing a financial crisis, authorities will inter alia
 - strive to find internationally coordinated solutions
 - share national assessments of systemic implications
 - share information as freely as practicable

European Supervisory Cooperation (1)

Ongoing supervision

- **Establishment of supervisory colleges according to Capital Requirements Directive II as part of EU's former "evolutionary supervisory framework"; Committee on European Banking Supervisors' (CEBS) non-binding "Guidelines on Operational Functioning of Colleges" and "Guidelines on Joint Risk Assessment and Joint Decision Making"**
- **Establishment of EU's new supervisory architecture whereby consolidating supervisor is assisted by European Banking Authority (EBA) which**
 - adopts binding technical standards inter alia on functioning of colleges
 - establishes central college websites
 - has right to call college meetings and to participate
 - resolves – with binding effect – disputes between national supervisory authorities in a college

European Supervisory Cooperation (2)

Crisis prevention / Crisis management

ECOFIN conclusions May 18, 2010

ECOFIN agrees “that the current EU coordination framework for crisis prevention management and resolution between EU and national financial supervisory authorities, central banks and finance ministries should be further enhanced following a pragmatic approach and that the following components should underpin this EU framework:

- the establishment of Cross Border Stability Groups (CBSGs) by mid 2011 These CBSGs should be set up for all large EU cross-border financial groups, retaining flexibility at the national level for the operational set-up of such structures, especially avoiding overlaps or duplication with analogous groups set up within the FSB framework
- CBSGs should be provided with common tools to enable effective coordination between the national authorities involved in a crisis, in particular:
 - operational criteria and principles for ex post burden sharing ...
 - Recovery and Resolution Plans (RRPs) ...

Thank you for your attention!

