

**JOINT ASSOCIATIONS' RESPONSE TO  
EUROPEAN COMMISSION CONSULTATION ON  
CRD POTENTIAL CHANGES**

**SUPERVISORY ARRANGEMENTS**



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## **Supervisory Arrangements**

### **Summary**

Firms seek an efficient, non-duplicative set of supervisory arrangements. Arrangements must be suitable for all groups, whether global or regional and regardless of the nature, scale and complexity of their business. Arrangements cannot cater merely for groups whose activities are based only in the EU. Or only for the EU sub-group of a global group, without regard for the rest of the world. In order to achieve this, the Commission proposals must separate out the concepts of (1) Consolidating Supervisor, which is valid for purely EU activities, and that of (2) Colleges of Supervisors, which entails participation by and cooperation with the wider international community, where no single legislative authority has complete jurisdiction. This can be substantially achieved by a re-ordering of the textual provisions.

### **Firms' objectives**

Firms are increasingly organised across national boundaries and supervisory arrangements need to reflect this to ensure both the effectiveness of supervision in Europe and the competitiveness of the European industry. Firms have two priority needs in respect of their supervisory arrangements. First, supervisory arrangements need to be efficient, organised and non-duplicative. Secondly supervisory arrangements need to be global where the structure of the group demands it. Supervisory arrangements must be able to address the nature, scale and complexity of the worldwide group, not merely groups or sub-groups whose activities are based only in the EU. The EU needs to offer proposals that will accommodate, on the one hand, the EU structures where EU legislation has jurisdiction over the competent authorities and the industry entities, and on the other hand structures where there are non-EU entities.

### **Importance of a workable global dimension**

All the significant cross border groups have global/non-EU interests. Therefore the international, non-EU dimension of supervisory cooperation arrangements is critical. It is essential to ensure that the legislation applying to the EU interests of a global group will work efficiently and effectively with global arrangements. EU arrangements

have to be organised in such a way that they do not create obstructions to the flow of information or to the effective conduct of supervisory tasks elsewhere.

In particular, the EU framework should not encourage any duplication of arrangements at international level – ie a “parallel EU” framework. If the EU structure deters non EU regulators from wishing to participate in EU colleges and instead encourages third Country regulators to establish a separate set of arrangements, then the EU proposals will have failed.

The objective is to ensure that EU arrangements can and do work seamlessly with international partners. The EU is one of the most important players in the wider global community and as such must take its responsibilities seriously to create the conditions that will allow and encourage regulators and industry to organise supervisory arrangements effectively and efficiently. Legislation, either in the EU or elsewhere, can only go so far as there is no authority that has legal jurisdiction everywhere. Effective supervisory arrangements must rely on cooperative agreements and mature partnerships. But this is not to say that there is no space or utility for legislation. Individual EU authorities and firms active in the EU can benefit from clarity in terms of their expected rights and duties.

### **Need for efficiency**

Resources are limited both for the industry and for the supervisory communities. Efficiency and effectiveness are therefore at a premium. As with so many areas of regulation, “one size will not fit all” and it is important that the supervisory and college arrangements are capable of being tailored to fit the needs of the different kinds of financial groups to which they will be applied. Not to do so would be to create additional burdens and risks on both industry and regulator.

It is necessary to identify the proper role and function of Colleges and other forms of collective and collaborative supervisory arrangement and then identify the most suitable manner for obtaining and disseminating information and allocating (where appropriate) any tasks or cooperative efforts. In practical terms, firms would favour arrangements that would permit smaller, more efficient, sub-groupings of “core” supervisors coming together to manage certain tasks and issues, and believe that the UK HMT proposals of sub-groups within a College of Supervisor mechanism should be able to provide for this outcome. The drafting of the Commission

proposals (third paragraph of Article 6(b)) is compatible with such practical arrangements. In particular firms would resist any attempt to write the detailed workings of supervisory cooperation arrangements into legislation.

### **Necessary amendments to CRD Proposals**

To achieve the objectives set out above, the proposed CRD text must separate out the concepts of ‘Consolidating Supervisor’ and ‘College of Supervisors.’ The two concepts are different. The first relates to situations where EU legislation can influence the distribution of powers and responsibilities based on EU location. The second concept – that of Colleges – requires ensuring that EU authorities are equipped to respond to and cooperate with Colleges of Supervisors regardless of whether the group head office is located inside or outside of the EU.

While the current drafting is a commendable attempt to introduce a structure that will allow Colleges of Supervisors and other supervisory relationships to flourish, as presently drafted the proposed CRD amendments will fail to deliver firms’ needs and our suggestions seek to remedy this.

We have, in addition, two further proposals to suggest. First that it is timely to press for dialogue on the powers of the EU home state consolidating supervisor (ie applying to the EU consolidation) and second that the CRD text should be explicitly amended to deliver a group application of Pillar 2 assessment. In order to be wholly effective, Pillar 2 should be able to be applied on a global group basis, and therefore the option should exist to permit the EU supervisors to cooperate with third country supervisors (whether these supervisors are of a branch, subsidiary, or of the global parent entity) to achieve a group application of Pillar 2.

### **Colleges of Supervisors**

We welcome the introduction of the concept of Colleges of Supervisors into the CRD legislation. The Colleges of Supervisors will enhance the global supervisory understanding of a group, and facilitate cooperative and collaborative activity. This view is consistent with views expressed, among others, by the Financial Stability Forum, ECOFIN, as well as by the European Commission. It is important to stress, for the sake of absolute clarity, that Colleges of Supervisors do not amend, affect or alter the powers or responsibilities of the participating supervisors.

In order to be effective, the provisions discussing the purpose, form and function of Colleges therefore need to be kept clear and distinct from the provisions that deal with concepts of Consolidated Supervisor. We recognise that there will be many similarities between the operation of Colleges and of the Consolidating Supervisor arrangements but the needs of the two concepts are different and need to be differently spelled out in order to ensure maximum clarity and avoid confusion. In order to share our understanding of the role of a College of Supervisors and what it should try to achieve, therefore, we have set out our views below. We would be very happy to discuss our views at greater length.

#### *Role and Purpose of Colleges of Supervisors*

- ? Information collection and exchange;
- ? Establishing and co-ordinating supervisory programmes;
- ? Increasing the efficiency of supervision by removing duplication;
- ? Facilitating any voluntary delegation of tasks between supervisory authorities.

#### *Membership*

- ? In principle, all supervisors of the global group should have access to the College. It would be difficult to facilitate efficient information flow, consistency of approach and effective supervision if individual supervisors were excluded. Additionally full access to the College may assist in spreading best practice in supervisory techniques and in fostering more of a common supervisory culture as identified in the Franq report.
- ? It is recognised that not all regulators would necessarily wish to participate heavily, if at all, in all possible colleges if, for example, there were significant resource constraints, or if the firm's presence in their jurisdiction was not considered to be significant in terms of the group's overall balance of business or was not significant in terms of the potential systemic impact the firm could have in that jurisdiction. Nonetheless, there should not be any prohibition placed on a supervisor from putting itself forward for consideration.

#### *Principles for Colleges of Supervisors*

Principles on which Colleges of Supervisors could be based are best addressed at an international level, such as Basel or the FSF, but the EU could advocate the

following principles to be taken into account when constructing and operating Colleges:

- ? the size and complexity of the group or the credit institution in question;
- ? that those activities are necessary to facilitate more effective supervision; and
- ? the efficient use of resources.

#### *Essential Operational Issues*

- ? Colleges of Supervisors do not alter the decision making powers, or other powers and responsibilities and accountability of the participating supervisors.
- ? There must be no obstacles preventing EU supervisory authorities from participating in Colleges of Supervisors. Indeed firms may, on occasion wish to encourage a supervisor to participate if a branch or entity that is significant in scale or function to the group is located in a particular jurisdiction. It may be necessary to ensure this ability through legislation.
- ? The precise mechanics of a college should not be prescribed in legislation.

With respect to the last point, it is important for the college itself to determine the most workable configuration for any particular group, for two reasons.

First, it is important not to reduce the likelihood of third country supervisors wishing to participate in a college because the EU supervisors are operating under rigid legal restrictions in terms of what they may or may not agree to.

Second, it is only by determining the form and operational details of the Colleges on a case by case basis that the needs of groups whose nature and scale of business varies considerably can be taken appropriately into account. No single template will be able to take account of the balance of a group's business, the dispersion or otherwise of its interests, the scale and complexity of its activities. Some groups will have over one hundred supervisors, others may have less than six. The scale of commercial activity by a group in a Member State will be an important factor for the firm as well as for the relevant regulators. The Colleges need to have self-determination in order to achieve any efficiency. In this context we recommend that the EU institutions explicitly debate whether there is a need for a de minimis cut off point, below which the activities of a firm are of insufficient scale/significance to

warrant the resource expenditure of the regulators or of the firm in supporting a College of Supervisors. This debate should, however, be conducted with reference to the group itself as there may be branches which the group regards as significant in terms of scale or function. We believe that the group's own determination should carry weight in these instances. Although it is clear that there should be a presumption that cross border groups will benefit from College arrangements, there will be many small regional entities with minor cross border interests. In the interest of proportionality we should be wary of rigidly imposing the requirement for Colleges.

### *Benefits*

The benefits to the industry and, one would hope, to the regulatory community would be:

- ? Non-duplication of supervisory activity/burdens imposed on firms
- ? Efficiency of communication
- ? Full supervisory awareness of group concerns and needs which will enhance and foster consistency of approach among supervisors, and alert the global financial community, should it be necessary, to any systemic concern, whether this be idiosyncratic to an individual group, or of wider consequence.

### **Consolidating Supervisor**

The concept of Consolidating Supervisor is based on the premise that there is an EU consolidated entity. We support the Commission proposals with respect to the concept of Consolidating Supervisor. We believe that the proposals are capable of delivering the objectives that the Commission sets out, namely:

“to maintain the existing allocation of responsibilities between the home and host supervisors but to provide enhanced provisions with a view to:

- ? improving information rights of host supervisors of systemically relevant branches;
- ? reinforcing supervisory cooperation and clarifying supervisors' tasks and responsibilities;

- ? requiring supervisors to have regard to financial stability concerns in all Member States concerned; and
- ? clarifying the legal framework for transmitting information to ministries of finance and central banks.”

By delivering these objectives, the Commission will also create important conditions precedent to ensure that EU competent authorities are capable of participating effectively in College of Supervisor structures.

Inevitably there are a number of respects in which the concept of Consolidating Supervisor can be developed further and we seek two particular elements at this time:

- ? Stronger supervisory powers for the consolidating supervisor. This, of course, would affect the balance of home/host supervisory responsibilities and would be a major step whose political implications would need to be carefully considered. Nevertheless we would like to open a dialogue on this basis.
- ? Group application of Pillar 2 processes. Pillar 2 is in essence, a group process. Pillar 2 is not meaningful if looked at piecemeal for any group and enhanced supervisory arrangements within the EU ought to facilitate this outcome.

### **Normal supervision vs emergency situations**

We note that the draft text distinguishes between normal supervisory practices and relationships and emergency situations within the EU. In the latter circumstance there is a wider set of actors involved – central banks, payment and settlement systems, ministries etc. Alerting the relevant authorities and ensuring effective coordination in emergency situations is clearly a key objective for the legislators. Additionally information gateways have been widened to facilitate communication. Broadly we support the proposals.

Nevertheless it is essential to ensure that there is a clear distinction drawn between “normal” (day to day supervisory activity) and “emergency” situations. It would be unacceptable for arrangements designed for emergency situations to be “reverse engineered” to try to mould the operation of day to day supervision to them, and even worse for arrangements designed for emergency situations to create a shadow supervisor arrangement. It would be advisable for provisions relating to normal

supervisory arrangements and emergency arrangements (which are confusingly termed “colleges” in the draft proposals, but may need to have a different terminology) to be separated out into different Articles.

As with College arrangements, it is imperative that emergency arrangements take into account the likely need for cooperation and collaboration with non EU authorities at times of crisis. There must be a presumption that EU authorities will cooperate with their international peers and obstacles to prevent EU authorities from cooperating effectively should be removed.

## **Branches**

The impact of branches on any supervisory arrangement is complex and deserving of a separate article to address the issues raised.

We note the new concept of systemically relevant branches. In principle this is a reasonable concept to understand but in practice it will be hard to identify a set of criteria that will reliably capture all forms of significance. However, the proposal that the supervisor of an EU branch (of an EU entity) can nominate itself to participate in the supervisory arrangements has created a “safety net”.

We recognise that a Consolidating Supervisor structure could thus be established in cases where there is one incorporated entity and a network of EU branches out of the EU head office. We understand that this will support the Home supervisor, potentially, in understanding the risk context in which the EU group as a whole is operating. The balancing factor, though, is the importance of ensuring that, while the branch supervisors are kept informed and have the opportunity to comment, it is the Consolidating Supervisor that makes the decisions.

Branches are an important example of why the concepts of Consolidating Supervisor and College of Supervisors must be differentiated. There is a clear legal framework of responsibilities in which EU branches of EU institutions operate. Yet not all branches in the EU come under this framework as some EU presences are branches directly out of a 3rd Country Head Office. A financial group might have many branches in the EU, but none of them might operate under the passport/right of

establishment. Colleges are able to accommodate these structures whereas the Consolidating Supervisor cannot.

- ? Clearly the use of deposits as a criterion could not apply to investment firms and the application of the revised legislation to investment firms may not have been thought through in the drafting of the new text. Hence, we regard deposits as an acceptable criterion in principle but do not agree that it can be used as a sole indicator.

### **Role of Level 3 Committee**

We note that the proposals grant greater prominence to CEBS although it is not being given any roles in which it will take binding decisions or offer binding advice or arbitration. We support this modest clarification of CEBS' role, predicated on the understanding that CEBS's role can only be in relation to the Consolidating Supervisor arrangements. It is clearly inappropriate for CEBS to be granted any role in relation to Colleges of Supervisors which will comprise and in some cases be headed by supervisors from outside of the EU. Any attempt to impose CEBS arrangements, agreements or protocols on third country authorities would be counter-productive as it would amount to extra territoriality. CEBS could, nonetheless, perform functions in support of Colleges of Supervisors if the College were to seek its support on a voluntary basis.

## Textual Amendments

Directive 2006/48/EC	
Article 4	
Consultation text	Recommended amendment
	<p><i><u>New Paragraph</u></i></p> <p><b>(N) <u>'financial stability group'</u></b> [or <u>alternative term</u>] means the <u>collegiate gathering of relevant supervisors, central banks and finance ministries.</u></p>
<p style="text-align: center;"><b>Justification</b></p> <p>By introducing the concept of collegiate arrangements to respond to financial stability issues and concerns, and where the membership will go beyond that of the supervisory committee, it is necessary to introduce a new terminology.</p>	

**Directive 2006/48/EC**  
**Article 42 (2) second sub para**

<b>Consultation text</b>	<b>Recommended amendment</b>
<p>The branch is deemed systemically relevant in view of its market share in the host Member State, the likely impact of a suspension or closure of the credit institution's operations on the payment and clearing and settlement system in the host Member State, or any other considerations pertaining to the size and importance of the branch in relation to the host Member State's banking or financial system. If the market share of a branch of a credit institution in terms of deposits exceeds [X%] in the host Member State, its systemic relevance must be assessed.</p>	<p>The branch is deemed systemically relevant in view of its market share in the host Member State, the likely impact of a suspension or closure of the credit institution's operations on the payment and clearing and settlement system in the host Member State, or any other considerations pertaining to the size and importance of the branch in relation to the host Member State's banking or financial system <b>OR if the branch is deemed to be significant by the group in terms of its scale or function performed for the group.</b> If the market share of a branch of a credit institution in terms of deposits exceeds [X%] in the host Member State, its systemic relevance must be assessed</p>

### **Justification**

We agree that there should be consideration given to systemically significant branches but we believe that an important dimension relates to branches that the Group believes are significant for the effective functioning and stability of the group. In some of these instances it is possible that the host supervisor may not perceive the branch to be systemically significant for the host jurisdiction. However, an effective supervisory function could not be carried out for the group as a whole without regard to the branch that the group perceives to be significant. We think it appropriate that the group's management be consulted on this dimension.

As indicated in our response above, we also believe that scale of deposits is one criterion that can be used to determine significance but we do not believe it is the only one that should be used.

**Directive 2006/48/EC**

**Article 42**

<b>Consultation text</b>	<b>Recommended amendment</b>
<p><u>4. Where Article 129(3) does not apply, the competent authority of the home Member State supervising a credit institution with systemically relevant branches in other Member States shall establish and chair a college of supervisors to facilitate the cooperation under Articles 42(1) and 42(3). The competent authorities of the home and the host Member States shall have written coordination and cooperation arrangements in place. The establishment of colleges shall not affect the rights and responsibilities of the competent authorities under this Directive.</u></p>	<p><u>4. Where Article 129(3) does not apply, the competent authority of the home Member State supervising a credit institution with systemically relevant branches in other Member States shall, <b><i>in cooperation with the authorities in relevant third countries,</i></b> establish and chair a college of supervisors to facilitate the cooperation under Articles 42(1) and 42(3). The competent authorities of the home and the host Member States shall, <b><i>in cooperation with the authorities in relevant third countries,</i></b> have written coordination and cooperation arrangements in place. The establishment of colleges shall not affect the rights and responsibilities of the competent authorities under this Directive.</u></p>

### **Justification**

It is important that where necessary the regulators in third countries in supervisory colleges in order that the college can take a holistic view of the firm's activities and avoid duplication of effort.

**Directive 2006/48/EC**  
**Article 49 Last Paragraph**

<b>Consultation text</b>	<b>Recommended amendment</b>
<p><u>competent authorities to communicate information to central banks in the EU when this information is relevant for the exercise of their respective statutory tasks, including the conduct of monetary policy, the oversight of payments and securities settlement systems, and the safeguarding of financial stability.</u></p>	<p><u>competent authorities to communicate information to central banks in the EU <b><i>and in relevant third countries</i></b> when this information is relevant for the exercise of their respective statutory tasks, including the conduct of monetary policy, the oversight of payments and securities settlement systems, and the safeguarding of financial stability.</u></p>

**Justification**

It is important that where necessary the regulators in third countries in supervisory colleges in order that the college can take a holistic view of the firm's activities and avoid duplication of effort.

**Directive 2006/48/EC**  
**Article 50 Last Paragraph**

<b>Consultation text</b>	<b>Recommended amendment</b>
<p><u>In an emergency situation as referred to in Article 130(1), Member States shall allow competent authorities to disclose information to the departments referred to in the first subparagraph in all Member States concerned.</u></p>	<p><u>In an emergency situation as referred to in Article 130(1), Member States shall allow competent authorities to disclose information to the departments referred to in the first subparagraph in all Member States <b>and third countries</b> concerned.</u></p>

**Justification**

It is important that regulators in third countries can obtain information about the state of a credit institution in order that the most effective solutions can be proposed with every competent authority having the requisite amount of information in order that it can make a fully informed decision.

**Directive 2006/48/EC**

**Article 129 1(c)**

1 (c) planning and coordination of supervisory activities in cooperation with the competent authorities involved, and if necessary with central banks, in preparation of and during emergency situations, including adverse developments in credit institutions or in financial markets. This includes exceptional measures referred to in Article 132(3)(b), the preparation of joint assessments, the implementation of contingency plans and communication to the public.

**Consolidating Supervisor**

**deleted**

**Justification**

This paragraph is merely **moved** to a separate article - 130.

Directive 2006/48/EC	
Article 129 (3) First Three Paragraphs	
Consultation text	Recommended amendment
<p><u>3. The consolidating supervisor shall establish colleges of supervisors to facilitate the exercise of its tasks referred to in the first and second paragraph and in Article 130. The establishment and functioning of colleges shall be based on the written arrangements referred to in Article 131. The Committee of European Banking Supervisors shall elaborate guidelines for the operational functioning of colleges.</u></p> <p><u>The competent authorities responsible for the supervision of subsidiaries of an EU parent credit institution or an EU parent financial holding company and the competent authorities of a host country where systemically relevant branches are established may participate in colleges of supervisors. The consolidating supervisor shall chair the meetings of the college and shall decide which competent authority participates in a meeting or in an activity of the college. This decision shall take account of the relevance of the supervisory activity to be planned or coordinated for those</u></p>	<p><b><u>Deleted</u></b></p>

authorities, and the obligations referred to in Articles 40(3) and 42(3). The competent authorities participating in the college shall apply Article 129(1)(c) having full regard to the work of other forums that may be established in this area.

The competent authorities participating in the colleges shall agree on the entrustment of tasks and delegation of responsibilities and cooperate closely, having regard to the obligations in Articles 40(3), 42 and 132.

**Justification**

These paragraphs are **moved** to the new Article 129A in order to distinguish clearly between the concepts of Colleges of Supervisors and Consolidating Supervisors.

Directive 2006/48/EC

Article 129 new text inserted before last paragraph

The consolidating supervisor shall inform the Committee of European Banking Supervisors of the activities of colleges of supervisors, including in emergency situations.

**Provided conditions a), b) and c) of Article 80(7) or conditions b), c) and e) of Article 80(8) and Article 69(3)(b) are met, the consolidating supervisor and the competent authority responsible for the supervision of subsidiaries of an EU parent credit institution or an EU parent financial holding company in a certain Member State, shall, within a reasonable period of time, do everything within their power to reach an agreement on the application of Articles 72(2) (*Disclosure requirements for 'significant' subsidiaries*), 74(2) (*reporting for the calculation of minimum capital requirements*), ~~113(1)(f) (*treatment of intra group exposures for large exposures purposes*)~~ **123 (ICAAP), 124 (SREP)** and 136(2) (*own funds requirements in excess of the minimum level*) to the banking group and its constituent these subsidiaries.**

**The joint decision shall be set out in a document containing the fully reasoned decision which shall be provided to the banking group by the competent authority referred to in paragraph 1.**

~~Where these competent authorities disagree, the matter shall be referred for consultation to the Committee of~~

	<p><del>European Banking Supervisors, which shall give its advice within two months. The competent authorities shall duly consider such advice before taking its final decision in accordance with their responsibilities under this Directive. This shall not affect the rights and responsibilities of the competent authorities under this Directive.</del> In the absence of a joint decision between the competent authorities within the period referred to in subparagraph 4, the competent authority referred to in paragraph 1 shall make its own decision on the application.</p> <p>The decision shall be set out in a document containing the fully reasoned decision and shall take into account the views and reservations of the other competent authorities expressed during the periods referred to in subparagraph 4. The decision shall be provided to the applicant and the other competent authorities by the competent authority referred to in paragraph 1.</p> <p>The decisions referred to in the fourth and fifth subparagraphs shall be recognised as determinative and applied by the competent authorities in the Member States concerned.</p> <p>In case of persistent disagreement with the decision made by the competent authority referred to in</p>
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	<p>paragraph 1, the other competent authorities or the banking group concerned may consult the Committee of European Banking Supervisors on their own initiative for mediation.</p> <p><u>The consolidating supervisor shall inform the Committee of European Banking Supervisors of the activities of the college of supervisors, including in emergency situations.</u></p> <p><b>The Committee shall play a role in monitoring the coherence and consistency of the activities of the different colleges of supervisors and sharing best practices.</b></p>
<p style="text-align: center;"><b>Justification</b></p> <p>We have also added wording which gives the final decision about an aspect of a group's supervisory arrangements to the consolidating supervisor in the event that a joint decision cannot be agreed.</p>	

Directive 2006/48/EC Article 129A NEW – Colleges of Supervisors	
Consultation text	Recommended amendment
	<p> <u>The consolidating supervisor shall, <b><i>in cooperation with the authorities in relevant third countries</i></b>, establish colleges of supervisors to facilitate the exercise of its tasks referred to in the first and second paragraph. The establishment and functioning of colleges shall be based on the written arrangements referred to in Article 131. The Committee of European Banking Supervisors shall, <b><i>in cooperation with the authorities in relevant third countries</i></b>, elaborate guidelines for the operational functioning of colleges.</u> </p> <p> <u>The competent authorities responsible for the supervision of subsidiaries of an EU parent credit institution or an EU parent financial holding company and the competent authorities of a host country where systemically relevant branches are established may participate in colleges of supervisors. The consolidating supervisor, <b><i>in cooperation with the authorities in relevant third countries</i></b> shall <b><i>determine who will chair</i></b> the meetings of the college and shall decide which competent authority participates in</u> </p>

	<p><u>a meeting or in an activity of the college. This decision shall take account of the relevance of the supervisory activity to be planned or coordinated for those authorities, and the obligations referred to in Articles 40(3) and 42(3). <del>The competent authorities participating in the college shall apply Article 129(1)(e) having full regard to the work of other forums that may be established in this area.</del></u></p> <p><u>The competent authorities participating in the colleges shall. <b><i>in cooperation with the authorities in relevant third countries</i></b>, agree on the entrustment of tasks and delegation of responsibilities and cooperate closely, having regard to the obligations in Articles 40(3), 42 and 132.</u></p>
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**Justification**

Moved and amended from the EC’s proposed amendment of Article 129 in order to distinguish between the functions of a College of Supervisors and a Consolidating Supervisor.

Directive 2006/48/EC	
Article 130 – Financial Stability Groups	
Consultation text	Recommended amendment
	<p><i>New text inserted at start of Article</i></p> <p><b><u>1 The consolidating supervisor shall, in cooperation with the authorities in relevant third countries, establish financial stability groups to facilitate the exercise of its tasks referred to in this Article.</u></b></p> <p><b><i>2 In addition to the obligations imposed by the provisions of this Directive, the competent authority responsible for the exercise of supervision on a consolidated basis of EU parent credit institutions and credit institutions controlled by EU parent financial holding companies shall, in cooperation with the authorities in relevant third countries, and having full regard to the work of other forums that may be established in this area, carry out the following tasks:</i></b></p> <p><b><u>planning and coordination of supervisory activities in cooperation with the competent authorities</u></b></p>

	<p><b><u>involved, and if necessary with central banks, in preparation of and during emergency situations, including adverse developments in credit institutions or in financial markets. This includes exceptional measures referred to in Article 132(3)(b), the preparation of joint assessments, the implementation of contingency plans and communication to the public.</u></b></p>
<p style="text-align: center;"><b>Justification</b></p> <p>Moved from EC proposed amendments to Article 129 in order to separate out clearly the functions of a financial stability group that should function in times of emergency or crisis.</p>	

<b>Directive 2006/48/EC</b> <b>Article 130 new final paragraph</b>	
<b>Consultation text</b>	<b>Recommended amendment</b>
	<p style="text-align: center;"><b><u>The consolidating supervisor shall inform the Committee of European Banking Supervisors of the activities of the financial stability group in emergency situations.</u></b></p>
<b>Justification</b>	
<p>This text is moved and amended from the EC's amendment to Article 129 in order to separate out clearly the functions of a financial stability group that should function in times of emergency or crisis.</p>	