



BNP PARIBAS RESPONSE TO THE CONSULTATIVE PAPER N° 170
"GOOD PRACTICE PRINCIPLES ON SUPERVISORY COLLEGES"

We share the BCBS uphold of the college structure. It clearly helps for a better understanding of the banking group by the supervisors in charge of its oversight, be it on a stand alone or a consolidated basis. It also gives the banking group an opportunity to exchange with the host supervisors at the head office level and understand their concerns and in many cases answers them.

We have contributed to various industry reactions to this call for comments, in particular the one elaborated by the IIF that we support. However, we thought it useful to express hereby a few nuances to the more extensive papers we referred to above.

College objectives

There is actually no worldwide legal framework to turn Colleges into decision making bodies. In that context, the proposed guidance is probably the most comprehensive one that can be articulated to promote co-operation, information sharing and trust. This limited but pragmatic ambition is all the more important that banking regulation and supervision is being more and more fragmented, turning clearly its back on the growing globalisation of the economy. We do not doubt that this latter stance may restrict the national supervisory responsibilities but that it will also substantially hamper the world economic expansion.

College structures

We share the BCBS views that college structure diversity is positive, particularly for large and complex financial institutions. Core college are certainly a corner stone standard; college aligned to the bank's business structure may appear quite efficient through an easy focus on common concerns; regional college may be economically or legally indispensable; universal college may not be workable.

Information Sharing, communication channels and collaborative work

It is critical that co-operation, information sharing and trust be aimed at improving the efficiency of supervision, avoiding detrimental ring fencing and reducing the administrative burden shouldered by banks. In that respect, reaffirming clearly the exclusive responsibility of the home supervisor for the consolidated supervision would be very helpful. We do not mean here that host supervisors should not contribute to and not be informed on the consolidated situation of the financial institution; we merely advocate for the consolidated assessment being organized, structured and eventually made by the home supervisor.

According to this principle, the home supervisor elaborates its own judgment with the opinion of the host supervisors on the local operations, possibly delegate some

consolidated supervisory duties, for example in case of a specialized activity of the bank located essentially in a specific host country. The home supervisor must be the central point of contact and information for any consolidated matters. In the same vein, the consolidated Pillar II requirements, that include stress testing exercises, are met within a structured dialogue organized by the home supervisor. Conversely, stand alone Pillar II reviews, strictly restricted to subsidiaries and branches clearly exempted, should not be expected to mimic the consolidated one, should be kept proportionate to the risk of the subsidiary and be conceived as being part of and a contribution to the consolidated approach.

Interaction with the institution

The banking group head office should not be confronted with disparate complex inquiries at consolidated level. Stress testing at subsidiary level could contribute to the understanding of a prominent risk of the group but should be kept in line with the level of sophistication of its own local risk management capacity.

The collaborative and risk proportionate work of the college members, organized collectively under the leadership of the home supervisor, at least as far as its main components are concerned and particularly those contributing to the consolidated risk assessment, should be known by the banking group head office in order to make sure that the expected contributors on the banking side understand their role and can expedite the related requests in the most efficient way.

More generally, we believe that the cross border bank could benefit of the college output in order to make it more aware of the main concerns expressed by the host supervisors and hence to give to the institution the possibility to answer or mitigate them through action from the head office or local management levels.

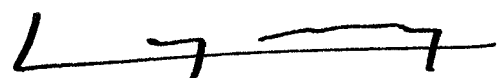
Crisis management

We fully share the proposed principle 7. Colleges are in position to support the work of the "resolution authority" but cannot be this decisional body.

Macro-prudential work

We are not sure to fully understand what is meant under this item as colleges are not decisions making bodies. They cannot force their members to "intensify" their oversight but this is a rather theoretical issue as we assume that supervisors are using their resources in proportion to the risk of the institutions they oversee. They can also certainly contribute to identify and collect information useful for macro-prudential purposes but this is much more a direct duty than a collective one from our point of view.

In total, we hope that the proposed recommendations hopefully augmented and strengthened the way we suggest, will help containing the ring-fencing attitude that the crisis has unfortunately triggered and enhance the mutual trust that is critical to a true efficient supervision.



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