



TERMS OF REFERENCE
Regional Cross-Border Supervision Seminar
South-East Europe
- Survey on reporting system from the industry side -

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I - Content

Step 1

The survey of international bank host-home reporting requirements consists of a matrix in Excel format to which 4 international banks operating in Romania have answered both filling the matrix and also providing related forms which are used to comply with supervisory requirements with regard to both the host supervisor and the home supervisor.

The envisaged output will be a Power Point Presentation as follows:

1. summarizing the analytical data from the host-home industry survey;
2. highlighting the main findings and drawing out the main policy implications and apparent trade-offs, sketching policy options and implementation modalities towards getting common standards for information sharing;

Deadline: mid May

Review session: Preparation of the material for the seminar is subject to XX intermediate interfaces between the Consultant and the Convergence team as follows....

FTE: the task described in this section requires XX full-time working days.

Step 2

On condition that the step 1 is accomplished as stated above, a second survey could be executed as a follow-up action.

This survey could consist of either the reporting system inquiry applied to the other countries of the region or a more structured questionnaire bound to collect more in-depth information to complement and enrich the findings conceptualized out of the Step 1.

Indicative deadline: end of July

Review session: Preparation of the material for the seminar is subject to XX intermediate interfaces between the Consultant and the Convergence team as follows....

FTE: TBD.

II. Others

The Consultant will to Mr. Riccardo Brogi (Convergence Operations Management Unit).

The Consultant will be paid a daily fee of XXX euro (net of taxes).



III - Background and Objectives

Convergence is organizing a seminar that will discuss supervisory issues of international banks from a host country perspective in the regional context of South-East European countries¹. Those financial systems are characterized by a high degree of foreign ownership, as compared to just 20% in Western Europe, with most foreign-owned banks originating from EU countries.

Based on two Convergence-sponsored surveys of host-home country relationships and international bank host-home reporting requirements, supplemented by face-to-face meetings with senior host country supervisors and senior head office management of several international banks active in the region, the purpose of the seminar is to sketch a possible base for enhanced regional host-host cooperation with the dual goal of strengthening financial stability arrangements and streamlining regulatory costs for the banking industry. A by-product of the seminar could be the creation of an informal public-private dialogue mechanism on supervisory issues.

The seminar participants will be the Vice-Governors for banking supervision of the Convergence countries of operations; selected high-level home country representatives; representatives from EU regulatory bodies (CEBS) and other international experts.

IV - Project Scope

The importance of information sharing is even represented by a recent consultative document issue by the Basel Committee on Banking Supervision². There is a need of developing more robust information-sharing arrangements between home and host supervisors towards a more effective supervisory cooperation.

As stated by the consultative document, a key feature of this framework is that international banking groups need to be supervised on a consolidated basis, covering all aspects of the business, domestic and cross-border.

Moreover, effective supervision of international banking groups depends on effective supervision at both the local and the consolidated level. Host supervisors' knowledge of local market conditions and their ability to take supervisory actions and communicate directly with the entities within their jurisdiction can make an essential contribution to the home supervisors' assessment of the banking group. It also allows the home supervisor to monitor, assess and deal with the local risks faced by the banking group more effectively and efficiently. Conversely, the home supervisors' knowledge of the consolidated entity can, at times, contribute to the effective host supervision of the local entity.

In this context, the industry point of view to the Seminar is a very powerful tool to show to the seven host supervisors the amazing variety of national reporting requirements placed on international banks operating in the region. In addition, it would be very instructive for host supervisors to see the main reporting requirements through which headquarters control their subsidiaries. In principle, there should be maximum overlap possible between head office and host supervisor reporting. This "conceptualized" information will be the basis for our proposal to spearhead a reporting harmonization effort.

¹ The Convergence countries of operations are: Albania, Bosnia and Herzegovina, Bulgaria, Croatia, Macedonia, Romania, Serbia and Montenegro.

² Basel Committee on Banking Supervision, **Home-host information sharing for effective Basel II implementation**, November 2005.