



PRESS RELEASE

Vienna 2 proposes enhancements in cross-border supervision to European authorities

The Steering Committee of the Vienna Initiative 2 has submitted observations and proposals on cross-border supervisory practices to a number of European authorities.¹ These focus on critical aspects of home-host cooperation, which are of particular importance for host countries in Central, Eastern, and Southeastern Europe where locally systemic affiliates of foreign banks operate.

The aim is to provide input for the designing of the supervisory framework for Europe and to communicate systemic concerns of host countries. The proposals have been shared with the EBA, the ECB and the European Commission.

The document (WEBLINK) reflects the Steering Committee's views on implementation of cooperation between national authorities in home and host countries during the crisis. It draws on discussions between home and host country supervisors, central banks, fiscal authorities and key parent banks, including at a workshop hosted by the EBRD in London on September 12, 2012. Frequent contacts with other national authorities and with the private banking sector have added further insights.²

Some issues in supervisory practices are particularly relevant to European countries in Central, Eastern, and Southeastern Europe which mainly host affiliates of the cross border banking groups from the EU that are systematically important for their financial sectors. The last years have shown that the viewpoint of home and host authorities can differ when assessing systemic risk of financial institutions, not least because subsidiaries may account only for a minor part of a banking group yet be systemic in host countries. These concerns can be even more pronounced in countries outside the EU where EU-based banks have systemic operations.

The proposals focus on:

1. Addressing potential conflicts of interest to ensure that supervisory colleges take a wider European perspective.
2. Ensuring that the EBA guidelines are observed and implemented in practice.
3. Fostering more open and active discussions in supervisory colleges.
4. Strengthening the position of the EBA as an "honest broker" in mediation and involving fiscal authorities when fiscal issues are relevant.
5. Bringing the relevant non-EU countries into the supervisory cooperation framework.

¹ The EBRD, EIB, IMF, World Bank, and European Commission are members of the Steering Committee as well as Italy and Romania, which represent home and host authorities respectively. The Committee is chaired by Marek Belka, President of the National Bank of Poland.

² The European Commission may have different views on the issues addressed in this document.

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6. Highlighting the need to ensure appropriate conditions for the non-Euro zone countries to participate in the banking union ("opting in").
7. Bringing the macro-prudential perspective into the discussion of cross border supervision, including in supervisory colleges.

The Vienna 2 is also preparing detailed comments on the new bank resolution proposal for submission to the relevant European authorities.

BACKGROUND ON THE VIENNA INITIATIVE

The Vienna Initiative was established at the height of the global financial crisis of 2008/09 as a private-public sector platform to secure adequate capital and liquidity support by Western banking groups for their affiliates in CESEE. The initiative was re-launched as "Vienna 2" in January 2012 in response to renewed risks for the region from the Eurozone crisis. Its focus is now on fostering home and host authority coordination in support of stable cross-border banking and guarding against disorderly deleveraging. Western banking groups continue to play an important role in the Initiative, both by supporting the coordination efforts and doing their own part to avoid disorderly deleveraging.