



EBA BS 2012 163 FINAL

28 September 2012

EBA Work Programme 2013



1. Introduction

In accordance with Regulation (EU) No 1093/2010 of the European Parliament and of the Council of 24 November 2010 establishing the European Banking Authority (EBA), the annual work programme describes and summarises the main objectives and deliverables of the EBA in the forthcoming year derived from the tasks specified in the Regulation and from the relevant EU banking sector legislation. Following a discussion of a draft version by the EBA Board of Supervisors in summer 2012, and by the Banking Stakeholder Group, the Work Programme was reviewed by the Management Board who proposed its adoption. Based on this proposal the Board of Supervisors adopted the 2013 work programme at its meeting held on 25-26 September 2012.

The work programme aims to define the main objectives and corresponding priorities of the EBA for 2013 in fulfilment of its overall mandate. The fundamental objective for the EBA in the **regulatory policy area** will be to play a central role in the **development of the single rule book**, with the aim to contribute to achievement of a level playing field for financial institutions as well as to raise the quality of financial regulation and the overall functioning of the Single Market. The EBA's work in this area relates in particular to the CRDIV/CRR legislative framework, including liquidity and remuneration, as well as to the crisis recovery and resolution legislative framework. The EBA's **oversight activities** will focus **on identifying, analysing and addressing key risks in the EU banking sector, including analysing the consistency of outcomes in risk weighted assets (RWAs), the sustainability of banks business models and reviews of banks' asset quality, promoting supervisory cooperation and convergence and continuing its work in colleges of supervisors** to strengthen European supervision of cross-border banking groups. Last but not least, the EBA is committed to enhance the **consumer protection** and promote transparency, simplicity and fairness for consumer financial products and services across the Single Market, and as such will focus its **consumer protection activities** on developing **guidelines on responsible mortgage lending, and on arrears handling and forbearance in the mortgage market, and regulatory technical standards on Professional Indemnity Insurance.**

The above three areas - **Regulation, Oversight, and Consumer Protection** - are representing the **core functions of the EBA** that are laid down in the EBA regulation. For these, a detailed list of tasks including a breakdown of deliverables is also provided. Further, a separate horizontal unit, Policy Analysis and Coordination, provides the internal and external policy coordination between the core functions of the EBA and external stakeholders, as well as provides the legal review and assesses the impact of the EBA's policy proposals. The support functions summarised as **Operations** are playing a critical role in ensuring that the EBA can perform its core functions, and thus, their main working objectives are also summarised.

The year of 2013 will be the third year of operation for the EBA as a fully-fledged EU Authority in the new European System of Financial Supervision (ESFS). Therefore, emphasis continues to be on the continuing development and strengthening of the EBA's institutional capabilities. In addition, there are significant new legislative proposals in European banking regulation and supervisory architecture, including the Banking Union and the Recovery and Resolution proposals, on the EU's agenda, some of which have already been published but not yet adopted, and some are expected to be published in the near future, but all having a major impact on the amount and priorities of specific tasks of the EBA

in 2013 and thereafter. The Banking Union will have important repercussions on the mandate of the EBA, as it will call on the Union for an even stronger commitment to the single rule book and unified supervisory methodologies, with a view to avoid polarisation of the Single Market between the euro area, and its application of single supervisory rules and practices, and the rest of the Union.

A detailed list of the EBA's tasks is presented in the Annex with attached priorities. Generally, tasks deriving from a legislative proposal with a deadline falling in 2013 are assigned priority 1; priority 2 tasks will only be accomplished in as far these do not constrain the priority 1 tasks. Due to the high number of priority 1 tasks in 2013, significant increase in human resources is needed to allow the EBA to fully address priority 2 tasks. Priority 3 tasks will most probably not be accomplished in 2013. Please note that some of the items attributed to European Commission (EC)'s legislative proposals might change given these proposals are currently under discussion.

In order to enable EBA to deliver its 2013 work programme, EBA will need to increase its staffing levels and budget accordingly. In 2013 staff numbers are expected to grow from 68 in 2012 to 93 Temporary Agents, in line with the approved Establishment Plan and the budget from €20.7 million in 2012 to €25 million. EBA will continue to be funded by the EC and the National Competent Authorities.

2. Regulatory work

The main objective of the EBA in the regulatory policy area is **to play a leading role in the creation of the single rule book for the EU banking system**. The main focus of the EBA's regulatory work in the coming years will be in two major areas in line with the EU legislative agenda. Tasks that are outside of these two areas have also been identified and listed in detail in the Annex.

Firstly, and most importantly the ongoing financial crisis has shown deficiencies in the prudential rules regulating banks which have resulted in adverse consequences to the financial soundness of individual institutions and to the international financial system. An agreement has been reached at global level to repair the regulatory shortcomings leading to the recent set of prudential rules under the umbrella of the Basel III agreement. The EU is committed to introducing this prudential framework throughout the Single Market, and are due to adopt by end 2012 EU legislation/regulation that aim to implement Basel III in the EU on 1st January 2013. The EBA is to play a crucial role in the technical implementation and application of this new set of regulatory rules, and will therefore focus its work in this context on accomplishing the drafting of **binding technical standards under the new CRDIV/CRR framework**. Given these legislative proposals are still to be adopted, and hence their final details remain unknown, this presents significant uncertainty in EBA's work programme at this juncture, together with planning and resource complexity to the EBA's organisation given their implementation remains to be from 1 January 2013.

On the **expected CRR/CRDIV related tasks** the EBA has taken a pragmatic approach and considered as a basis the Council's proposal of May 2012. The EBA has not included any additions or deletions proposed by the EU Parliament although it has considered a few additional tasks in the Council's proposal that are likely to be deleted. In addition, those deliverables with deadline of January

2013 or December 2012 that EBA expect to deliver to the EU Commission, or publish before the end of this year, have not been included. As a result about 164 deliverables are expected from the EBA. The majority of these products relate to the development of more detailed technical rules mostly via the development of binding regulatory or implementing technical standards. Other types of deliverables include guidelines, reports, opinions, mediation activities, or the receipt and processing of notifications. A summary is shown in the table below, and a detailed breakdown in the Annex. It should be noted that this part of the work programme will need to be updated after the final text of the CRR/CRDIV becomes available.

TYPE OF TASK as stated in the draft CRDIV/CRR	Attributed to EBA
Regulatory Technical Standards	38
Implementing Technical Standards	24
Guidelines	21
Report	15
Publication	6
Opinion	9
Advice	2
Areas for Mediation	13
Notification	31
Other (Assist on 3 rd Country equivalence / colleges/ MoUs)	5

In addition to the high number of deliverables in relation to the CRR/ CRDIV proposals, the timing of these products is very concentrated as the implementation schedule needs to remain consistent. Most products are expected to be finalised by 2013-2014, thus, the concentration of the EBA's regulatory work will be very high in the course of 2013.

The sheer number of tasks as well as the concentration in their timing underlines the importance of prioritisation. Based upon the capacity available at both the EBA and at the national authorities, it is expected that not all activities can be undertaken as currently proposed without additional human resources at the EBA. Given the need for a strict prioritisation, the following policy areas have been identified where the EBA can provide the highest added value via extended technical rule making:

Capital: better quality capital is one of the key characteristics of the new capital framework. Following the EBA consulting on many proposals for technical standards on own funds in 2012; this area will remain of priority for EBA in 2013, with a focus in 2013 on the permanent monitoring of the quality of capital instruments.

Liquidity: the crisis has shown how important it is for banks to have sufficient liquidity available, both for the short and longer term. The CRR/CRDIV will adopt the basic framework in the form of a Liquidity Coverage Ratio and a Net Stable Funding Ratio which have been agreed upon globally. This gives the EBA the task of preparing the calibration of the ratio components including assessing the consequences and impact of introducing these liquidity measures.

Remuneration: the crisis has shown that adverse personal incentives could lead to risk prone behaviour. Therefore, specific rules on remuneration have been established. Based on EBA Guidelines already published EBA will undertake some data exercises to benchmark trends in remuneration at Union level, and in relation to disclosure on information on High-earners. Further EBA will develop Technical Standards in relation to the criteria for the identification of risk takers, and the determination of the variable and fixed aspects of the remuneration.

Leverage ratio: the leverage ratio is intended as a back stop for institutions that are excessively leveraged, as excessive leverage is generally considered to have played a major part in the financial crisis. Based on the leverage ratio reporting, the impact of introducing the leverage ratio has to be assessed by the EBA. This activity will therefore build on the leverage ratio reporting framework developed at the EBA and continue in 2013, with deliverables expected from 2014 and onwards.

Given EBA's mission is to develop **practical instruments** and **convergence tools** to promote common supervisory approaches, the EBA will also take due care of implementation issues when entering the transitional phase of new legislation. In particular EBA will provide explanations when it comes to the implementation of the CRDIV/CRR and develop specific tools and policy to answer questions.

In addition to its mandated regulatory technical contribution, the EBA is providing technical input to help framing targeted provisions on supervisory matters. Moreover, the small and medium enterprises (**SMEs**) sector retains a particular attention. The crisis has shown that many SMEs have difficulty to access finance, and this is viewed as an obstacle to the recovery in the European economy and has triggered several calls for action, also in the area of banking regulation. The EBA is working on a review of the prudential framework for SME lending as a contribution to legislative proposals.

Secondly, the crisis has shown a need for more advanced and coordinated **crisis prevention and crisis resolution arrangements** and tools, so as to be able to detect a crisis event earlier, intervene more adequately and resolve troubled financial institutions more efficiently. In June 2012, the EU Commission published its legislative proposals on an EU framework for recovery and resolution of credit institutions and investment firms, which provide a key role for the EBA, both in setting further technical standards and guidelines, including in relation to the content and assessment of recovery and resolution plans; the application of early intervention measures; preventative (structural) measures to ensure resolvability; application of specific resolution powers in respect to specific resolution tools; recognition of third country resolution proceedings, and provide a role for EBA in the

coordination and participation in cross border crisis events through its participation in the resolution colleges.

3. Oversight work

The EBA's oversight activities in 2013 will focus **on identifying, analysing and addressing key risks in the EU banking sector**. After a successful recapitalisation programme in 2012, the EBA will continue to monitor capital levels and banks capital plans to strengthen their capital position further, as they move towards the implementation of CRD IV. The next **EBA EU wide stress test**, planned for 2013, will be a key component in assessing such plans. The EBA will also continue to work with relevant competent authorities to understand the impact of deteriorating asset quality on banks' balance sheet and to promote the ongoing process of balance sheet repair and banks' efforts to restore sustainable funding structures will be a focus of analysis.

The EBA will continue its **regular thematic analysis** on a number of areas including the consistency of outcomes in risk weighted assets (RWAs), the sustainability of banks business models and reviews of banks' asset quality. Regular products will include frequent funding and liquidity updates drawing on supervisory and market intelligence, semi-annual banking sector reports to the Board of Supervisors, to the Economic and Finance Committee (EFC) - Financial Stability Table (FST), and quarterly updates to the ESRB.

In the area of **reporting and transparency** the highest priority will be the implementation of the common reporting framework, COREP and FINREP, and providing assistance with any implementation issues as well as further assessing and strengthening transparency across the EU banking sector.

In turn the EBA will use supervisory data along with market intelligence and input from colleges to prepare **risk assessment reports** for the European Parliament, the Commission and the ESRB. Cross sectoral risk reports will continue to be prepared in collaboration with the Joint Committee, and will be sent to the EFC-FST. The EBA will also maintain and further develop its key risk indicators and its suite of risk dashboards, including internal EBA bank level dashboards, peer group dashboards to be shared with supervisory colleges/NSAs and a sectoral dashboard for EBA and ESRB discussions.

The EBA will also continue to **promote the convergence of supervisory practices across** the Single Market, by contributing to the development of the single rule book and also to the development of the supervisory handbook. This objective will be pursued through effective bilateral and multilateral exchange of information between competent authorities as well as more structured stock-takes of supervisory practices in specific areas, such as frameworks for the analysis of risks, ICAAP assessments and Pillar 2 decisions. As the result of these activities, papers summarising the best practices and guidelines will be drafted. The organisation of technical training for the supervisory staff of competent authorities will contribute to foster a common supervisory culture in the EU.

The EBA will continue its **work in colleges of supervisors** to strengthen European supervision of

cross-border banking groups. EBA staff will participate, support and monitor colleges. Higher quality, more detailed feedback and advice on the functioning of colleges will be focused on a prioritised set of 40 banking groups.

The EBA will, where appropriate, apply its role in binding mediation, and actively facilitate and, where deemed necessary, coordinate any actions undertaken by the relevant national competent supervisory authorities, in case of adverse developments/crisis situations.

In crisis management, in addition to its extensive regulatory role, the EBA will have a significant role in engaging in, and assisting, the discussions and agreement on recovery and resolution plans between relevant competent authorities, including in resolution colleges. Where disagreements arise, the EBA will play a role in settling them.

Based on these priority tasks the EBA aims to achieve its objectives to (i) deliver independent and high quality analysis of EU banks and the EU banking sector, in coordination with the work of Competent Supervisory Authorities, the ESRB and EU policy making bodies, and leading to concerted policy responses (ii) ensure relevant and sound data is available for effective supervisory oversight and market discipline to (iii) further promote supervisory convergence and the building of a common supervisory culture across the single market (iv) assist and monitor Competent Supervisory Authorities in building college structures that are efficient and substantive.

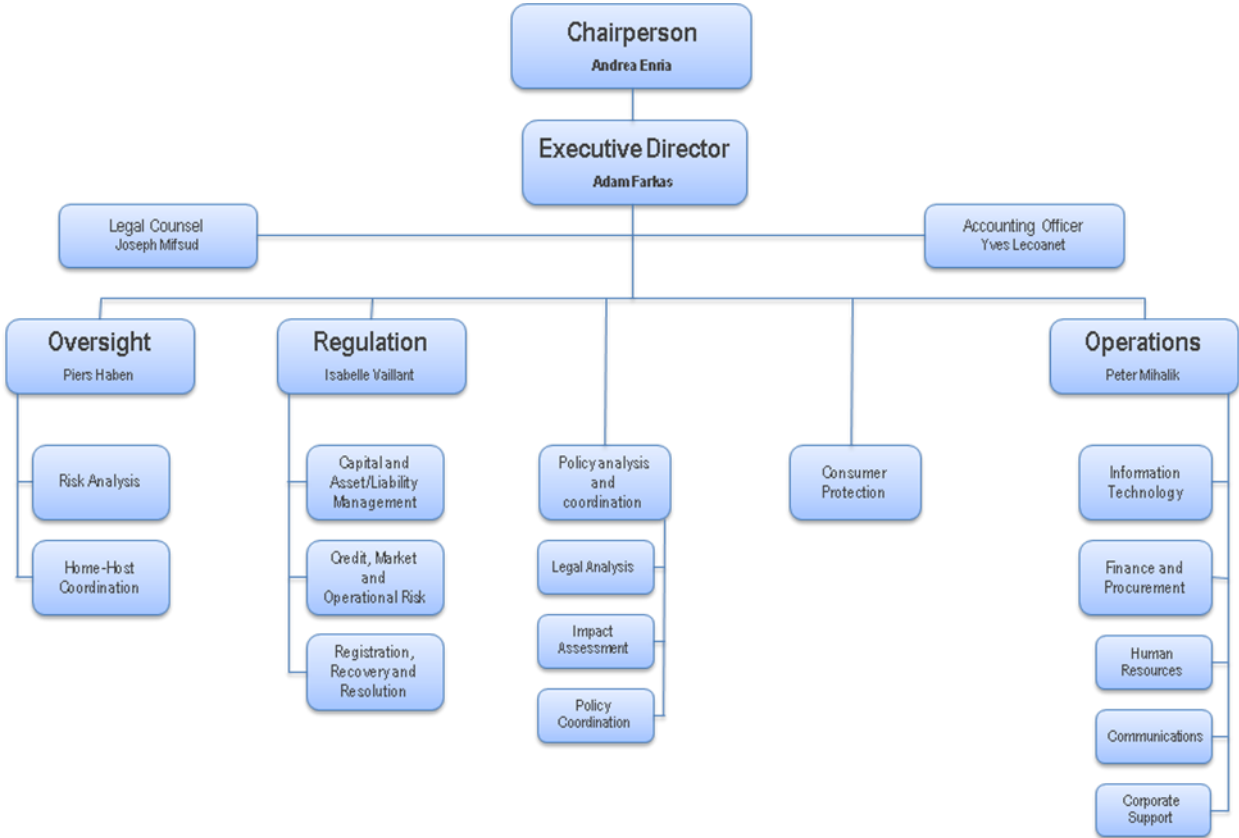
4. Consumer Protection work

In the area of consumer protection, the EBA has an EU-wide responsibility and is fully committed to promoting **transparency, simplicity and fairness in the market for consumer financial products or services across the Single Market.**

The EBA has established an independent organisational unit for **consumer protection**. In 2013 the Unit will continue to collect, analyse and report on consumer trends and analysis of banks' activities in structured products and the retailisation thereof. Further, guidelines on responsible mortgage lending, and on arrears handling and forbearance in the mortgage market, and regulatory technical standards on Professional Indemnity Insurance will be finalised - subject to the proposed Mortgage Credit Directive. In addition, analysis of consumer detriment issues in the area of non-mortgage credit and potentially the development of guidelines on specific risks will be performed. The Unit will continue monitoring new and existing financial innovation with a view to promoting the safety and soundness of markets and convergence of regulatory practice. Finally, a Consumer Day will be organised in 2013 jointly with the consumer units of ESMA and EIOPA, following on from the EBA Day on Consumer Protection on 25 October 2012.

5. Policy Analysis and Coordination

The main objectives of the EBA’s Policy Analysis and Coordination Unit will be to provide **the legal analysis of the policy and supervisory documents** prepared by the regulation and the oversight clusters (technical standards, guidelines, opinions, supervisory recommendations, dispute resolution, peer review etc), **the impact assessment** of the same documents/actions when needed, and the **internal and external coordination** of the EBA’s policy and supervisory work when needed between clusters/units and with external bodies, such as BCBS and IMF, and institutions, including the EU Commission, the Council (and its EFC and FSC), and the EU Parliament (and its ECON Committee), and the EBA’s contribution to the review of the ESFS. This Unit’s work also includes the coordination of the EBA’s supervisory training activities offered to NSAs, and providing support to the EBA’s Banking Stakeholder Group, to the EBA’s Review Panel and to the ESAs’ Board of Appeal.



Organisational structure effective from 18 September 2012

6. Operations and institutional capabilities

The overall objective of the institutional development of the EBA in 2013 will be the maintenance and further **enhancement of the internal control environment in a period of intensive build-up and growth** of the recently established EU institution.

The EBA has adopted and implemented the most important EU **HR regulations and procedures** and continues to operate under the general EU HR rules. In light of the expanding workload arising from the EBA's core functions, recruitment and integration of new staff will continue to be a key priority in 2013.

Detailed staffing plans for 2013 will be finalised as soon as the 2013 annual budget of the EBA is approved. Due to the significantly higher than expected workload resulting from the tasks related to the CRDIV /CRR and Bank recovery and resolution proposals, additional human resources have been requested compared to the establishment plan of the organisation, the approval of which is still pending.

Significant new technical skills will need to be built up in the organisation in 2013 such as broadening and deepening the technical knowledge and experience of EBA's experts. Therefore, in addition to the careful recruitment of new staff, the rollout out of the recently launched **staff training program** shall contribute to developing EBA staff.

The EBA is expected to implement a **long term solution for its office needs**, after an approval in the second half of 2012.

A key operational priority for 2013 will be the approval and implementation **of the EBA's medium and long term IT strategy**, in line with the expanding IT requirements that are defined by the widened scope and depth of the EBA's core functional tasks.