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Board of Supervisors

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Board of Supervisors meeting – Final Minutes

Agenda item 2: Welcome and approval of Agenda

1. The Chairperson welcomed the participants and informed them about the EBA Inaugural Event taking place on 13 June in the morning.
2. The Chairperson also reminded the BoS that the BoS Away Day was scheduled on 9 – 10 July 2019. He informed that the Bank of Greece kindly agreed to host the Away Day.
3. With regard to the Minutes of the previous meeting, the Chairperson mentioned that there were some comments from the SRB that had to be considered and therefore, the EBA would circulate the Minutes with tracked changes later that day.

Conclusion

4. The BoS approved the Agenda.

Agenda item 3: Election of the SCConFin Chair

5. The Chairperson reminded the BoS that the first term of the SCConFin Chair, Pedro Duarte Neves, Central Bank of Portugal, would come to an end in June 2019. The term of office of the SCConFin Chair was two years and can be renewed for the same period. As required under Article 13.3 of the EBA's BoS Rules of Procedures, the EBA launched a call for expressions of interest on 29 April 2019. Pedro kindly expressed his interest and availability to continue serving as the SCConFin Chair. By the end of the deadline of the call on 24 May 2019, the EBA had received no other expressions of interest.

Conclusion

6. The BoS approved the nomination of Pedro Duarte Neves as the SCConFin Chair.
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Agenda item 4: Update on risk and vulnerabilities in the EU

7. During the presentation of the EBA's assessment of risks and vulnerabilities in the EU banking system the EBA Director of Department Economic Analysis and Statistics (EAS) pointed out that – based on preliminary market analyst coverage – EU/EEA banks' profits decreased by around 6% YoY in Q1 2019. This was particularly driven by a contraction in fee income (-6% YoY). Net interest income (NII) was broadly flat, with a negative effect from margins and a positive one from volume growth.
8. He also presented a more detailed profitability analysis, based on supervisory reporting data for the full year 2018. Gross interest income (EUR 705bn) was the most important contributor to banks' revenues. On EU / EEA average, interest expense (EUR 346bn) were about 50% of the total interest income, but ranging between 10%-90% across countries. Within expenses, staff expenses were the biggest driver, together with other admin expenses. In addition, differences between business models and segments (retail vs. large corporate lending) as well as the correlation between IT investments and banks' profitability were covered in the presentation. Referring to the preliminary results of the EBA's spring version of the Risk Assessment Questionnaire (RAQ), he showed that the share of banks that were now targeting NII to improve profitability has strongly increased and that further automatisation and digitalization remained key areas for reducing operating expenses.
9. Presentations by BE and AT BoS Members followed. In his presentation, the BE Member pointed to relatively resilient net interest income despite low interest rates and that an increase in loan volumes and low margins created additional risks for the country's banks. The AT Member mentioned that the majority of total assets of Austrian subsidiaries were located in EU countries of the CESEE region and that the recent increase in banks' profitability has been supported by historically low credit risk provisions. Some BoS Members updated on their national developments, including for instance some concerns on the price developments in the real estate sector. One Member mentioned that there was evidence that reduction of branches and staff led to cost reductions and, as result, increased profitability. He also pointed out that IT investment might contribute to improved profitability, but that it also increased vulnerabilities e.g. from cyber-attacks, which might be further analysed. Other Members agreed that IT investment tend to support profitability. One Member stressed that in recent years IT investments were not least related to regulatory and other requirements (estimated at around 1/3 of all IT investments), like introduction of IFRS 9, improvement of controls etc. Several Members confirmed the view that lending to large corporates tend to be less profitable or even loss-making, but this might be partially softened by cross selling (e.g. through fee income). On consolidation, it was mentioned that large banks were not necessarily more profitable and that cross border mergers were not necessarily expected. One Member offered to present its county, in general positive, experience of consolidation in the sector of cooperative banks. Another Member pointed to the relevance of mergers for the so-called neo-/challenger banks to keep growing.

10. Other Member clarified that they had indicated that, after a number of years with strong growth now growth was slower and supervisors in the country were discussing a Pillar 1 add-on for CRE exposures, due to their particular vulnerability and pricing volatility. With regard to profitability, the Member mentioned that banks would need to invest in IT, close branches and reduce staff. According to his experience, the majority of Nordic banks were retail focus and they were more profitable than corporate oriented banks, consistent with the evidence shown by the EBA. He indicated that there was an oversupply of corporate banks and therefore, it was challenging for these banks to be profitable.
11. One Member explained that in their country, bank profitability was mainly driven by cost reductions, but this reduction was at the same time offset by contraction of revenues. The member also concluded that large corporate banks faced more competition from international banks, in contrast for retail banks where there was national competition mainly. In addition, FinTechs picked up the most profitable parts of business nowadays.
12. The SRB representative pointed out that resolution had to be considered on a case-by-case basis and could not be used as a tool for consolidation. Consolidation was just the side-effect of the use of one of the resolution tools (sale of business).

Conclusion

13. The Chair concluded that there was a risk from potential overheating in selected sectors, and elevated risks of negative macroeconomic developments. The BoS agreed that profitability and its various aspects were of a concern and that the EBA should further analyse these issues.

Agenda item 5: 2020 EU-wide Stress test

14. The Chairperson reminded the BoS that at its previous meeting, the BoS confirmed the timeline of the launch and publication of the results of the 2020 EU-wide stress test and the preliminary sample of banks to include in the exercise. The BoS also discussed the proposed changes to the methodology.
15. The Director of EAS continued by explaining that the 2020 EU-wide stress test draft package included the methodological note, the templates and the template guidance. Compared to the 2018 package, the main changes introduced in accordance with the BoS guidance have been: to keep the methodology as stable as possible with a focus on specific improvements; to simplify the methodology and to streamline the templates, and to incorporate the relevant FAQs from the 2018 exercise. He further clarified several details related to credit and market risk, net interest income, operational income, non-interest income as well as historical constraints and template guidance. He concluded by pointing out that, if approved by the BoS, the draft methodological note and draft templates would be published on the EBA website for industry discussion during July and August.
16. The ECB representative stressed that they would need to know the cut off dates for this exercise. He also informed that they have discovered that there were consultancy companies,

which were collecting stress test data from banks before their submission in the stress test exercise, to analyse the position of these banks and this activity could possibly affecting the quality assurance process. To that end, he proposed to make a statement in the methodology that this behaviour was against the methodology and spirit of the exercise. Some Members supported this proposal. Others were of the view that such market practices could not be avoided.

17. Some Members proposed to discuss and vote separately on various specific points of the exercise and not only the whole package as these might be relevant or controversial. In particular, they referred to regulated savings, timelines, standardisation, sight deposits, definition of high inflation, sovereign risk, macro- and micro prudential aspects, footnote on two banks in the sample, and average point of maturity. One Member expressed concerns regarding some technical aspects related to the Net Interest Income methodology (e.g. the treatment of sight deposits, Average Point of Maturity Standardization. Some of the points raised could be considered as possible longer term changes to the exercise.
18. The Chairperson informed the BoS that the EBA was planning to have a discussion on the future of the stress test at the BoS Away Day and, therefore, many of the points raised by the Members could be discussed then.
19. The Director of EAS pointed out that in addition to the discussion at the BoS Away Day, the EBA was organising a roundtable at the end of June with analysts, banks, consultants, and supervisors in order to get ideas how to change/improve the stress test exercise. With regard to particular points raised by the Members, he mentioned that the EBA would like to submit a discussion paper to the BoS meeting in December, with possible up-dates on the progress in the September and October meetings. On timelines, in particular connected to banks submission dates, he said that these would be coordinated to reflect NCA's requests as much as possible and that 15 May has been considered as a date for the second submission of results to the EBA. The Director of EAS reminded the BoS that the issue of the footnote on the definition of the sample was discussed at the last meeting and that the BoS agreed to include it. Finally, on the statement regarding the use of consultants by the banks, he clarified that the EBA could not reinforce any such statement and therefore, would not accept the proposal.
20. On the footnote, the ECB representative stressed that the EBA could explain a bit more the selection of the sample in the methodology. The Director of EAS pointed out that the methodology was mechanistic and clear and that the footnote would refer to the request of the supervisor for this particular change in the sample. It was however suggested to make the footnote more comprehensive and include reference to all banks excluded from the sample for criteria other than size.
21. With regard to the 2020 stress test scenario, the ESRB representative listed the main points related to the scenario. These included: the role of the supervisors, timing of delivery (January was very challenging due to the fact that the ECB was designing the scenario only in

December), inclusion of climate risk and further cooperation between the ESRB, the ECB and the EBA. For meeting the timeline, the ESRB proposed to give an interim scenario at the beginning of the exercise and up-date it in the later stage.

22. One Member stressed that the scenario should be meaningful to avoid triggering any unnecessary financial concerns. Another Member supported this view and said that the scenario should be realistic, up-to-dated and that sustainability and climate change should be included in the scenario, as the combinations of these risks raise supervisory concerns. One Member pointed out that the EBA Stress Test should include more top-down elements. Moreover, one Member stressed the necessity of establishing a roadmap with medium and long term milestones including specific steps to be taken.
23. The Director of EAS clarified that the scenario had to be finalized in January and would not be changed/up-dated after the launch of the 2020 exercise.

Conclusion

24. The BoS approved the stress test package for publication for a 2-month industry discussion.

Agenda item 6: Call for Advice on the finalised Basel III framework

25. The Chairperson introduced the item by summarising that the EBA advice on the Basel III reforms consisted of a Summary Report, which highlighted the results of the impact assessment and the key policy recommendations, and four separate reports that provided policy advice on the Basel III reforms in the areas of: 1) credit risk (SA and IRB), 2) operational risk, 3) output floor and 4) securities financing transactions. The impact assessment and policy recommendations would be made public on 2 July in a public hearing. In the interim, the EBA staff would finalise the reports based on comments received from the BoS. He suggested that the next steps could include further discussion in the relevant committees, and a written procedure of the BoS in the second half of July for final approval in order to publish the advice by the end of July.
26. The Director of EAS presented the key findings from the impact assessment and the Director of Prudential Regulation and Supervisory Policy (PRSP) presented a set of updated recommendations on technical aspects.
27. The BoS Members welcomed that the advice was drafted in a way that it did not significantly depart from the Basel agreement.
28. Several BoS Members commented on their country specific issues.
29. The EC representative proposed to put forward other than Basel scenarios, including maintaining exceptions for CVAs, new supporting factors and a proxy for FRTB. With regard to the narrative of policy recommendations, he informed that the EC would provide some drafting to improve the text. On output floor, the EC would welcome data clarification and, in

particular, more work to analyse the impact at the subsidiary level. He also requested further work on treatment of equity exposures and specialised lending, in addition to providing analysis related to adding a section on the impact of TLAC/MREL. Finally, he proposed to consider if data based on 2016 FRTB rules was relevant and whether more recent data should be used.

30. The ECB representative supported the findings in the Summary report as well as the policy recommendations. With regard to the output floor, he pointed that it should be only on the consolidated level, which was a point supported by another Member. Several other Members however stressed the support for the recommendation to apply it at the consolidated and solo level. Finally, he informed that the ECB would comment in written procedure.
31. One BoS Member asked the EBA to consider the presentation of results; i.e. by clarifying the context and purpose of the analysis, with an aim to make the results more visible and clear.
32. Some Members commented on national discretions and pointed that these should be limited. Others, on the other hand, were of the view that local authorities should exercise specific national discretions.
33. Several BoS Members commented on the introduction of a phase-in requirement for operational risk and the removal of the ILM=1 option. While some supported it, others were less enthusiastic about it. There was however, agreement that it was an appropriate compromise, which struck an appropriate balance.
34. Some BoS Members requested more clarity on the risk of overestimation of the impact on capital requirements in relation to the calculation of the P2R, which should not be calculated relatively on the basis of increased pillar 1 capital requirements, and the future mitigating effect of the output floor on model weaknesses which are at present covered by Pillar 2.
35. One Member proposed that transitional provisions for output floor should not be mandatory and if so, some reporting requirements should be included.
36. On SFTs, while there was general support to the recommendations, two Members had concerns about not implementing the minimum haircuts on SFTs at this stage.

Conclusion

37. The BoS supported the Summary report and the policy recommendations under a condition that further discussion of the draft reports should follow at SCRPol followed by a written procedure for final approval by the BoS.

The Agenda item 7: Update on FRTB package

38. The Chairperson introduced the item by clarifying that the EBA would publish for consultation a second package of CRR2 deliverables after the publication in May of four RTS on the new

standardised approach for counterparty credit risk. This second package related to market risk deliverables and is part of Phase 1 FRTB deliverables with 9-month deadlines under CRR2. It consisted of a report and three RTSs.

39. The EBA Head of Unit Risk-based Metrics (RBM) continued by specifying that the report was the 'EBA Roadmap on the new market and counterparty credit risk approaches' and represented the follow-up to the Discussion Paper that the EBA published in December 2017. It included a summary of the feedback received last year on the eight main implementation issues included in the DP. It also included an updated roadmap based on the deadlines included in the latest version of the CRR, which defines four phases for the delivery of CRR2 mandates. The CRR2 included five mandates on counterparty credit risk and 30 mandates on market risk, with challenging deadlines for most of them. The three RTSs that were submitted to the BoS together with the roadmap, were Consultation Papers on draft technical standards specifying key areas of the Internal Models Approach under the FRTB. Although the reporting requirement for the IMA under the new market risk rules will start in a few years, the 9-month deadline given for those three RTS signalled the key importance of providing banks, in the process of developing extremely sophisticated models, and the competent authorities, that would have to review them, with the legal certainty needed for them to prepare.
40. The EC representative pointed out two issues in the RTS on P&L attribution representing inconsistencies with the CRR2 text.
41. The Head of RBM explained that policy choices made in the RTS were the result of inconsistencies in the CRR2 text, but that the wording in the explanatory box on page 39 could probably be improved.

Conclusion

42. The BoS agreed with the publication of the FRTB package.

Agenda item 8: IRB follow up report on the roadmap

43. In his introduction, the Chairperson reminded the BoS that the IRB roadmap was presented by the EBA in the report published at the beginning of 2016. The roadmap was composed of three main elements: (i) review of the regulatory framework, (ii) supervisory consistency and (iii) transparency. To that end, the progress report was marking the finalization of the regulatory review of the IRB approach with an aim to inform the industry about the further steps.
44. The Director of PRSP continued by explaining that the regulatory review was split into four phases allowing gradual development of relevant regulatory products. She stressed that the review as set out initially has been finalized. The only outstanding element was to finalise the GL on CRM under A-IRB Approach, which was included in the plan later, due to later considerations and requests from the industry for further clarifications. Based on this, she clarified that the EBA was now planning to focus on the other two strains of work, monitoring the progress of implementation and providing appropriate tools for the supervisors, in

particular by further improving the annual benchmarking exercise. The Director of PRSP indicated that the work had already started concerning the review of the disclosure templates as well as the templates for supervisory reporting. The work on disclosures in the area of IRB Approach was part of a bigger project, where a comprehensive ITS was being developed on the basis of a mandate included in CRR2. She concluded by explaining that given the delays in providing regulatory guidance on some elements of the framework as compared to the original expectations, and taking into account concerns about the feasibility of implementation of all necessary changes by end 2020, the EBA was proposing to extend the deadline until end 2021 but to keep the deadline for implementing the definition of default in ongoing processes unchanged, i.e. until end 2020.

45. The ECB representative was of the view that 2020 deadline should be kept and that for the LGD in the low default portfolios the deadline should be delayed even further.
46. Several BoS Members supported the ECB proposal to postpone these deadlines. However, as there were different views among Members, a show of hands on the deadline for the low default portfolios was casted.

Conclusions

47. The BoS approved the publication of the report.
48. The Bos agreed that where institutions have stand-alone rating systems for exposures to institutions, financial institutions treated as corporates or large corporates as defined under the final Basel III framework, the deadline for the implementation of the changes in LGD and conversion factors models was postponed until the end of 2023.

Agenda item 9: BUL case – follow up

49. The Chairperson explained that the EBA had to face many issues after the April 2019 BoS decision on the BUL case related to external communications, work on AML/TF and the EBA's extended role as part of the EU's plan for strengthening AML/TF supervision, and the ESAs review.
50. The EBA Head of Legal Services Unit firstly summarised the external requests for access to documents received after the publication of the press release stating the BoS decision on the investigation, and the reasons for rejecting those requests to date. Secondly, he focused on BUL process implications as well as changes to the process based on the ESAs Review, in particularly related to AML/TF. Finally, the Chairperson proposed a communication strategy for this and future cases, which should be more pro-active, pre-agreed with BoS members and coordinated with competent authorities.
51. One BoS Member was of the view that there were two main lessons to be learnt from the case. One was related to leakages of documents, which should be addressed to avoid similar

situations in the future. Second was the need to be transparent and explain reasons for not proceeding with investigations, including any supervisory failures observed.

52. Other BoS Members supported the proposal for pro-active communication rather than being in a defensive position.
53. Some BoS Members were of the view that the breach of Union law tool should not be used for historic events but rather for solving current events. They also supported identifying lessons learnt from the case for the benefit of all BoS Members.
54. One BoS Member stressed that it was unfortunate that the position of individual members had been leaked, and it was important, to ensure open discussion, that Members had confidence that discussions during BoS meetings were confidential and not repeated outside the meeting room. Another member noted the need for the EBA's actions to be credible and that it was crucial to assure that the process and content of investigations is correct. One Member pointed out the necessity of adequate preparations for serious discussions on how BUL procedures could be conducted effectively and efficiently and which authority would be best placed to take over this task. In case that it was decided that EBA should take over this task, better and stronger rules about internal procedures would be needed. It should also be clear what the standard of supervision to be expected is, and the rights of supervisors to comment on investigations into their conduct.
55. The EC representative explained that the EC has been conducting a post-mortem exercise of a number of incidents that happened in the banking sector regarding ML/TF risk. He also mentioned that once the ESAs Review is implemented, Article 9b of the EBA Regulation would enable the EBA to request competent authorities to investigate potential cases of AML/TF. He stressed the importance of effective communication. Finally, he noted that the EBA needed to be sufficiently staffed when it comes to AML/TF issues and, as reported in the press last year, the EBA had only 1.8 FTE to deal with AML/TF issues.
56. Some BoS Members were of the view that if there would be a lessons learnt document, its scope should be broader than the Danske case as there were many lessons learnt also from other cases in the past. The document should also clarify the process, list steps taken during the investigation, as well as focus on external communication.

Conclusion

57. The BoS concluded that there were a number of issues to be worked on, including reflections on: the need for good communications; ensuring an appropriate environment for confidential discussions on supervisory issues; the process and tools available for investigating potential supervisory failures; and identifying where existing tools need improvement or new tools are needed. These issues would be considered further at the BoS Away Day in July 2019.

The Agenda item 10: Brexit update

58. Discussion in a restricted setting (EU 27).

Agenda Item 11: CET1 Report 2019 and other own funds aspects

59. The Chairperson briefly introduced the item by mentioning that it consisted of the main changes of the EBA CET1 list, the updated CET1 report and information on the state of play of the ongoing work on outstanding grandfathered instruments.
60. The EBA Head of Liquidity, Leverage, Loss Absorbency and Capital Unit (LILLAC) continued by explaining the latest conclusions stemming from the ongoing monitoring of CET1 instruments. While some of these aspects were not controversial, others needed a more in depth discussion and related to aspects already discussed by the BoS in the past, in particular the issues on minimum dividends and redemption of shares under specific circumstances. On both issues there was agreement on substance. With regard to the minimum dividends rule significant progress had been achieved by several jurisdictions, but two new cases have been identified. Given these two new cases and that corrective actions were still pending, the BoS would need to discuss how to communicate on these issues. Furthermore, the Head of LILLAC reflected on the end treatment of so-called legacy instruments and a possible communication to institutions, reminding that the CRR1 grandfathering period was soon ending, but avoiding any guidance on the treatment of the legacy instruments at the moment, given that the discussions were still ongoing at technical level.
61. One Member expressed concerns on the paragraphs regarding redemption of shares under specific circumstances noting that the current text risked giving rise to speculations on the quality of CET1 instruments and requested the possibility to provide drafting suggestions. Some Members recalled that a final stance on legacy instruments was yet to be found and any distortion in the industry should be avoided.
62. Another BoS Member expressed disagreement with the analysis of the national legislation concerning the minimum dividend rule noting that the issue identified was rather theoretical. However, if the EBA would formally request a change in the national legislation, including by sending a letter, they would approach the legislator.
63. Other BoS Member fully supported the report and mentioned that they were ready to propose national legislative changes in response.
64. The BoS Members supported the proposal to publish a communication on the end of the CRR1 grandfathering period noting that such communication shall be framed quite broadly to avoid any disruption in the market.
65. Two Members agreed to send their drafting suggestions on paragraphs discussing minimum dividends and redemption of shares under specific circumstances.

Conclusions

66. The BoS approved the publication of the CET1 list and the report on the monitoring of CET1 instruments issued by EU institutions.
67. The BoS also agreed that the drafting suggestions with regard to paragraphs 82 on redemption of own shares in specific circumstances and paragraph 102 on minimum dividends from two BoS Members might be considered in the context of previous discussions. The amended paragraphs, reflecting the result from bilateral exchanges between EBA staff and these two authorities, would be shared with BoS for approval.
68. The BoS agreed that the EBA would publish a communication on the end of the CRR1 grandfathering period.

The Agenda item 12: First report on Monitoring of the LCR implementation in the EU

69. The Chairperson pointed that this was the first report on Monitoring of the LCR implementation in the EU. It was building on previous monitoring reports in the own funds area and it was the translation of the implementation/monitoring work that the EBA had been conducting in the recent years.
70. The Director of PRSP reminded the BoS that the first draft of the report was discussed at the BoS meeting in September 2018. The BoS agreed to undertake exchanges with the industry in order to streamline and sanitize the drafting for final publication. The BoS also agreed that this would be the first of regular updated monitoring reports to be conducted on an ongoing basis. In order to involve also market participants, the EBA organised roundtables with the industry and discussions with the BSG. Based on their feedback, the EBA concluded that the industry generally welcomed this exercise and added some of their input to the report. Furthermore, the EBA was planning to hold a public hearing in mid-July as a final communication exercise. The Director of PRSP briefly summarised the report. She mentioned that it contained policy guidance on the treatment of key aspects, for example on operational deposits, excluded retail deposits from outflows or additional outflows not properly identified in the Regulation. This guidance provided good and prudent practices to ensure that a minimum level of harmonization is achieved that ensures a level playing field.
71. One BoS Member suggested collecting all observed market practices in the future after publication and not discarding using other instruments, such as guidelines or Q&A, if necessary, in due course.

Conclusions

72. The BoS approved the publication of the report.

Agenda Item 13: Report on supervisory convergence of EBA POG guidelines

73. The Chairperson introduced the item by reminding the BoS that after their approval the EBA issued the POG Guidelines in 2016 with an application date on 1 January 2017. The main aim of these Guidelines was to respond to the significant retail conduct failures that the EBA had identified in 2013/14, in terms of the mis-selling of products that were not designed for specific target markets, were not tested, were unsuitable for the customer to whom they were sold, and/or were distributed via intermediaries that did not know to whom the products were meant to be sold.
74. The EBA Head of Unit Conduct, Payments and Consumer (COPAC) explained that two years after the application of the Guidelines, the EBA assessed how financial institution applied the Guidelines. To that end, the EBA approached a sample of 30 credit institutions via their supervisory competent authorities, for them to report what actions they had taken to comply with the Guidelines. The EBA's findings have been summarised in the report, including a list of good practices that the EBA considered to be compliant.
75. Two BoS Members were of the view that more Member States and institutions should have been approached in the exercise, since with the current small sample, the EBA was not in a position to come to reliable conclusions and recommendations.
76. The Chairperson proposed to mandate the EBA to do a wider follow up work on this exercise. One BoS Member was of the view that the mandate should include also an identification of risks envisaged in relation to product oversight and governance.

Conclusions

77. The BoS agreed to publish the report.
78. The BoS supported further follow up work on the POG Guidelines with a larger sample of legal entities and jurisdictions.

Agenda Item 14: Opinion on strong customer authentication under PSD2

79. In his introduction, the Chairperson stressed that the EBA RTS on SCA and CSC was published in the Official Journal on 13 March 2018 and would apply from 14 September 2019. These RTS, together with the PSD2, have brought fundamental changes to the market, including by introducing security requirements into law, and in particular the concept of strong customer authentication (SCA).
80. The Head of COPAC explained that, despite the PSD2 and the RTS being explicit about the meaning of SCA, some market participants were seeking further clarification as to which authentication approaches would be compliant or not, and have also expressed concerns in their ability to be compliant by the application date of the RTS. Therefore, the EBA drafted the opinion, which addressed both, the requests for clarification and concerns on preparedness from the industry, with a view to provide some certainty in a consistent way across the EU and

send a strong signal to the market that they need to prepare with urgency, while acknowledging that it is challenging.

81. Some BoS Members were of the view that the draft opinion was not clear, did not reflect national specificities, such as different options for customer authentication, and was not proportionate enough. Other Members raised their concerns regarding the preparedness of the non-regulated industry and voiced consumer protection aspects, such as unavailability and affordability of services for consumers.
82. Many Members acknowledged difficulties and problems in the market and agreed that a communication from the EBA was important.
83. The EC representative stressed that application date was approaching and that there was no time for any legislative changes. He noted that not all stakeholders would be prepared and therefore, the EBA and competent authorities should apply a pragmatic approach. He was of the view that the opinion should be published as a matter of urgency because otherwise the competent authorities would have to apply the RTS without further clarifications and, at the moment, the consequences of this application were not known. He concluded by saying that competent authorities should coordinate their approaches with the EBA to allow smooth migrations.
84. The ECB representative raised a concern that the opinion did not cover the Payment Initiation Services which compete in the same e-commerce markets with card services and that the flexibility and migration plans granted by the EBA in the Opinion might therefore create un-level playing field.
85. In his response, the Head of COPAC pointed out that some BoS Members, even if not confirming it during the meeting, had closely worked with their industry and prepared the market. He also stressed that the application date could not be changed. With regard to the migration, he concluded that the wording might be improved and, therefore, the EBA would launch a written procedure after the meeting.

Conclusion

86. The BoS supported the publication of the opinion provided that EBA staff would change the drafting in the paragraph on migration and send a revised opinion to the BoS via written procedure for final check.

Agenda Item 15: Thematic report on impact of FinTech on business models of PI and EMI

87. The EBA Head of Unit Banking Market, Innovation and Products (BMIP) presented the analysis of the impact on institutions' business models from the use of FinTech based on facts and observations collected by the EBA through its engagement with the supervisory community and the industry. She mentioned that the report was a part of the broader activities of the EBA

FinTech Knowledge Hub and that it followed a similar report published last summer (July 2018) by the EBA on the impact of FinTech on incumbent credit institutions' business models. She concluded by explaining that the purpose of the report was to share knowledge across the supervisory community in identifying and understanding the main trends that could impact institutions' business models and pose potential challenges to their sustainability.

Conclusion

88. The BoS approved the publication of the report.

Agenda Item 16: Consultation paper on the Guidelines on loan origination and monitoring

89. The Director of Department Banking Market, Innovation and Consumers (BMIC) presented to the BoS about the draft Consultation paper on Guidelines on loan origination and monitoring. He briefly mentioned the requirements in CRR/CRD, MCD and CCD and, clarified the content of the Guidelines, their application and next steps. He stressed that the Guidelines aimed to increase the resilience of the EU banking system by introducing more prudent lending practices and thus reducing the potential inflow of new NPLs.
90. One BoS Member stressed that these Guidelines were a key piece and that the EBA should clearly communicate on them, and encouraged to carry out comprehensive roadshows and meetings with the main European trade associations that cover financial institutions providing loans that were covered by these Guidelines, as suggested in the cover note.
91. Other BoS Member also emphasised the importance of these Guidelines and proposed to base them more on prudential responsibilities than on consumer protection responsibilities in order to allow easier implementation for prudential supervisors. One BoS Member asked for more nuanced language, in particular in relation to the 'non-standard non-residential real estate' when limiting the use of drive-by and desktop collateral valuation approaches.
92. The Director of BMIC pointed out that the Guidelines were important because they bring together prudential and consumer protection frameworks in matters such as lending and borrower's creditworthiness assessment. Therefore, the authorities would have to coordinate at the national level to involve also consumer protection authorities in their implementation. He also agreed to review the text regarding the drive-by and desktop valuation approaches to make the limitations more clear.

Conclusion

93. The BoS approved the publication of the consultation paper on the draft Guidelines.

Agenda Item 17: Integrated reporting framework (Art 430c of the CRR2) – project plan and scoping of the feasibility study

94. The Chairperson informed the BoS that Article 430c of the CRR 2 mandated the EBA to prepare a feasibility report for the development of a consistent and integrated system for collecting statistical, resolution and prudential data, as well as to involve the relevant authorities in the preparation of the report.
95. The EBA Head of Unit Reporting, Loans Management and Transparency (RLMT) continued by explaining that due to the nature of the project, the wide scope of data and the authorities to be involved, the project was envisaged rather complex and resource and time intensive. She presented the high-level project plan, governance of the feasibility study, main risks and success factors as well as immediate next steps. She concluded by mentioning that there were different interpretations or understanding on what an integrated reporting system was and therefore, the EBA would have to further analyse various options.
96. Members welcomed the project and acknowledged its importance with some of them mentioning the experience of their and other Authorities with data integration.
97. The ECB representative welcomed a liaison with the EBA and proposed close cooperation. He also mentioned that a close involvement of statisticians in the governance structure would be beneficial. Other Members also raised the need to involve statisticians.
98. One BoS Member raised concerns related to the scope and costs of implementing such an integrated system and that for any further decision on implementing the results of the feasibility study, the EBA should first clearly clarify consequences and costs of this exercise.
99. The SRB representative welcomed the project and reminded about the importance of quality assurance of data and a potential need for a new governance structure as some authorities, such as resolution authorities, were not present in all existing EBA structures. He also highlighted the importance of data sharing and therefore, the corresponding legal aspects should be considered.
100. One Member highlighted a need to address technological innovation in the project.

Conclusion

101. The BoS supported the project plan.

Agenda Item 15: AoB

102. The BoS approved the Minutes of the previous meeting.

Participants at the Board of Supervisors' meeting

12 – 13 June 2019, Paris

Chairperson: Jose Manuel Campa

<u>Country</u>	<u>Voting Member/High-Level Alternate¹</u>	<u>National/Central Bank</u>
1. Austria	Helmut Ettl/Michael Hysek	Philip Reading
2. Belgium	Jo Swyngedouw	
3. Bulgaria	Stoyan Manolov	
4. Croatia	Martina Drvar	
5. Cyprus	Stelios Georgakis	
6. Czech Republic	Zuzana Silberová/Marcela Gronychová	
7. Denmark	Jesper Berg/Carsten Kjaern Joensen	Niels Bartholdy
8. Estonia	Andres Kurgpold	Indrek Saapar
9. Finland	Jyri Helenius	Katja Taipalus
10. France	Édouard Fernández-Bollo/ Frédéric Visnovsky	
11. Germany	Raimund Röseler	Erich Loeper
12. Greece	Spyridoula Papagiannidou	
13. Hungary	Csaba Kandrac	
14. Ireland	Gerry Cross	
15. Italy	Luigi Federico Signorini/Andrea Pilati	
16. Latvia	Ludmila Vojevoda	Vita Pilsuma
17. Lithuania		
18. Luxembourg	Christiane Campill/Martine Wagner	Christian Friedrich
19. Malta	Pierre-Paul Gauci	Oliver Bonello
20. Netherlands	Maarten Gelderman	
21. Poland	Małgorzata Iwanicz Drozdowska	Maciej Brzozowski
22. Portugal	Elisa Ferreira	
23. Romania	Nicolae Cinteza	
24. Slovakia	Tatiana Dubinová	
25. Slovenia	Marko Bosnjak/Damjana Iglic	
26. Spain	Jesús Saurina Salas	
27. Sweden	Martin Noréus	David Forsman
28. UK	Charlotte Gerken	Nigel Fray

¹ Accompanying experts: Ingeborg Stuhlbacher (Austrian Finanzmarktaufsicht); Kurt Van Raemdonck (Belgian National Bank); Zrinka Pavkovic (Croatian National Bank); Marek Sokol (Czech National Bank); Christian Elbers (BaFin); Constantinos Botopoulos (Bank of Greece); Eida Mullins (Central Bank of Ireland); Michele Lanotte (Banca d'Italia); Saulius Girdauskas (Bank of Lithuania); Laura van de Werfhorst (De Nederlandsche Bank); Izabella Szaniawska (Polish Financial Supervisory Authority); Jose Coelho (Banco de Portugal); Olena Loboiko (European Commission)

<u>Country</u>	<u>Member</u>	<u>Representative NCB</u>
1. Iceland	Jon Thor Sturluson/Finnur Sveinbjornsson	Kristjana Jonsdottir
2. Liechtenstein	Markus Meier	
3. Norway	Morten Baltzersen	Sindre Weme

<u>Observer</u>	<u>Representative</u>
1. SRB	Dominique Laboureix

<u>Other Non-voting Members</u>	<u>Representative</u>
1. SSM	Korbinian Ibel/Fatima Pires
2. European Commission	Martin Merlin
3. EIOPA	Kai Kosik
4. ESMA	Roxana De Carvalho
5. EFTA Surveillance Authority	Marco Uccelli
6. ESRB	Tuomas Peltonen

EBA Staff

Executive Director	Adam Farkas
Director of Banking Markets, Innovation and Consumers	Piers Haben
Director of Prudential Regulation and Supervisory Policy	Isabelle Vaillant
Director of Economic Analysis and Statistics	Mario Quagliariello

Philippe Allard; Lars Overby; Jonathan Overett Somnier; Delphine Reymondon; Dirk Haubrich; Angel Monzon; Gaetano Chionsini; Olli Castren

Tea Eger; Massimiliano Rimarchi; Dorota Siwek; Oleg Shmeljov, Dragan Crnogorac, Dorota Siwek