



EBA MB 2021 015

Management Board

28 January 2021/09:30-14:00

Location: Teleconference

EBA – Regular Use

Management Board meeting – Draft Minutes

Agenda item 1: Welcome and approval of the agenda and the Minutes

1. Given the EBA's restrictions related to physical meetings, the Management Board (MB) meeting was held as a videoconference.
2. The Chairperson welcomed the Members.
3. None of the MB Members declared any conflict of interest regarding the agenda items.
4. The Chairperson informed that the Minutes of the 19 November 2020 MB meeting were approved by the MB in the written procedure.
5. The Chairperson reminded the MB that the first term of Raimund Roeseler expired on 31 December 2020. Therefore, the EBA launched a call for candidates to fill the vacant position and in order to fulfil the requirement in Article 45 (2) of the EBA Regulation related to gender balance and representation of participating and non-participating Member States, the first round was open only to female candidates from non-Eurozone countries. One candidate has applied and the second round, open to all candidates from non-Eurozone countries was due until 29 January. Furthermore, Sissy Papagiannidou has recently stepped down from her MB and Board of Supervisors (BoS) positions and therefore, the EBA was planning to launch another call for candidates with an aim to elect the additional new MB Members during the February BoS meeting.

Conclusion

6. The MB approved the amended Agenda of the meeting.
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Agenda item 2: Administrative and Operational Status Report (A-Point)

7. The Executive Director presented the Administrative and Operational Status Report. He explained that the report was longer compared to usual editions because it included new sections as agreed at previous meetings and also, because it summarised activities for the year 2020.
8. On finance and procurement, the Executive Director said that the execution of 2020 budget was 99.2 % and the carry forward from 2019 was 93.0 %. This relates to the EBA's spend in 2020 on commitments originally committed in 2019, the balance of which were "carried forward" to 2020. The EBA spent 93 % of the amount carried forward, which was below the 95 % target set by DG BUDG and it was also an improvement compared to the previous year. He also mentioned that a considerable part of the budget underspend was due to the COVID-19 pandemic.
9. With regard to HR matters, the Executive Director noted that after some months of slower recruitment due to transfer from physical to on-line recruitment, the HR continued to select and hire new staff and that all but three positions were filled. He also informed that the 2019 appraisal and reclassification exercises were completed and that 2020 appraisal has been launched. The EBA also continued with online trainings, including several well-being sessions to support staff. Furthermore, external learning platforms have been integrated onto the EBA Learning Management System
10. On IT, the Executive Director acknowledged that all key milestones were delivered for core business: EUCLID (e.g. replacement of legacy systems, preparations for reporting from all EEA banks), reporting (e.g. datapoint model, XBRL). The Director of Operations Department stressed that business continuity was ensured through the pandemic and that the team delivered on all production SLAs and allowed smooth transition from on-site to off-site work of all staff without any major disruptions. Also, the modernization of the existing infrastructure and collaboration tools was launched.
11. The Executive Director mentioned that in order to address the Covid-19 pandemic, the Corporate Support kept the EBA premises to highest standards for possible reopening and introduced case management and tracing. The missions of staff decreased by 83 % and all meetings were held virtually since March 2020.
12. In relation to internal and external communication, the Executive Director summarised that the main focus was on Covid-19 measures, transparency exercise, AML, FinTech and ESG and that a particular effort was done with regard to internal communication by introducing the staff newsletter and updates of the intranet. The social media activity was increased towards existing and new audience and the website migrated from the external provider to the EC platform.

13. The Executive Director noted that all staff was trained on EMAS and communication strategy on this project was launched in December.
14. With regard to Legal and compliance, given that there was a separate item on the agenda, the Executive Director only briefly mentioned that ethics, data protection, anti-fraud and other compliance issues were brought together under the umbrella of the Legal Unit. He also informed that the Ombudsman closed her inquiry related to the departure of the previous Executive Director. Finally, he mentioned that the EBA has been liaising with the EDPS on the third country data transfers.
15. With regard to new sections of the Report, the Executive Director summarised operational aspects of colleges and status of outstanding audit recommendations. He also asked MB Members whether the Report should, in the future, include detailed, or rather high-level information on the audit recommendations. The Members asked for a high level summary during the year with more in depth overview once a year.
16. The MB acknowledged the work and commitment of staff in 2020. One Member noted that the number of events dropped after March 2020 but increased again later in the year, including the number of participants. He also pointed that there was a lower number of absentees per year than in previous years and also suggested to discuss in greater detail the EBA's external communication strategy, in particular its impact and targets.
17. On the audit recommendations, one Member was of the view that only these that were open should be further elaborated in any future editions of the Report. The Member questioned recent email from the EBA on budget execution and national contributions.
18. In his response, the Executive Director noted the increase in number of events. On the training, he mentioned that some trainings, such as on ethics, were not as attended by staff as expected and therefore, the EBA was considering introducing more focused one-to-one trainings for managers. On the budget, he clarified that the EBA identified an error in its 2019 contributions calculation, which has been rectified by adjusting the way in which the 2019 surplus was being returned to EU and competent authorities (CAs) in 2021. This has been communicated to the CAs in the first 2021 call for contributions. Further clarifications should also be included in the next Report.
19. The Chairperson concluded by noting the comments and agreed that once a year, the MB should discuss the EBA's communication strategy.

Conclusion

20. The MB took note of the Administrative and Operational Status Report.

Agenda item 3: Risk and compliance functions (A-Point)

21. The Chairperson introduced the item by informing the MB that as of 1 January 2021 a Risk and Compliance team has been established within the renamed Legal & Compliance Unit.
22. The Executive Director continued by clarifying that the aim of the change in the internal structure was to bring additional focus to compliance-related topics which, during the EBA's growth phase, had been performed by staff in different parts of the EBA as supplementary tasks to their principal role, for example as policy experts or legal advisers. However, recent experience in relation to conflicts of interest, increased demands in relation to data protection, and generally increasing expectations of the EBA as a mature organisation all suggested a need to review the current arrangements and to increase the level of resources available for compliance functions at the EBA, including administrative support. Therefore, consolidating the ethics, data protection, whistleblowing, risk management and access to documents functions in a single team would ensure a team of people could work on these topics full-time, benefiting from the support provided by being part of a larger unit. It would also simplify reporting lines given that compliance functions generally need to report directly to the Executive Director which was already the case for the Head of Legal and Compliance Unit (Legal). The creation of the team had already led to an initial increase in resources, with further resource expected to be available from March, which could be increased further if necessary.
23. The EBA Head of Legal presented the new structure of his Unit and the risk and compliance priorities for 2021.
24. The MB supported the changes and priorities presented for 2021. The Members were also of the view that the allocation and internal move of the staff were reasonable and should address the issues identified by the EBA in the past.
25. The EC representative asked if the EBA had any knowledge about the structure, activities and plans of ESMA and EIOPA and/or other agencies, in relation to risk and compliance functions. The Head of Legal said that the EBA did not have detailed information but noted that consolidation in a single team was in line with the approaches at ESMA, EIOPA and the SRB, while the precise combination of functions and allocation of resources varied.
26. The Chairperson concluded by noting the full support of the MB.

Conclusion

27. The MB supported the presented changes with regard to the internal organisation of the EBA and risks and compliance priorities for 2021.

Agenda item 4: Replacement of two BSG Members (C-Point)

28. The Chairperson informed the MB that there were vacant positions in the Banking Stakeholder Group (BSG) after the departure of two BSG Members.

29. The EBA Head of Policy Coordination Unit (PAC) reminded the MB that on 17 June 2020, the BoS approved the renewal of the BSG whose mandate started on 1 July 2020. The proposal included a list of 30 members and a reserve list of potential candidates to replace members who could not finish their four-year mandate. At the end of 2020, the EBA was informed that both Montserrat Martinez Parera and Lyubomir Karimansky had to discontinue their membership of the BSG. Ms Martinez Parera was a BSG member in the category representing 'Financial Institutions' and Mr Karimansky was a BSG member in the category representing 'Users of banking services'. In order to maintain the overall balance of the different categories of BSG members, the EBA considered all suitable candidates and proposed to the MB Maria Ruiz de Velasco Camiño to fill the vacancy in the category 'Financial Institutions' and Alin Iacob to fill the vacancy in the category 'Users of banking services'.
30. The MB supported the proposal.
31. The Chairperson concluded by noting the support of the MB for the two candidates to be proposed as new BSG Members to the BoS.

Conclusion

32. The MB agreed to propose Maria Ruiz de Velasco Camiño and Alin Iacob as new BSG Members to the BoS.

Agenda Item 5: EU-wide stress test: Progress report on the implementation of ECA's recommendation (B-Point)

33. The Chairperson introduced the item by briefly summarising that in July 2019, the European Court of Auditors (ECA) issued a report, which assessed the EU-wide stress tests for banks, in particular the 2018 exercise. In the report, the ECA provided five recommendations to the EBA (and one to the EC) to improve the exercise. Following this report, the EBA staff produced a paper to assess ways of addressing the ECA's recommendations, which was presented to the MB at the end of November 2019. The MB supported the proposed ways of addressing the recommendations, including requesting additional resources from the EC for fulfilling the recommendations, which was also suggested by the ECA in its report. However, the EC was negative on the additional resources request and suggested internal re-shuffling of resources in the EBA.
34. The EBA Director of Economic Analysis and Statistics Department (EAS) continued by noting that given the Covid-19 outbreak, the EBA postponed its stress test to 2021 and would probably not run the next exercise in 2022 but only in 2023. Based on this assumption, the EBA was of the view that also the deadlines as set by the ECA were extended. In addition, the EBA has not received any additional resources for fulfilling ECA's recommendation. For those recommendations that could be addressed without additional resources, there was a significant use of internal synergies. In addition, the EBA management has decided to re-deploy as much as possible its internal resources to fulfil the rest of the recommendations.

Due to the limits in re-deployment, the EBA management has prioritised Recommendation 2 and the work on building its top-down expertise. Such prioritisation is in line with the previous MB decision, as well as in accordance with the BoS guidance on the future EU-wide stress test framework design and on the need to build expertise at the EU level also leveraging on what has been already developed at the CAs level.

35. The top-down stress test would be an important addition to the risk assessment toolkit available at the EBA and would contribute to the regular monitoring of risks. As for the other recommendations, the Director EAS reminded the plan to disclose P2R and improve the aggregate report already in 2021 and the possibility for the BoS to re-assess the sample for the 2023 exercise. As for the number of scenarios, this was linked to the long-term strategy on the EU stress test, but - given resource constraints - it was more likely that sensitivity analysis would be carried out as a complement to one single scenario. The EBA was already working on climate change sensitivities as well as liquidity stress test.
36. The Executive Director added that during one of the FSC meetings, the members were asking about the EBA's progress in fulfilling the recommendations and that many of the members insisted on the need to expand the sample of banks.
37. The MB noted the necessary delay in the exercise as well as in addressing the recommendations but stressed that the EBA should inform the ECA about this without any further delays. This would also allow more time for the discussion between the EBA and ECA on their expectations and potentially, more granular outcomes. The Members were also of the view that the EBA might need to work on the reputation of the exercise and its benefits and that some improvements might only be expected for and after the 2023 exercise in line with the long-term re-design of the EU-wide stress test framework. With regard to the scope and the sample, the MB noted that the financial stability dimension did not depend so much on the small banks.
38. The MB noted that building top-down expertise at the EBA is the right priority. This process should build on what exists already in terms of project, resources and knowledge to build together something efficient. The MB should be informed on the developments of the top-down tool and resources should be added if needed.
39. The EC representative suggested re-drafting the progress report in order to make it clearer for readers and also, to ensure consistency between the body of the text and the annexes. With regard to the sample, he was of the view that further discussion at the BoS level would be required.
40. The Chairperson concluded by saying that the delay in the 2020 exercise allowed the EBA to accelerate some issues and that more improvements were planned for the 2023 exercise. The Chairperson also instructed to proceed with the Call for Experts from the CAs to support the EBA in building the expertise on top-down modelling.

Conclusion

41. The MB supported the EBA's work for addressing the ECA's recommendations.

Agenda Item 6: Workprogramme Progress report (A-Point)

42. The Chairperson reminded the MB that the Work programme progress report was a recurrent item on the MB agenda that aimed to provide an overview of the EBA deliverables in the pipeline and expected finalisation.
43. The Executive Director introduced the item mentioning that, in addition to the usual comprehensive colour-coded dashboard introduced last year, a preliminary deep-dive had been carried out for this first MB of the year. The purpose was to complement the MB's information, at the beginning of the year, about the relative importance of the EBA's core business tasks in 2021 and beyond, with a status update of deliverables and an explanation of the (limited) delays. The Executive Director's assessment was that the current situation looked broadly satisfactory, despite some (well identified) delays, and no slack. The staff would continue: i) working on the link between the work programme priorities (as per SPD and WP) and the detailed list in the regular MB dashboard; and ii) thriving for timely delivery.
44. The Head of PAC presented, in addition to the report, more granular information on the number of projects planned for 2021, their status update, including mentioning delays and reasoning for them (complexity of the mandates, resources constraints or challenging legislative deadline) and expected activities beyond 2021. He noted that in 2021, the EBA was expecting to finalise several mandates which could be seen as the end of a cycle (credit risk and IFR mandates were expected to be finalised in Q2 2021; AML and risk analysis mandates in Q4 2021) and planned to reactivate some of the water-down mandates and its surveillance function prior to entering on the new cycle of finalisation of the Basel mandates expected in mid-2021.
45. The Head of PAC concluded by stressing that the next steps would lay in improving the link between the work programme priorities and list in the regular Work programme progress report and overall timely delivery of all mandates.
46. One Member was of the view that the color-coding in the report was still unclear. He also suggested to look back at some of the regulatory products in order to identify whether the cycles were repeating. Similarly, two Members asked if the peaks and flat sections of the cycles/envisaged workload could be addressed.
47. The EC representative acknowledged the usefulness of the report, in particular the information regarding envisaged delays. He suggested to amend the term "revised deadline" given that regulatory deadlines could only be revised by the co-legislators and not between the EC and the EBA (although he clarified that the EBA's duty of informing the EC of delays in Binding technical Standards existed). He also stressed that, on the input on the appropriateness of

the macroprudential framework, the EC was expecting earlier feedback from the EBA given that the EC had to follow their internal procedures with the deadline to prepare a report by the end of 2022.

48. One Member suggested to increase preparatory and educational work before introduction of any new legislation? given that the competent authorities (CAs) had to invest a lot of time in preparing their industries for changes and that often, they did not have sufficient time.
49. In his response, the Executive Director agreed to find a different term for the “revised deadlines”. He clarified that for any delay, there was an extensive exchange of information between the EC and the EBA in order to find solutions. He also confirmed that the EBA was aiming at better linking the Work Programme priorities and the Work programme progress report. He noted the comments regarding the peaks in the workload/cycles and said that the EBA would try to manage them in the future. Finally, he mentioned that the EBA’s trainings should address future legislative changes.
50. The EBA Director of Prudential Regulation and Supervisory Policy Department (PRSP) confirmed that the notion of cycles existed but stressed that the EC was facing the same issue and that both the EC and the EBA had to address it.
51. The Chairperson concluded by noting the comments.

Conclusion

52. The MB took note of the Workprogramme progress report.

Agenda Item 7: Discussion Note: Update on the CCP related workstream for the EBA (A-Point)

53. The Chairperson briefly mentioned that the new regulation on recovery and resolution (RRR) for CCPs was agreed upon in the course of 2020 and its entry into force expected in Q1 2021. While majority of mandates were given to ESMA, according to Article 9(5) ESMA, in close cooperation with EBA and after consulting the ESCB, shall develop draft regulatory technical standards (RTS) specifying the methodology for calculation and maintenance of this additional amount of pre-funded dedicated own resources. On top of this one mandate, the EBA should also participate in the CCP resolution colleges.
54. The Director of PRSP continued by noting that the area of market infrastructure was historically an area where EBA has been active as regards the prudential aspects. In particular, this topic was part of many of the early mandates given to EBA, as EBA was highly involved in the financial crisis reforms agreed in this area at the Basel and FSB tables. Nonetheless, given the overall resource constraints at the EBA and the increased role that the legislators have given to ESMA in this field, most notably the supervision of third country CCPs and convergence in the supervision of EU CCPs, she questioned the overall role of EBA in the area of market infrastructure. In particular, determining the EBA ambition as regards the regulatory

framework as well as the resolution aspects for CCPs, both from the regulatory and colleges side. She concluded by mentioning that in order to achieve a sound and fully operational framework for the CCPs and its relevant interaction with the banking system, the EBA was proposing to ensure appropriate cooperation for the completion of the resolution/recovery regulatory framework mandated under CCP R&R, engaging with the ESMA for the development of the RTS where a formal EBA involvement is foreseen, fulfill and maintain all mandates given to EBA in the prudential area, interact with ESMA for the purpose of ESMA resolution committee and the Joint Committee of the ESAs and involvement in the resolution colleges.

55. The EC representative welcomed the EBA's preparedness to contribute to the development of the CCP framework and stressed the added value of the EBA's input.

Conclusion

56. The MB supported the EBA's proposal for the involvement and work plan under the regulation on recovery and resolution for CCPs.

Agenda Item 8: Update on IFRS 9 benchmarking (C-Point)

57. The Chairperson reminded the MB that during the last four years, the EBA has scrutinized the effective (pre and post) implementation of IFRS9 by EU banks via different means, and more particularly during the last two years via the so-called IFRS9 benchmarking exercise.
58. The Director of PRSP mentioned that in line with the staggered approach presented in the EBA IFRS 9 roadmap published in July 2019, from a quantitative perspective, the benchmarking exercise has started, with a focus on the Low Default Portfolios (LDPs). The next step of the exercise would involve the extension to the High Default Portfolio (HDP). In order to integrate this dimension, a new ad hoc exercise should normally be envisaged as part of the EBA regular good practice. However, the HDP exercise was deemed quite complex (much more than LDP), the EBA seeking a steer from the MB on the challenges and potential way forward for the extension to the HDP dimension. In particular, MB views would be welcome on whether the integration of HDP should be done in 2021, or postponed by at least one year for the upcoming phase of this project, also taking into account the available resources and the need to further investigate on banks practices for the implementation of IFRS 9 on HDPs. In this regard, the Director of PRSP presented four options in terms of ad hoc data collection for 2021, ranging from a narrow scope (while continuing to interact with banks to understand practices in a qualitative manner) to a large scope.
59. The majority of the Members supported the option with the narrow scope. One Member, while supporting this option, also said that he would support a more courageous approach as well in order to ensure continuity in the exercise. He also questioned whether the EBA was planning to publish the findings of the exercise.

60. The EC representative asked if the postponement of the monitoring would have any impact on the EBA input to the future review of the IFRS9 by the IASB.
61. On the publication, the Director of the PRSP clarified that while publication of some findings is intended at this stage, this would be ultimately assessed on the basis of the final content of the proposed narrative.
62. The EBA Head of Liquidity, Leverage, Loss Absorbency and Capital Unit (LILLAC) explained that the IASB review related to the impairment aspects of the IFRS9 standard has postponed and therefore, the EBA has sufficient time to provide input.
63. The Chairperson concluded by noting the MB support for the narrow option in terms of ad hoc data collection in 2021, while continuing the investigations on the qualitative aspects and understanding of the HDP dimension. He mentioned that the EBA would consider public report and hold another discussion later in the year.

Conclusion

64. The MB supported the EBA's proposal not to collect quantitative data on IFRS 9 LGD parameter for LDP in 2021 and to postpone the integration of the HDP to 2022 while continuing interacting with banks / other stakeholders understanding practices in a qualitative manner. An appropriate communication would need to be ensured towards participating banks, not to give the impression that the EBA was slowing down with the work on IFRS9 benchmarking.

Agenda Item 9: IT Operational Plan (C-Point)

65. The Chairperson clarified that 2021 IT Operational Plan aimed at providing a transparent view to the EBA and its stakeholders on proposed IT investments and related key milestones planned for 2021.
66. The Director of Operations stressed that priority initiatives that contributed to establishing EBA as a key source of banking and financial data were of higher priority, where most resources were allocated (EUCLID, Investment Firms, and AML/CFT).
67. The EBA Head of Information Technology Unit (IT) summarised the Plan and said that it was driven by the BoS approved IT Strategy for years 2020 - 2025. Key inputs were the EBA Work Program, the EBA IT strategic roadmap, the current and prospective programs/projects pipeline, additional requests from EBA departments/ units required to achieve their business outcomes, the run-the- business portfolio of applications/ services and the lessons learned from the execution of the 2020 IT Operational Plan. Financial metrics, both budget and headcount, have been taken into consideration, to clearly show how much of the desired investments can be achieved within 2021.
68. The Members did not raise any concerns.

69. The Chairperson concluded by saying that the MB approved the Plan by consensus.

Conclusion

70. The MB approved the priorities and IT Investments as presented in the EBA IT Operational Plan for 2021.

Agenda Item 10: Provisional Agenda BoS 24 and 25 February Meeting (B-Point)

71. The Chairperson reminded the MB that the next BoS meeting was scheduled for 24 and 25 February 2021 and the format of a conference call rather than a physical meeting was to be used. He mentioned that there would be a dedicated item on the 10th anniversary of the EBA given that the EBA was planning a number of activities as part of the celebration throughout the year. He also informed that an additional item should be added on the agenda with a proposal to conduct a study on supervisory independence. The study would use a questionnaire to be completed by supervisors, based on the Basel Core Principles and FATF standards, with a view to preparing a factual report in time for the September BoS. Given the similar studies being planned by ESMA and EIOPA and overlap in supervisors, the EBA aimed to take an approach which was consistent, while taking into account any sectoral differences. The study would be primarily staff-led, with input from relevant standing committees on the draft questionnaire and on the resulting report. The EBA was also liaising with the EC for input on the proposed timing and scope of coverage given that the ESA Regulations require it to report on this topic as part of the next ESAs Review.

72. Two Members were of the view that BoS meetings should be shorter than two full days and that the EBA should prioritise which items were necessary for discussion during the BoS meeting.

73. The Chairperson noted that the other ESAs have increased the number of BoS meetings/calls and that the EBA wanted to keep the usual number of six meetings per year. However, the EBA might reconsider this approach also with an aim to address the number of items on the agenda.

Conclusion

74. The MB took note of the draft Agenda of the 24 and 25 February 2021 BoS conference call.

Agenda Item 10: AOB

75. The MB did not raise any other business comments.

Participants at the Management Board conference call

28 January 2021

Chairperson Jose Manuel Campa
EBA Vice-Chair Jo Swyngedouw

Member Maarten Gelderman
Member Martina Drvar
Member Dominique Laboureix
Alternate Thomas Worm Andersen

European Commission representative Dominique Thienpont

EBA Staff

Executive Director	Francois-Louis Michaud
Director of Operations	Peter Mihalik
Director of Banking Markets, Innovations and Consumers	Piers Haben
Director of Economic Analysis and Statistics	Mario Quagliariello
Director of Prudential Regulation and Supervisory Policy	Isabelle Vaillant

Philippe Allard; Jonathan Overett Somnier; Tea Eger; Erika Sole; Fergus Power; Tijmen Swank; Lucy Urbanowski

For the Management Board,

Done at Paris on 23 March 2021

[signed]

José Manuel Campa

EBA Chairperson