



EBA BS 2022 187 rev. 1

Board of Supervisors

10 March 2022

Location: teleconference

Board of Supervisors conference call on 10 March 2022 – Minutes

Agenda item 1: Welcome, approval of the agenda and Declaration of conflict of interest

1. The Chairperson welcomed the Members of the Board of Supervisors (BoS). He clarified that the purpose of the conference call was to assess the risks and discuss follow-up actions to the situation in Ukraine. He also mentioned the EBA's planned actions related to the channelling of questions on sanctions and the discussion of a draft press release on the introduced restrictive measures.
2. The Chairperson reminded the Members of the conflict of interest policy requirements and asked them whether any of them considered themselves as being in a conflict. No Member declared a conflict of interest.
3. The Chairperson asked the BoS whether there were any comments on the draft agenda. There were no comments on the agenda.

Conclusion

4. The BoS approved the agenda of the meeting.

Agenda item 2: Risk assessment and implementation of measures update

5. The EBA Director of Economic and Risk Analysis Department (ERA) updated the BoS on the latest developments related to the sanctions on, and from, Russia and Belarus. He said that the macroeconomic outlook has worsened, the prices of oil and gas were increasing, and the likelihood of an upcoming recession has been mentioned by analysts more often than in previous months. He also mentioned the high number of refugees in Europe and that it would have implications in many dimensions. On risks, he noted rising energy and commodity prices that were pushing further overall inflation and potential worsening cyber-attacks arising from the geopolitical tensions.
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6. The European Commission (EC) representative summarized the different sets of sanctions adopted by the EU since 24 March 2022 and mentioned that these sanction packages built on the sanctions introduced after the Crimea conflict. He clarified that crypto assets were also included in the range of activities covered by the sanctions. He noted that many of the sanctions have entered into force as of their publication in the Official Journal, but some had a transition period in order to allow the financial sector to prepare. He stressed that the EU sanctions framework has been well coordinated with the partners in the UK and US and that Switzerland was planning to adopt the framework as well. However, the framework has not been identically implemented in all these jurisdictions due to national specificities. A number of questions have been raised by the industry on the applicability of the sanctions and to address them effectively, the proposal was that the EBA would collect all questions both from the industry and competent authorities (CAs) and channel them to the EC who would subsequently answer them. The EC was also planning to issue guidance, probably in a form of an FAQ document as it has done in the past. Until the FAQ document was public, the answers should remain within the supervisory and regulatory environment. The EC representative also mentioned the activation of the Temporary protection Directive which gives certain rights to refugees related to legal residency and subsequent access to basic payment accounts. In this regard, he mentioned that banks have already reported issues related to compliance with the AML customer due diligence obligations and referred to the EBA Opinion on customer due diligence in relation to asylum seekers from 2016 and said that the Opinion already provided interesting clarifications that could be helpful for the present circumstances.
7. The SRB representative informed that after a two-day moratorium on the European subsidiaries of a Russian bank, the SRB conducted necessary assessments and decided that relevant entities could be liquidated under a normal insolvency procedure except for two subsidiaries which were bought by other banks. He also provided details on both procedures.
8. One Member summarized the main implications from the local resolution procedure in its jurisdictions, highlighting the differences between the ex-ante preferred resolution strategy and the actions finally pursued. The Member also indicated differences in communication among resolution and supervisory authorities and supported that lessons for the future were to be learnt from this case.
9. One Member questioned the role of supervisors in relation to the sanctions. Another Member was of the view that all questions on the sanctions should be sent to the EBA who should channel them to the EC.
10. The ESRB representative noted that while direct exposures of the financial system to Russia were limited, there was uncertainty on how the situation would proceed, including the second-round effects, such as rising prices of energies or reduced household incomes.
11. The ECB Banking supervision representative was of the view that it would be beneficial to have a clear interpretation of the sanctions and questioned the necessary timeline for the EC to be

able to provide answers. She also asked the best manner for industry participants to submit their questions on the sanctions.

12. The EC representative confirmed that the EC was preparing the FAQ document as soon as possible. He also reminded the BoS of a guidance which was issued after the Crimea conflict and said that it was still valid and that their further work would complement it.
13. The Chairperson concluded that the questions on sanctions could be channeled via the functional EBA mailbox to the EC and that it should be open to banks on top of the CAs to also submit their questions. ResCo should also continue with the assessment of the situation and of possible lessons learnt.

Agenda item 3: Considerations on the prudential framework

14. The Chairperson introduced the item by reminding the BoS of the discussion during the previous extraordinary BoS conference call on 28 February 2022 during which the BoS agreed that the EBA should begin identifying possible related prudential issues arising from the prudential framework under the current Ukrainian situation.
15. The EBA Director of Prudential Regulation and Supervisory Policy Department (PRSP) presented exploratory considerations on the elements in the prudential framework, which could potentially warrant further EBA work. She mentioned that the EBA had at this stage identified four types of regulatory impacts. Firstly, impacts due to market volatility in the market risk framework. Secondly, credit risk measures related to the situation of the customers of banks, for which circumstances have been fundamentally changed due to the crisis, for instance in terms of ability to pay or access to collateral. Thirdly, accounting and valuation aspects, in particular related to the uncertainties and risks related to Russian entities. Finally, other issues, such as aspects related to operational risk or prudential consolidation.
16. The BoS welcomed the work. Several Members appreciated the mapping of all relevant areas and potential issues and noted that in the current uncertain situation, the presented considerations were a good starting point for future work to be explored at the level of standing committees. A number of Members referred to potential secondary impacts of the conflict in Ukraine. One Member stressed the issue of possible Russian insolvency. On other issues, Members suggested to further focus on the issue of margin calls, prudential treatment of trade, systemic buffers, dividends restrictions, exposures to parent banks, risk weighting of unrated obligors, procyclicality, legal implications of forcing Rouble repayments for hard-currency loans (Decree RF No 95), repayment of loans by solvent clients who were subject to sanctions and/or were impacted by them as well as accounting treatment in case of non-repayment, and preparation of the banking sector for a less favorable expected macroeconomic outlook. A number of Members was of the view that the prudential framework has proven robust to deal with various situations and that accurate measurement and proper dealing with forbearance was important to ensure that loss recognition was not

delayed. In this context, they further notice that an introduction for general payment moratoria at least in the current situation seemed not appropriate or necessary.

17. The Chairperson concluded that there was no support for amendments to the prudential framework at this stage, but that the EBA would continue monitoring identifying prudential areas where further work could be beneficial and that it would coordinate its work with other relevant agencies.

Agenda item 4: AOB

18. The Chairperson summarised a draft press release on Ukrainian situation prepared by the EBA staff. He noted that based on the BoS discussion, some amendments related to submission of questions from the industry would have to be introduced.
19. The BoS supported the work and stood ready to provide drafting comments with a view to some rebalancing and being operational, including the option for the industry to submit questions on sanctions to the EBA.
20. The EC representative supported the draft press release and suggested to include also reference to relief measures for refugees. He also said that the EC could provide drafting suggestions in this regard, if needed.
21. The Chairperson concluded by noting the comments and said that a reference to the option to channel questions to the EBA and the relief measures for refugees would be added in the revised version of the press release which would be shared with the BoS for written comments by 11 March, 13:00.

Conclusion

22. The BoS supported the publication of the press release on Ukrainian situation after a written procedure.

Participants of the Board of Supervisors' conference call 10 March 2022¹

Chairperson: Jose Manuel Campa

Country	<u>Voting Member/High-Level Alternate</u>	<u>National/Central Bank</u>
1. Austria	Michael Hysek	Karin Turner-Hrdlicka
2. Belgium	Jo Swyngedouw	
3. Bulgaria	Radoslav Milenkov/Stoyan Manolov	
4. Croatia	Sanja Petrinić Turković	
5. Cyprus	Constantinos Trikoupis	
6. Czech Republic	Marcela Gronychova	
7. Denmark	Jesper Berg/Thomas Worm Andersen	Morten Rasmussen
8. Estonia	Andres Kurgpold	
9. Finland	Jyri Helenius/Marko Myller	
10. France	Dominique Laboureix/Emmanuelle Assouan	
11. Germany	Peter Lutz	Karlheinz Walch
12. Greece	Heather Gibson	
13. Hungary	Csaba Kandrac	
14. Ireland	Gerry Cross	
15. Italy	Andrea Pilati	
16. Latvia	Santa Purgaile/Ludmila Vojevoda	
17. Lithuania	Simonas Krėpšta/Renata Bagdonienė	
18. Luxembourg	Claude Wampach	Christian Friedrich
19. Malta	Pierre Paul Gauci	Oliver Bonello
20. Netherlands	Maarten Gelderman	
21. Poland	Kamil Liberadzki	Olga Szczepanska
22. Portugal	Ana Paula Serra	
23. Romania	Cătălin Davidescu	
24. Slovakia	Tatiana Dubinova	
25. Slovenia	Primoz Dolenc/Damjana Igljic	
26. Spain	Angel Estrada/Alberto Rios Blanco	
27. Sweden	Karin Lundberg	

<u>EFTA Countries</u>	<u>Member</u>
1. Iceland	Unnur Gunnarsdottir
2. Liechtenstein	Markus Meier
3. Norway	Morten Baltzersen

<u>Observer</u>	<u>Representative</u>
1. SRB	Sebastiano Laviola

<u>Other Non-voting Members</u>	<u>Representative</u>
1. ECB/SSM	Sofia Toscano Rico, Carmelo Salleo
2. European Commission	Martin Merlin

¹ Matthias Hagen (OeNB); Liga Kleinberga (Financial and Capital Market Commission); Jose Rosas (Banco de Portuga); Kurt Van Raemdonck (NBB); Brita Hrenovica (Finanstilsynet); Morgan Allen, Eida Mullins (Central Bank of Ireland); Pawel Gąsiorowski (Narodowy Bank Polski); Pascal Hartmann (FMA); Marek Sokol (CNB); Liza Lunstroo, Annemijn van Rheden; Jurrriaan Paans (DNB); Julia Blunck (BaFin)

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| 3. EIOPA | Petr Jakubik |
| 4. ESMA | Tomas Borovsky |
| 5. EFTA Surveillance Authority | Marta Margret Rúnarsdóttir |
| 6. ESRB | Toumas Peltonen |

EBA

Executive Director

Director of Economic and Risk Analysis Department

Director of Prudential Regulation and Supervisory Policy
Department

Director Innovation, Conduct and Consumers

Francois-Louis Michaud

Jacob Gyntelberg

Isabelle Vaillant

Marilyn Pikaro

Heads of Unit

Lars Overby; Francesco Mauro; Philippe Allard

EBA experts

Tea Eger

For the Board of Supervisors

Done at Paris on 22 April 2022

José Manuel Campa

EBA Chairperson