

EBA Work Programme 2014

Introduction

1. 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 EBA's work programme describes and summarises the main objectives, deliverables and corresponding priorities of the EBA in 2014, derived from the tasks specified in the Regulation and from the relevant EU banking sector legislation.

Summary of the main tasks

2. The fundamental objective for the EBA in the regulatory policy area will be to continue 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 main focus of the EBA's regulatory work will relate to the CRDIV/CRR legislation, in particular to credit and market risk and the prudential areas of liquidity and leverage, as well as to the recovery and resolution framework. The EBA's oversight activities in 2014 will continue to focus on identifying, analysing and addressing key risks in the EU banking sector ensuring they add value to the suite of risks products produced in the EU. The EBA will continue to monitor capital levels as well as capital plans for converging towards the new standards. Last but not least, the EBA is committed to enhance the protection of banking consumers and promote transparency, simplicity and fairness for consumer financial products and services across the Single Market. In this context, it will focus its consumer protection activities on fulfilling mandates assigned to the EBA under the Mortgage Credit Directive (MCD), the proposed Bank Account Package, the proposed review of the Payment Services Directive (PSD), and on initiatives such as the self-placement of financial instruments.
 3. 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. Besides, 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, and supports the EBA's peer review work. Further, the support functions summarised as **Operations** are playing a critical role in ensuring that the EBA can perform its core functions.
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4. In 2014, the EBA will take over **the chairmanship of the Joint Committee**, from EIOPA. Under the EBA chairmanship, the Joint Committee will give in 2014 high priority to the areas of consumer protection, cross-sectoral risk analysis and assessment of analysing interactions and possible unintended consequences between Solvency II, the CRDIV/CRR legislation, and the Recovery and Resolution legislative framework. It will continue to pursue the regulatory work already underway in key areas such as financial conglomerates, anti-money laundering, benchmark setting processes and credit rating agencies and will enhance visibility of its work to external stakeholders. The tasks envisaged in the EBA Work Programme 2014 are without prejudice to the mandates enshrined in the Work Programme 2014 of the Joint Committee of the three ESAs.
 5. By 2 January 2014, the European Commission will publish a report on the **assessment of the European System of Financial Supervision**, as per Art. 81 of ESAs Regulations. The EBA will await the outcome of the assessment and will consider implementation of possible recommendations, as appropriate. In addition, further views will be exchanged with other ESAs on possible improvements of the ESA's framework.

Banking union / SSM developments

6. Establishment of the Single Supervisory Mechanism (SSM) in the EU¹ will have some important repercussions on the execution of the mandate of the EBA. The EBA will need to be cognisant of the need to add specific value in the context of the changing institutional EU structures in relation to the formation of the SSM.
7. The SSM will call for enhanced operational relationships in all the fields and with all the parties involved, in particular with the European Central Bank. Ensuring effective cooperation on joint projects such as stress testing will be crucial in this context. Further, the SSM will call on the Union for an even stronger commitment to the single rule book, and in particular to unified supervisory methodologies and practices, where the EBA will bring its contribution and expertise by development of a Single Supervisory Handbook, *inter alia*.
8. As the only body well placed to offer thematic micro prudential insights to the banking sector across the Single Market, the EBA will need to ensure that its risk infrastructure, including data and risk reports, focus on this specific value added and make maximum use of the EBA's EU wide data and supervisory insights, including through its participation in colleges of supervisors.

Prioritisation of EBA tasks

9. A detailed list of all the EBA's tasks is presented in the Annex, with the attached priorities.² Classification of the priorities is provided based on the following principles:

¹ On 12 September 2012 the Commission adopted two proposals for the establishment of a single supervisory mechanism (SSM) for banks led by the European Central Bank (ECB). On 19 March 2013 the European Parliament and the Council reached agreement on this legislative package entrusting the ECB with responsibility for the supervision of banks in the framework of the SSM and adapting the operating rules of the EBA to this new framework. On 12 September 2013 the European Parliament provided its support to the SSM package.

² Please note that some of the items attributed to the European Commission's legislative proposals might change given these proposals are currently under discussion.

- Priority 1 has been assigned to (a) tasks deriving from a legislative proposal with a deadline falling in 2014; (b) tasks which the EBA consider as the most urgent with respect to ensuring accomplishment of its objectives (i.e. improving the functioning of the internal market, ensuring effective and consistent level of regulation and supervision in the EU, and protecting public values, including the stability of the financial system); and (c) tasks taking into consideration EBA human and financial resources;

- Priority 2 has been assigned to (a) less urgent tasks, that will only be accomplished in as far as these do not constrain the EBA's ability to meet priority 1 tasks i.e. tasks which do not comply with all three above conditions (i.e. deadline is beyond 2014; The EBA does not consider them as the most urgent with respect to accomplishment of its objectives; or that will probably not be achieved taking into consideration the EBA's human and financial resources); and (b) tasks which can be triggered externally (e.g. request for non-binding mediation) and the EBA cannot predict possible cases for 2014`

- Priority 3 has been assigned to tasks with the least urgency, i.e. can be accomplished in the medium or long term.

10. In addition to the high number of deliverables sought from the EBA in the sectoral legislation falling under the EBA's remit - in particular in the CRDIV/CRR legislation (please see the section below) - the timing of the products envisaged is very concentrated as the implementation schedule needs to remain consistent. Most products are expected to be finalised by 2014, thus, the concentration of the EBA's work will be very high during this period. 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.

Regulation

11. The fundamental objective for the EBA in the **regulatory policy area** will be to continue 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.

12. The main focus of the EBA's regulatory work will relate to the **CRDIV/CRR legislation**: the EU's rules on capital requirements for banks and investment firms throughout the Single Market, which entered into force in summer 2013 and will apply from 1 January 2014. This package aims to strengthen bank capital requirements, introduces a mandatory capital conservation buffer and a discretionary countercyclical buffer, envisages new regulatory requirements for liquidity and on leverage, as well as additional capital surcharges for systemically important banks. The EBA is to play a crucial role in the technical implementation and application of the CRDIV/CRR framework, as nearly 250 deliverables are expected from the EBA, with many of them due in 2014. 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. An overview of the main deliverables under the CRDIV/CRR legislation with deadline till end of 2014 is provided in the below table.

Table 1: Regulatory products under CRDIV/CRR legislation with deadline for submission from January 2014 to December 2014

Product type	Total Number of Products	Topics
Regulatory Technical Standards (RTS)	48	20 RTS: IRB 3 RTS: Passporting 3 RTS: Home Host 1 RTS: CIU Exposures 5 RTS: Own Funds 2 RTS: Market Risk 2 RTS: Remuneration 2 RTS: Liquidity Risks 1 RTS: GSIS 1 RTS: Countercyclical Capital Buffer 1 RTS: Fixed Overheads 1 RTS: Credit Risk Mitigation 1 RTS: CCP 1 RTS: Standardised Approach 1 RTS: CVA 1 RTS: Large Exposures 1 RTS: Macro Prudential Measures 1 RTS: Prudent Valuation
Implementing Technical Standards (ITS)	23	1 ITS: Market Risk Internal Models 3 ITS: Home Host 1 ITS: Joint Decision 1 ITS: IRB 3 ITS: Passporting 1 ITS: Supervisory Disclosure 3 ITS: ECAIs 2 ITS: Market Risk 1 ITS: Large Exposures 2 ITS: Liquidity Risk 1 ITS: GSIS 1 ITS: Leverage Ratio 2 ITS: Market Infrastructure 1 ITS: Asset Encumbrance
Guidelines	7	1 GL: Remuneration 1 GL: Structural Measures 1 GL: Unencumbered Assets 1 GL: SREP 3 GL: Disclosure
Reports	9	2 Report: ECAIs 1 Report: Covered Bonds 3 Reports: Liquidity Risk 1 Report: CRR/EMIR in CCP 1 Report: Own Funds 1 Report: Securitisations
Opinion/Consultations	5	2 Opinions: Macro-prudential measures 1 Opinion: Standardised Approach 2 Opinions: Covered bonds
Notifications	2	1 Notification: IRB 1 Notification: Organisation of Supervision

13. Besides realisation of the Single Rulebook in banking (in particular through development of draft technical standards and guidelines), which represents a key priority for the EBA in the

area of Regulation, the EBA foresees to produce a number of deliverables in the new prudential area of **liquidity and leverage**. Work will also continue on definitions for high quality liquid assets (HQLA), on economic impact assessment, and on liquidity coverage ratio.

14. In the area of **credit risk**, the EBA will prepare a report on the pro-cyclicality and comparability of **IRB (internal ratings-based) models**. Given the importance of IRB models in the risk management of institutions, this is considered crucial to ensure uniform implementation of the CRR across institutions, and thus to avoid inefficient and less prudential risk allocation within institutions. In the area of credit risk, substantial work will also be undertaken on drafting of a large number of technical standards regarding the IRB and standardised approach, including mapping of credit ratings to credit quality steps for about 25 registered rating agencies. Similar work will be followed in the area of market risk, in particular with respect to **CVA (credit value adjustment)**.

15. The EBA has also initiated its preparatory work in view of legislative mandates which will be assigned to the EBA upon the approval of the **Recovery and Resolution Directive (RRD)** and the revision of the **Deposit Guarantee Schemes Directive (DGS)**. The former Directive introduces a Union-wide **crisis management framework** and defines a three-fold role for the EBA in recovery and resolution procedures, giving the EBA mandates to develop binding technical standards and guidelines forming a Single Rulebook, vesting the EBA with a mediation role between national authorities for cross-border groups, and setting the EBA as a point of contact and coordinator for relationships between the EU and third countries. Although the framework of the RRD is still under discussion (including final delivery dates), the EBA has started working in light of the amount and complexity of the mandates. In 2014, the EBA will focus on all technical standards and guidelines that relate to: early intervention, resolution triggers, recovery plans, resolution plans, valuation, DGS, and bail-in. An overview of the draft legislative mandates assigned to the EBA under the RRD framework is provided below.³

³ To note that due to Level 1 legislation being under negotiations, the table provides an aggregated estimation of the total number of regulatory deliverables

Table 2: Regulatory Tasks under the draft RRD and the revision of the DGS

Product type	Total Number of Estimated Products	Topics
Regulatory Technical Standards (RTS) Implementing Technical Standards (ITS) Guidelines	23	Resolution Plans Recovery Plans Early Intervention Measures Bail-in Application of Resolution Tools Information Exchange Intra-group Financial Support Valuation Risk weighted contributions to DGS
Reports	5	Bail-in MREL Proportionality Target level for financial arrangements Sanctions
Framework Agreement/ Notifications	4	Recovery Plans Resolution Plans 3rd countries

16. An extensive number of further regulatory mandates are assigned to the EBA in several other sectoral legislations, in particular in the Anti Money Laundering Directive (AMLD),⁴ but also in the European Market Infrastructure Regulation (EMIR), Market in Financial Instruments legislation (MiFID/MiFIR), Credit Rating Agencies Regulation (CRA), Audit Regulation, and Central Securities Depositories Directive (CSD). Complete list of detailed tasks is provided in the accompanying annex. In July 2013, the EBA launched an online "Single Rulebook Q&A" tool which allows institutions, supervisors and other stakeholders to submit their questions on the CRD IV package, related Technical Standards, and EBA Guidelines. In 2014, EBA will continue to implement the Q&A process, with the aim to supplement the Single Rulebook and to ensure that it embodies a 'living' and evolving regulatory framework. Peer review and pressure are expected to continue to play a driving force in ensuring adherence to and compliance with the responses provided in the Q&A process, even though they have no force in law.

Oversight

17. The main EBA objectives in the area of oversight are the following: (i) delivering 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) ensuring relevant and sound data is available for effective supervisory oversight and market discipline; (iii) actively contributing in achieving convergence in supervisory practices and the building of a common supervisory culture across the Single Market; (iv) promoting and monitoring supervisory cooperation college structures that are efficient and substantive; and (v) promoting supervisory consistency in the interest of the single market.

⁴ Many of the mandates to be developed jointly by the three ESAs in the context of the ESAs Joint Committee

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18. With the aim to achieve the above objectives, the EBA's oversight activities in 2014 will continue to focus **on identifying, analysing and addressing key risks in the EU banking sector** ensuring they add value to the suite of risks products produced in the EU. The EBA will continue to monitor capital levels as well as capital plans for converging towards the new standards.
 19. 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. In particular, the EBA will liaise with the ECB and competent authorities in non-euro zone countries carrying out asset quality reviews. The EU-wide stress test will thus leverage on robust starting points.
 20. The EBA will continue its **regular thematic analysis** on a number of areas including the finalisation of the work on consistency of outcomes in risk weighted assets (RWAs), the sustainability of banks business models and reviews of banks' asset quality. As requested by the legislation, the EBA will also start a regular benchmarking of the outcome of banks' internal models. Regular products will include frequent funding and liquidity updates drawing on supervisory and market intelligence, quarterly updates to the ESRB and semi-annual risk assessment reports, submitted to EU institutions. The EBA will use supervisory data – which will improve in quantity and comparability with the entry into force of the new supervisory reporting in 2014 – along with market intelligence and input from colleges to prepare banking sector reports. Cross-sectoral risk reports will continue to be prepared in collaboration with the Joint Committee, and will be sent on a semi-annual basis to the Financial Stability Table of the Economic and Financial Committee of the Council of the EU. 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.
 21. In the area of **reporting and transparency**, the EBA will continue to provide assistance with any implementation issues also through the Question & Answers (Q&A) process on the common reporting framework, COREP and FINREP. The EBA will also issue guidelines on Pillar 3 for strengthening transparency across the EU banking sector and promote consistent and appropriate transparency on thematic issues.
 22. The Oversight work will also involve **promoting the convergence of supervisory practices across** the Single Market, by the development of the Guidelines for the common methodology for supervisory review and evaluation process and the methodology for assessment of risks as part of the single rule book. The Guidelines will be complemented by the development of the relevant parts of the single supervisory handbook.
 23. The EBA will continue its **work in promoting and monitoring supervisory cooperation in colleges** to strengthen European supervision of cross-border banking groups. The EBA staff will participate, support and monitor colleges. The EBA staff will also assist national supervisory authorities in implementing the new bidding technical standards related to the supervisory cooperation as well as in covering new tasks (e.g. asset quality review, recovery plans

assessment). As a consequence of the establishment of the SSM, there will be a shift towards those colleges with significant operations in the SSM as well as outside the SSM.

24. The EBA will, where appropriate, apply its role in **binding and non-binding mediation**. New tasks in the area of mediation are envisaged stemming from the entry into force of the CRD IV, where the EBA mediation role will also be further strengthened. EBA will actively facilitate and, where deemed necessary, coordinate any actions undertaken by the national competent supervisory authorities, in case of adverse developments/crisis situations.
25. In **crisis management** the EBA will have a significant role in assisting the discussions on assessment of recovery and resolution plans between relevant competent authorities in colleges, as well as assist in the process of establishment of resolution colleges.

Consumer protection and Financial Innovation

26. 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.
27. In 2014 the EBA's consumer protection and financial innovation unit will continue to **collect, analyse and report on consumer trends** and analysis of banks' activities in structured products and the retailisation thereof.
28. It will pursue several mandates envisaged to be assigned to EBA in the Commission's proposed **Bank Account Directive**. This will include inter alia development of Guidelines to NSAs (a) for establishment of most common services; (b) for establishment of reasonable costs for a basic account; and (c) for the right of establishment of freedom to provide services. In addition, the EBA will work on, and contribute to, cross-cutting EBA work resulting from the Commission's proposed revision of the **Payment Services Directive** (PSD), which may include mandates to the EBA to develop Guidelines (d) to facilitate payment service providers in qualifying major incidents; and, in close cooperation with ECB, development of Guidelines (e) to payment service providers on state of the art customer authentication; and (f) on the establishment, implementation and monitoring of security measures, including certification processes. This will also involve development of draft RTSs on setting the technical requirements regarding the access to information contained in the national public registers, and specifying the framework for the cooperation and exchange of information of competent authorities of the home Member States. In carrying out mandates assigned to the EBA in the proposed **Mortgage Credit Directive (MCD)**, the EBA will draft a RTS on professional indemnity insurance of mortgage credit intermediaries.
29. Further, as and when the implementation of the MCD has progressed, the EBA will assess the need for developing Guidelines in support of the MCD on Responsible Mortgage Lending, and on Treatment of Mortgage Borrowers in Arrears, building upon the Opinions on Good Practices issued in the above areas in June 2013. Together with ESMA, the EBA will also develop a regulatory response to the phenomenon of banks' **"self placement"** of financial instruments to

their own retail depositors. Finally, a **Consumer Day** will be organised jointly with the consumer units of ESMA and EIOPA, in EBA premises in London in summer 2014.

Operations

30. In the area of Operations, EBA will focus on following activities in below areas:

- Finance: assessment of introduction of Activity Based Management system, including Activity Based Budgeting as well as improved budget monitoring and execution; alignment of EBA Financial Regulation with the new framework financial Regulation to be adopted by the Commission at the end of 2013;
- Human resources: implementation and improvement of HR policies in line with the Staff Regulations, such as education contribution policy that requires establishment of contracts with individual schools;
- Procurement: close monitoring and timely performance of all procurements as defined in the 2014 Procurement Plan;
- Communications: further enhancement of EBA website, media and press monitoring; and
- IT: implementation of projects stemming from approved IT Strategy, such as Data Collection, Reporting and Analysis platforms, Document Management System, etc.

31. In addition to above, EBA will continue to improve effectiveness and efficiency of existing support and administrative processes. It will continue to pursue successful cooperation with other two ESAs with the aim to leverage on potential economies of scale in support functions.

32. EBA will continue to be funded by the European Commission and the National Competent Authorities.

Policy analysis and coordination

33. The main objectives of the EBA's Policy Analysis and Coordination Unit will be to provide guidance and support on impact assessment of the policy and supervisory products (technical standards, guidelines, recommendations, etc). The Unit will provide support of the main governing bodies of the Board of Supervisors and the Management Board, including the planning, preparation and follow up of action agreed of their meetings. The Unit will ensure the internal and external coordination of the EBA's policy and supervisory work between departments/units and with external bodies, such as the BCBS and IMF, and other members of the ESFS, and institutions, including the European Commission, the Council (and its EFC and FSC), and the EU Parliament (and its ECON Committee). The Unit will provide the coordination and provision of support in relation to EBA's chairmanship of the ESAs Joint Committee in 2014.

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34. This Unit will also coordinate the EBA's supervisory training activities offered to NSAs, and will provide support to the EBA's Banking Stakeholder Group, EBA's Review Panel and ESAs' Board of Appeal.

Legal support

35. The Legal Unit will provide the legal analysis and advice on the policy and supervisory documents prepared by the Regulation and Oversight departments, and Consumer Protection and Financial Innovation Unit (technical standards, guidelines, opinions, recommendations, peer reviews etc), and provide legal assistance pertaining to fields across the EBA, in order to ensure a legally sound environment for the Authority and identify possible legal problems associated with the EBA's activities. 2014 will see the further strengthening of deliverables related to the EBA's institutional setting such as inter alia, the negotiation and drafting of agreements and other undertakings, advisory support, conclusion of contracts, service level agreements, rules of procedure, implementing rules, framework agreements, MoUs, and the completion and execution of all related formalities. Ongoing obligations related to Regulation (EU) No 45/2001 and Regulation (EU) No 1049/2001 will also be strengthened. 2014 will see further proactive contribution to the overall development of the EBA's legal framework, combined with the constant monitoring and implementation of legislative instruments applicable to the Authority, to prevent it from incurring legal risks.

EBA organisational structure

(with effect as of 1 January 2014)

