

Final Minutes of the EBA BoS meeting 11 and 12 December 2013

11 December 2013/13:30-18:30

12 December 2013/9:00-12:00

Location: EBA, London

The Chairperson chaired the meeting.

Agenda item 2: “Opening, welcome & approval of the Agenda and Minutes”

1. The Chairperson noted the following: Matthias Dewatripont had stepped down as BoS Member; Jo Swyngedouw (Deputy Director Prudential Policy and Financial Stability, NBB) would become BoS Member of the NBB, and Rudi Bonte would remain as Alternate.
2. The draft BoS agenda was approved. With reference to the draft Minutes of the BoS Meeting of 16 and 17 October 2013, the BoS Teleconference Call of 28 October 2013 and the BoS Teleconference Call of 15 November 2013, the Chairperson stated that they would be circulated to the BoS Members for comments and approved by written procedure.
3. The revised EBA Rules of Procedure were submitted to the BoS. Two questions were raised regarding Articles 3.2 and 4.3 of the revised EBA BoS Rules of Procedure.

Conclusion

4. The revised EBA Rules of Procedure were approved by the BoS.

Agenda item 3: “Risk and Vulnerabilities”

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5. The Director of Oversight presented the EBA Staff views on the “Risk and Vulnerabilities” document. He noted that input from the transparency exercise had been incorporated into the note. He suggested to make some amendments to the EBA Risk Dashboard.
 6. The Chair of the EBA Standing Committee on Oversight and Practices (SCOP) presented the findings of the SCOP on risks and vulnerabilities.

Conclusion

7. The BoS took note of the EBA Staff view expressed in “Risk and Vulnerabilities”, of the SCOP Letter on risks and vulnerabilities, and the EBA Risk Dashboard 2013.

Agenda item 4: “Liquidity”

a) Final Report on Liquidity: HQLA definitions

8. The Final Report on the definition of liquid assets was submitted to the BoS for endorsement, so that it could be sent to the EU Commission by the end of 2013 and also published on the EBA website.
9. The Chairperson noted that the final report had not changed significantly from the version discussed on the BoS conference call, which was held on 21 November 2013.
10. The BoS Members commented on the report. The representative from the EU COM agreed with the final report and stated that the EU COM would like to have the technical report without the Recommendation. This position was also shared by some BoS Members. In contrast, several BoS Members were in favour of publishing the report along with the Recommendation and to suggest adherence to the standards defined by the Basel Committee.

Conclusion

11. The BoS endorsed, by simple majority, the Final Report on the definition of liquid assets, together with the recommendations proposed by the EBA Staff, (see results attached Annex I).
12. As regards the consultation process on the report, ESMA indicated that they would respond formally during the week commencing 16 December 2013, while the ECB stated that the ECB would submit their feedback as soon as possible, and informed that they envisaged that their message would be positive, accompanied with some technical comments.

b) Final Report on Liquidity: Impact Assessment for the LCR

13. A revised report on the impact assessment for liquidity measures was submitted to the BoS for endorsement and submission to the EU Commission. This revised report included written

comments received from BoS Members, EBA's Banking Stakeholder Group, EU COM, ESRB and the EBA Chairperson.

14. The Chairperson noted that the EBA was still waiting to receive feedback from the European Central Bank on this report. The European Central Bank stated that although they welcomed the report further work is needed.

Conclusion

15. BoS Members endorsed the report by consensus, subject to some minor adjustments suggested during the BoS discussion, in particular, on monetary policy related issues. The final version of this report would be circulated to the BoS before it will be sent to the EU Commission.

c) Final Draft Technical Standards on additional monitoring metrics for liquidity

16. The Chairperson introduced the final draft standards on additional monitoring metrics for liquidity. He proposed to postpone the deadline for their implementation to 1 July 2015.
17. BoS Members expressed their views regarding the final draft technical standard. In particular, in respect of the daily data: two weeks instead of one week; implementation date and proportionality criteria. Most members agreed on the proportionality criteria and on the proposed application date, although some Members expressed their preference for a lower proportionality threshold.
18. The Chairperson proposed that some of the editorial comments suggested by BoS Members should be taken on board.

Conclusion

19. The final draft technical standards on additional monitoring metrics for liquidity was approved by qualified majority (see Annex II).

Agenda item 5: "Draft CP of RTS, ITS and GLs on G-SII Identification and Disclosure"

20. The Chairperson introduced this topic. The proposed draft Consultation paper covers the draft RTS on the methodology to specify Global Systemically Important Institutions (G-SIIs), and ITS and Guidelines on the disclosure of indicator values used for the identification process.
21. The BoS was asked whether to launch a consultation with the more practical option pending the clarification of legal issues, or whether to follow an alternative approach which is legally feasible. This would mean that it would be for each authority to determine the sample and to perform the calculations, whilst the EBA could support this by issuing a recommendation every year.

Conclusion

22. The BoS approved to start the consultation according to option 1: as regards the definition of denominators and mechanisms to ensure consistency in the Union, the current draft RTS in the Consultation Paper provides for the centralised process where the EBA communicates the denominators to the national competent authorities.

Agenda item 6: “Asset Encumbrance: Draft Consultation Paper on Asset Encumbrance Disclosure”

23. The Chairperson stated that the Guidelines and the granularity of the data templates were designed so as to ensure that the level and evolution of asset encumbrance with central banks could not be detected, as requested by the ESRB.
24. Furthermore, the EBA conducted a pilot study, following the advice from SCRePol, to check if the level and evolution of encumbrance with central banks could be detected and when finalising the templates for consultation the results of this pilot study were taken into account.
25. The BoS was requested to approve the Consultation Paper for consultation.
26. Some residual concerns were raised by a BoS member suggesting that certain transactions could be excluded from the templates and that the financial stability could be damaged since the Guidelines do not foresee a precise definition of Emergency Liquidity Assistance (ELA).

Conclusion

27. The BoS endorsed the Consultation Paper for consultation, subject to the review of the wording of ELA’s definition.

Agenda item 7: “Own Funds: Final Advice to the EU Commission on the treatment of unrealised gains”

28. The Chairperson underlined that technical advice on unrealised gains received large support from both SCARA and SCRePol, in terms of methodology and factual findings. However, there remains an issue as to whether to include recommendations in the technical advice, in particular, a preference for the introduction of prudential filters.
29. The opinion of the BoS Members was asked on whether to include prudential filters on unrealised gains.
30. Although most BoS Members supported the inclusion of prudential filters, some Members expressed the following reservations: a more robust analysis on the impact of the different alternatives would be needed; the recommendations would be more stringent than Basel III standards and it may be preferable to recommend a Pillar II measure; the interaction with the prudent valuation requirements should be further analysed, and the advice should be careful with the issue of hedging. The representative from the EU COM stated that the EBA is

expected to include recommendations in the advice and that the advice could be delivered later than the date established in the mandate.

Conclusion

31. The BoS supported the technical advice on possible treatments of unrealised gains subject to some drafting amendments: to provide more prominence to the views received during the consultation in the executive summary and to express the view to the EC that some technical aspects need more analysis. The revised version would be sent to the BoS, to be approved by written procedure.

Agenda item 8: “Remuneration”

32. The BoS was asked to endorse the draft RTS to be submitted to the EU Commission.
33. The BoS Members expressed their views on this draft RTS; a final document was circulated among the members incorporating most of the observations raised by some BoS Members.

Conclusion

34. The final text submitted to the BoS regarding Article 4 “Quantitative criteria” was approved subject to the following change: “where the staff member was awarded total remuneration of EUR 1.000.000 or more in the preceding financial year the competent authority shall give its prior approval only in exceptional circumstances and “the EBA should be informed before such exclusions is approved”.
35. The draft RTS on Criteria for the Identification of Staff was endorsed by Qualified majority (see Annex III).

Agenda item 9: “ESFS Review: Mazars report to EP”

36. A presentation on the Mazars report on the ESFS review was made by the representatives of Mazars, who had been requested by the EU Parliament to assist the EP in its evaluation of the functioning of the ESAs.
37. It was highlighted that the study was not a historical report but a rigorous efficiency test against the EBA Regulation, identification of structural weakness and realistic set of recommendations. The main assessments and recommendations of the Mazars report were presented to the BoS.
38. Some BoS Members put forward the following comments: a) the review after three years is early, also being done in isolation from general institutional evolution, like the SSM; b) support to the findings on governance; stronger representation of the European interest is recommended in order to reduce the national focus; c) further reflection is needed on the

ESAs' role once the single rulebook is finalised; on the EBA role in colleges and on the supervisory convergence issue.

Conclusion

39. The BoS welcomed the Marzars report on the ESFS Review and took note of its main findings.

Agenda item 10: "Consumer Protection"

a) Consultation paper, draft RTS on the minimum amount of professional indemnity insurance for mortgage credit intermediaries

b) EBA Consumer Warning on Virtual currencies

c) EBA response to the European Commission consultation on Crowd Funding

40. The Consultation Paper on Professional Indemnity Insurance (PII), the warning on Virtual currencies and the EBA response to the European Commission consultation on crowd funding were presented to the BoS for approval.

Conclusion

41. The BoS endorsed: a) the Consultation Paper on PII for publication, b) the Warning on Virtual currencies for publication (the report on Virtual currencies was presented for information only) and c) the EBA response to the European Commission Consultation on Crowd Funding, for publication before the end of the year.

Agenda item 11: "2013 EU Wide Transparency Exercise"

42. The EBA staff presented the data collection results and informed the BoS about the intention to publish the report by next week.

43. BoS Members supported the publication of the report on the outcome of the EU-Wide transparency exercise 2013 and suggested some amendments for clarifying that data refers to a sample of banks and improving some tables.

Conclusion

44. It was agreed to include most of the comments suggested by the BoS Members; a revised version of the report on EU-wide transparency exercise 2013 would be sent to the BoS for information and to be published on Monday, 16 December 2014.

Agenda item 12: "Supervisory Review and Evaluation Process (SREP)"

45. The agenda item was introduced by the Chairperson, who explained that the EBA, following the CRDIV mandate, is developing guidelines for the Pillar 2 (SREP), guidelines that will be

presented to BoS by June 2014. The EBA planned to publish in advance the part of the guidelines that include the methodology for assessment of liquidity and funding risk.

46. The SCOP chair explained the reasons for publishing this methodology in advance as a discussion paper, and that the methodology would be finally embedded into the overall SREP guidelines. He also explained the process followed for the development and approval of the discussion paper. The co-chair of the SG RAS, presented the technical details of the discussion paper.

47. A BoS Member suggested that the reference to the “staff responsible for the execution of intraday payments” should be deleted. Another BoS Member expressed its support to the paper and asked for a minor change in order to align with the ITS on joint decision, in particular the article referred to the liquidity joint decision, with the part in the discussion paper where the liquidity joint decision issue is tackled.

Conclusion

48. The discussion paper was widely supported and the BoS agreed to its publication.

Agenda item 13: “Guidelines on Funding Plans templates in response to ESRB Recommendation 2012/02”

49. The Director of Oversight introduced this topic. This draft CP was endorsed by SCOP and was submitted to the BoS for approval.

50. BoS Members generally supported the Guidelines funding plans templates; nevertheless, one BoS Member suggested the inclusion of an extra line in the templates; another BoS Member suggested that the scope of the application was being clarified by the ESRB through a written process.

Conclusion

51. The BoS endorsed the Consultation Paper for publication, subject to some minor amendments.

Agenda item 14: “Joint Decision in Pillar 2”

52. The Chairperson highlighted the importance of this home host cooperation policy work. The SCOP Chair briefly introduced the document on the Joint Decision in Pillar 2. He presented the Final draft implementing technical standards. The technical details of the documents were provided by the EBA’s Head of Unit, Home Host-Coordination.

53. It was noted that these draft technical standards set a common process for reaching joint decision, reflecting the experience gained in the last three years since the introduction of this challenging task for supervisors. The articulation of joint decisions remains an issue where improvements are still expected.

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54. The BoS was requested to endorse the Final draft ITS on Joint decisions on institutions specific prudential requirements.

Conclusion

55. The BoS endorsed the Final draft ITS on joint decisions on institution specific prudential requirements by consensus.

Agenda item 15: “Colleges Action Plan”

56. The Director of Oversight underlined the significant efforts undertaken by the National Competent Authorities and the EBA staff to further improve the effectiveness of colleges in 2013. He added that a key limitation for more consistency in the outcome of the joint decision was the absence of a common methodology for SREP, planned to be completed in 2014. However, more improvement is still needed in the reasoning of the joint decision and the coverage of entities.

57. BoS Members were requested to endorse the findings presented in Accomplishment of Colleges Actions Plan for 2013 and to agree on the EBA Colleges action Plan for 2014.

58. BoS Members expressed the following views regarding the Colleges Action Plan: whether the timing to take joint decisions should be rescheduled; more flexibility was requested for colleges for next year; no need to change the template this year; minor editorial amendments are required;

Conclusion

59. The BoS endorsed the Accomplishment of Colleges Action Plan for 2013 and the EBA Colleges action Plan for 2014, subject to some amendments. A revised version would be sent to the BoS for information, before its publication.

Agenda item 16: “IT Strategy Progress Report”

60. The Director of Operations provided the BoS with an oral update on the status of the IT Strategy and Progress Report. He presented the on-going and recent completed tasks of the IT Strategy per work stream (twenty activities were identified, of which ten were accomplished and seven activities still need to be completed). EBA confirmed that, despite a very ambitious plan, the IT Strategy implementation was fully in line with the originally approved timeline and that all services hosted by BdF have been migrated to EBA's IT infrastructure (except the Colleges platform that is scheduled for end 2014). It was highlighted that the EBA highly appreciated the very good cooperation of Banque de France in the migration of these IT services.

61. Concerns were raised by one BoS Member concerning security, due to the sensitive information that needs to be transmitted.

62. The Director of Operations confirmed that the issue concerning security had been acknowledged at IT Sounding Board (ITSB) level, however so far there were number of unsuccessful attempts to get nominations from NSAs for Security Task Force. Therefore, he appealed to BoS Members to kindly nominate their representatives to work in the Task Force on Security under ITSB.

63. Another BoS Member asked to better define the implications and consequences for NSAs in case of projects delays.

64. ECB raised number of questions regarding the deadline for first reporting submissions and the frequency of XBRL taxonomy changes while acknowledging that BoS may not be the right forum to raise them. EBA confirmed that the deadlines are agreed at SCARA level and with exception of potential bug fixes, the XBRL taxonomy can be modified only in case of preceding change in DPM, which is subject to BoS approval.

Conclusion

65. The BoS took note of the oral update on the IT Strategy and Progress Report provided by the Director of Oversight and EBA Staff.

Agenda item 17: “EBA Office Solution”

66. The Executive Director informed the BoS about hearings that took place at the European Parliament (Committee on Budgets) in September and in November 2013 on the short term office solution process followed by the EBA.

67. The European Parliament questioned the selection process of the EBA’s short term office solution and issued an opinion, and requested the EBA to re-launch the long term office selection process. Consequently, the EBA is preparing a new selection proposal to be submitted at the European Parliament by the end of January 2014.

Conclusion

68. The BoS took note of the verbal update on the EBA Office Solution.

Agenda item 18: “Comparability of RWA”

a) **Comparability and Procyclicality under the IRB approach: Draft Report regarding Article 502 on Comparability and Procyclicality under the IRB approach”**

69. The approval of the BoS was requested on the report on comparability and procyclicality of the IRB approach under Article 502 of the CRR.

Conclusion

70. The BoS endorsed the report on comparability and procyclicality under the IRB approach. The report would be sent to the EU Commission and would be made public.

b) “Trading Book- Report on Comparability of RWA”

71. The BoS was asked to approve the report on variability of Market RWAs produced as part of the TCOR work.
72. The report outlined the conclusions obtained from a market hypothetical portfolio exercise (HPE) which was conducted by the EBA during 2013 in parallel with a similar exercise performed by the Basel Committee’s SIGTB.

Conclusion

73. The report on Comparability of RWA was approved for publication.

c) “Benchmarking Final Guidance on the Options/First Drafts”

74. The purpose of the discussion was to provide an update on the current state of play regarding the work on the drafting of the RTS and ITS related to the Art. 78 CRD on supervisory benchmarking of internal approaches for calculating own funds requirements and to follow up after the end-October BoS call.
75. The BoS was asked to express its view on the tentative work-plan for 2014 and beyond and on the supervisory benchmarking portfolios and benchmarks for market and credit risk to be used in 2014; and to agree on the opportunity to run a supervisory benchmarking exercise in 2014 limited to a sample of banks broadly in line with TCOR.
76. Several BoS Members stated that it would be very difficult for supervisors and banks to run a ‘pilot’ benchmarking exercise in the first half of 2014.

Conclusion

77. There was general support on the overall planning for the approval of the ITS/RTS by end 2014, however the possibility of gathering information ahead of the approval of the ITS/RTS in a separate ‘pilot’ exercise in 2014 was rejected. Further work would be required on the standards. It was agreed to submit to the BoS a revised tentative planning/road map and to suspend any exercise until the draft technical standards are approved.

Agenda item 19: “Market Risk: Final ”Final draft Technical Standard on the Definition of “Market”

a) “Final draft technical standard on the definition of “Market”

78. The BoS was asked to approve the Final draft RTS on: definition of market.

b) Final draft Technical Standard in relation to Credit Valuation Adjustment Risk”

79. EBA Chair and staff explained the background/rationale for this Opinion.

80. A BoS Member stated that there was first a need to analyse market practice and model limitations before the EBA would take decisions in relation to the determination of the proxy spread.

81. The EBA staff explained that as this new area is currently being implemented, it is currently not possible to have an analysis of industry practices.

Conclusion

82. It was agreed that these Technical Standards would be adopted via written procedure.

Agenda item 20: “ESAs 2014 Training Programme for National Competent Authorities”

83. The ESAs 2014 Training programme for national competent authorities was presented to the BoS for information.

Agenda item 21: “Reports from Committees”

84. The Reports from Committees were submitted to the BoS for information.

Agenda item 22: A.o.B

Andrea Enria

Chairperson



**Participants at the Board of Supervisors meeting
11-12 December 2013**

Chairperson

Andrea Enria

Country

Voting members or Alternate

Representative NCB

Austria

Helmut Ettl

Ingeborg Stuhlbacher

Belgium

Rudi Bonte/ Jo Swyngedouw

Veerle De Vuyst

Bulgaria

Nelly Kordovska

Croatia

Damir Odak

Cyprus

Argyro Procopiou

Czech Republic

David Rozumek

Ivan Zahradka

Denmark

Ulrik Nodgaard

Estonia

Raul Malmstein/Andres Kurgpold

Jaak Tors

Finland

Anneli Tuominen

Kimmo Virolainen

France

Frederic Visnovsky

Germany

Raimund Roeseler

Erich Loeper/Julia Blunck

Greece

Ioanna Seliniotaki

Hungary	Peter Gabriel	Judit Matusek
Ireland	Cyril Roux/Mary Burke	
Italy	Roberto Rinaldi	Maurizio Trapanese
Latvia	Jelena Lebedeva	Vita Pilsuma
Lithuania	Aldona Jociene	
Luxembourg	Claude Simon	Norbert Goffinet
Malta	Andrea Camilleri	Alexander Demarco
Netherlands	Jan Sijbrand/Anthony Kruizinga	Olena Loboiko
Poland	Andrzej Reich/i	Izabella Szaniawska/Tomasz Gromek
Portugal	Pedro Duarte Neves	Jose Manuel Coelho
Romania		
Slovakia	Vladimir Dvoracek/Tatiana Dubinova	
Slovenia		
Spain	Fernando Vargas Bahamonde/Cristina Iglesias-Sarria	
Sweden	Uldis Cerps	Olof Sandstedt
UK	Katharine Braddick	Fiona Mann/Lisa Robison
<u>Country</u>	<u>Observers</u>	
Norway	Emil Steffensen	Sindre Weme

Iceland	Lilja Rut Kristofersdottir	Indridi Freyr Indridason
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Liechtenstein	Rolf Bruggeman
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Institutions

Representatives

European Commission	Dominique Thienpont
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European Central Bank	Panagiotis Strouzas
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ESRB	Francesco Mazzaferro
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EIOPA	Patrik Hoedjes
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ESMA	Verena Ross
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Others

Executive Director	Adam Farkas
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Director Regulation	Isabelle Vaillant
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Director of Oversight	Piers Haben
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Director Operations	Peter Mihalik
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EBA Staff	Corinne Kaufman, Slavka Eley, Mario Quagliariello, Lars Overby, Joseph Mifsud, Patricia Juanes Burgos
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