

Final

Minutes of the EBA BoS Conference Call meeting 15 November 2013¹

15 November 2013 10:00-11:30 CET

Location: EBA, London

Agenda item 1: “Conceptual setting of the EU-Wide Stress Test”

1. The Chairperson opened the conference call, and commenced with the first agenda item, the conceptual setting of the EU-Wide Stress Test. The Chairperson explained that he had been invited to an SSM meeting where the SSM members had indicated that they wanted to make the methodology applied to that being of a pass or fail capital type exercise, noting that the SSM had not as yet come to a definitive conclusion vis-à-vis the required threshold.
2. The Chairperson had noted that any change to the methodology had to be agreed at a BoS level and wanted to seek the BoS’s views regarding any changes to the applied methodology, and therefore opened the floor.

Conclusion

3. The Chairperson thanked Members for their views and informed them that this would be discussed at the upcoming Management Board and then relayed to the BoS.

Agenda item 2: “Liquidity Reports”

¹ Please note that these minutes include information which the EBA cannot disclose under its Access to Documents regime due to (i) the public interest as regards the financial, monetary & economic policy of the EU; and (ii) its own, and the Council’s, internal consultations and deliberations in order to safeguard their ability to carry out their tasks.

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4. The Chairperson referred to the reports circulated, i.e. i) the draft report on impact assessment for liquidity measures under Article 509(1) of the CRR and ii) the draft report on appropriate uniform definitions of extremely HQLA and HQLA and on operational requirements for liquid assets under Article 509(3) and (5) of the CRR. He informed Members that the reports will be sent for consultation for a 3 weeks period to institutions referred to in the CRR and that these reports needed to be finalised by the end of the year.

i) the draft report on impact assessment for liquidity measures under Article 509(1) of the CRR

5. Starting with the draft report on the impact assessment for liquidity measures under Article 509(1) CRR, the Chairperson said that this was discussed at the October BoS Meeting whereby general support was given, and that the report has incorporated comments received during this last BoS. The question was asked whether anonymisation of country names should be kept as currently presented in the report.
6. Members confirmed a general support for the report and its conclusions. They expressed a few remaining comments to be considered for the final report, on business models, on some diagrams included in the report, on the interaction with the monetary policy. Some members remarked that focusing only on the conclusions coming from the quantitative analysis would risk crystallising segmentation in the EU single market; moreover, in this way a substantial divergence from the Basel rules text would be achieved.
7. One Member suggested publishing only a shortened sanitized version and keeping the full version confidential.

Conclusion

8. The Chairperson noted the broad support for the report while a few remaining issues raised by some Members would be tackled in the final version of the report. He clarified that the report would be sent to ESCB and ESRB for consultation as it stands. The report, including final recommendations from the EBA, will be finalised during the BoS December meeting. The Chairperson indicated that he would take contact with the Chairman of the Basel Committee regarding Committed Liquidity Facilities and report back to the December BoS meeting.

ii) the draft report on appropriate uniform definitions of extremely HQLA and HQLA and on operational requirements for liquid assets under Article 509(3) and (5) of the CRR

9. The Chairperson moved on to the draft report on uniform definitions of extremely HQLAs and HQLAs and on operational requirements for HQLAs. The Chair indicated that the proposals put forward in the cover note follow the conclusions of the last BoS meeting where Members expressed their preference to follow the Basel Committee's approach. He underlined that the proposed recommendations are not yet included in the report itself.

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10. A few Members indicated that they were surprised by the proposal to deviate from the pure empirical analysis, in particular for covered bonds category. Some Members suggested listing pros and cons of departing from the Basel standards based on the empirical analysis, without taking an official EBA stance. A majority of Members indicated their agreement with the qualitative additional judgment and the draft recommendations included in the cover note.
 11. The Chairperson recalled that a majority of Members at the last BoS meeting was in favour of keeping alignment with the international standards set out by the Basel Committee, while however having a harmonised treatment for sovereign bonds within the EU in order to avoid reinforcing the fragmentation of the Single Market and the sovereigns-banks loop.

Conclusion

12. The Chairperson concluded that the prevailing views of BoS Members are confirmed to keep alignment with the Basel framework on assets classes - in particular covered bonds and equities - and to have a harmonised single treatment for sovereign bonds within the EU. He also concluded that there was support for sending the report for consultation to ESMA and ECB together with a letter reflecting the BoS orientations (BoS Members to be quickly consulted on the draft letters). The report, including final recommendations from the EBA, possibly reflecting input from ESMA and ECB, will be finalised during the BoS December meeting.

Agenda item 3: “Margining”

13. The standing committees had clarified a number of issues, but the BoS views were requested. Regarding credit ratings, ESMA and EIOPA have a different stance, and the task force is trying to bridge the gap. There are also issues relating to the calculation of initial margins. Regarding sovereign exposures, all the standards being set here are minimum. There is an issue regarding covered bonds, and it is recognised that this is considered contentious by BoS Members. The BCBS IOSO framework is more restricted on the point relating to hypothecation.
14. The standing committees had clarified a number of issues on the standards for bilateral margining on OTC derivatives, that will implement the BCBS/IOSCO framework agreed upon earlier this year, but the BoS views on four issues were requested. Firstly, regarding the use of credit ratings for selection of eligible collateral, especially ESMA, but also to some extent EIOPA have a different stance, and the task force is trying to bridge the gap. Secondly, there are also issues relating to the calculation of initial margins, where the legal mandate appears to restrict pre-approval of internal models used for margin calculations. Thirdly, regarding sovereign exposures, all EU government bonds regardless of rating would be accepted. Finally, there is an issue regarding derivatives in the cover pool of covered bonds, where

current market practices use un-collateralised trades – this topic would be explored during discussions with the industry. It was furthermore added, that the BCBS/IOSCO proposal allows re-hypothecation under certain conditions, but it could be questioned, whether this should also be implemented in the EU.

15. The Chairperson suggested that in February this is discussed with the BoS, but any input should be provided to EBA staff already.

Agenda item: “AOB”

16. The EU COM published the final Maystadt Report, the EBA, ESMA and EIOPA will be included in the EFRAG Board. The ESAs would sit on the Board and vote on issues of public interest. The ESAs would publish the letter in this regard on their websites. This notion is to be discussed between the ESA chairpersons, and the result of these discussion would be relayed to the BoS.

Andrea Enria

Chairperson



**Participants at the Board of Supervisors Conference Call meeting
15 November 2013**

Chairperson		
Country	Voting Member or Alternate	Representative NCB
Austria	Michael Hysek	
Belgium	Matthias Dewatripoint	
Bulgaria	Tzedtan Goumez (Staff Member)	
Cyprus	Argryo Procopiou	
Croatia	Damir Odak	
Czech Republic	Zuzana Silberova	
Denmark	Ulrik Nodgaard	Birgitte Sogaard Holm
Estonia	Andreas Kurgpold	Jana Kask (Staff Member)
Finland	Jukka Vesala	Kimmo Virolainen
France	Frederic Visnovsky	
Germany	Raimund Roeseler	Erich Loeper
Greece	Kyriaki Flesiopoulou	
Hungary	Peter Gabriel	

Ireland	Cyril Roux	
Italy	Roberto Rinaldi	
Latvia	Ludmila Vojevoda (Staff Member)	
Lithuania	Aldona Jociene	
Luxembourg	Claude Simon	Bernd Jacobi
Malta	Andre Camilleri/Karol Gabarretta	
Netherlands	Anthony Kruizinga	
Poland	Andrzej Reich	
Portugal	Pedro Duarte Neves	
Romania		
Slovakia	Tatiana Dubinova	
Slovenia	Matej Krumberger	
Spain	Cristina Iglesias	
Sweden	Uldis Cerps	Olof Sandstedt
UK	Katharine Braddick	
<u>Country</u>	<u>Observers</u>	
Norway	Morten Baltzersen	Sindre Weme

Iceland

Jon Sturluson

Lichtenstein

Rolf Brueggemann

Croatia

Institutions

Representatives

European Commission

Mario Nava

European Central Bank

Panagiotis Strouzas

ESRB

Francesco Mazzaferro

EIOPA

ESMA

Others

Executive Director

Adam Farkas

Director Regulation

Isabelle Vaillant

Director of Oversight

Piers Haben

EBA Staff

Delphine Reymondon, Mario Quagliariello, Stefano Cappiello, Lars Overby, Joseph Mifsud