

Minutes of the EBA BoS meeting 1 and 2 July 2013

1 July 2013/13:30-18:30

2 July 2013/9:00-12:00

Location: EBA, London

The Chairperson chaired the meeting.

Agenda item 1: “Opening, welcome & approval of the Agenda and Minutes”

1. The Chairperson welcomed the representative from Croatia as a new full BoS Member. He announced a new Alternate for Luxembourg, a new BoS Member for Bulgaria and the new non-voting member for Estonia.
2. The draft BoS agenda was approved. The draft minutes of the BoS Conference Call of 24 April 2013 were approved. The draft BoS Minutes of the meeting of 15-16 May 2013 were also approved subject to the deletion of the following sentence under agenda item 4, Para 22: “The ECB underlined its reservations regarding some paragraphs of the press release”.
3. The BoS was informed of the special audit conducted by the European Court of Auditors at the EBA in October 2012 and February 2013 on the “Developments in the regulatory and supervisory systems launched by the EU Commission to address the crisis in the banking sector”. The preliminary findings related to this audit were received by the EBA on 3 May 2013.
4. The Chairperson stated that the first mediation process conducted by the EBA was successfully concluded with a mediation agreement signed between the two national competent authorities involved. The BoS was also informed of the other two ongoing EBA mediation cases.

Agenda item 2: “Amendment to the Board of Supervisors Rules of Procedure in light of the SSM Legislative Developments”

5. The BoS was asked to endorse the proposed amendments to the BoS Rules of Procedure related to the composition of the Management Board in order to factor in the new balance
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envisaged between participating SSM Member States, and non-participating SSM Member States, with the latter having at least two representatives sitting on the Management Board.

Conclusion

6. The BoS Rules of Procedure were amended as per the circulated proposal, subject to a further minor amendment in Article 9.5, where the term “restrict” should be replaced by the term “limit”: “ [...] In particular, the Chairperson may, in order to ensure compliance with the requirement in Article 8.4, (restrict) limit nominations to members of the Board of Supervisors from non-participating Member States.”

Agenda item 3: “Election of the Alternate Chairperson”

7. The Chairperson recalled that at the last BoS meeting, the Alternate Chairperson resigned from the Central Bank of Ireland, and consequently, resigned as a BoS member, Alternate Chairperson and Chair of the Review Panel. A call for nominations was issued for Alternate Chairperson on the 8th of May 2013. Two nominations were received for this position.
8. An election was convened for the position of the Alternate Chairperson.

Conclusion

9. The vote for the election of Alternate Chairperson took place. Pedro Duarte Neves was elected by simple majority voting.

Agenda item 4: “Election of the Management Board Members”

10. The Chairperson stated that a call for nominations was issued on 8th May for three vacant positions on the Management Board. Six nominations were received. It was noted that the election should ensure that, as stipulated by the revised BoS RoP, at least two non-participating SSM Member States are represented.
11. An election was convened for the position of Management Board Members.

Conclusion

12. The election of the Management Board Members took place. Andrzej Reich, Raimund Roeseler and Jan Sijbrand were elected by simple majority voting.

Agenda item 5: “Final Draft of BTS on Own Funds”

13. The topic was introduced by the Director of Regulation. The four sets of final draft technical standards on own funds were submitted to the BoS (RTS on own funds Part 1, RTS on own funds Part 2, ITS on disclosure for own funds, and RTS on gain on sale) along with a set of Q&As on own funds relating to the grandfathering of capital instruments.

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14. The BoS was asked to endorse the four sets of technical standards to be submitted to the EU Commission and the associated set of Questions and Answers (Q&As) on own funds for publication on the EBA's public website.
 15. The representative from the EU Commission informed that they had concerns with two of the answers related to the Q&A and sought more time between EC staff and EBA staff to clarify the proposed answers.

Conclusion

16. The BoS endorsed the four sets of technical standards by qualified majority on package (26 BoS Members voted in favour, whilst two BoS Members were not present for the vote). The Q&A were approved for publication, except for two Q&As for which the EU Commission asked for a short delay for further discussion.

Agenda item 6: “Final Draft of ITS Package on Supervisory Reporting”

17. The final draft of ITS on reporting was presented to the BoS for approval, in particular: a) own funds requirements and financial information according to Article 99 CRR; b) losses stemming from lending collateralised by immovable property according to Article 101 (4) (a) CRR; c) Large exposures and other largest exposures according to Article 394 (1) CRR; d) Leverage ratio according to Article 430 CRR.

Conclusion

18. The BoS approved the ITS package by qualified majority voting (24 BoS Members voted in favour, two BoS members voted against and two BoS Members were not present for the vote).
19. Before the ITS package will be published and submitted to the EU Commission, the Data Point Modelling (DPM) and validation formulae as regards liquidity reporting requirements will be submitted to the BoS for a separate approval. The BoS will be asked to endorse the DPM and validation formulae via written procedure during the course of the following week.

Agenda item 7: “Final Draft of RTS on Credit Risk Adjustments”

20. The Director of Regulation briefly introduced the draft RTS. This Draft RTS was based on the draft CRR text Art 110 (4) (Commission's proposal).¹
21. The BoS was asked to endorse the draft RTS on Credit Risk Adjustments.

Conclusion

22. The Board endorsed the draft of RTS on Credit Risk Adjustments by qualified majority voting, whereby 26 BoS Members voted in favour and two BoS Members were not present for the

¹ <http://eur-lex.europa.eu/JOHtml.do?uri=OJ:L:2013:176:SOM:EN:HTML>

vote. The draft RTS would be submitted to the EU Commission within one month of the date of entry into force of the CRR/CRDIV.

Agenda item 8: “Draft CP and ITS on Supervisory Disclosure”

23. The draft ITS was submitted to the BoS Members’ approval to be sent for public consultation (August-October) before being resubmitted to SCRePol in November 2013 and finally approved by the BoS in December 2013.

Conclusion

24. The BoS approved the Draft CP and ITS on Supervisory Disclosure for public consultation.

Agenda item 9: “EBA’s future workshop on proportionality on CRIV/CRR-information and next steps”

25. BoS Members were informed of the organisation of the workshop on proportionality to be held on 22 October 2013 and organised by the EBA. The Director of Regulation explained the main objectives of this workshop and sought the views from BoS Members as regards its structure and content. She informed that the speakers would be representatives from both the regulatory and industry side. The intention is to have a practical workshop as well as to gather further material on how to consider proportionality in the development of EBA technical standards.
26. BoS Members exchanged views on the workshop. Some BoS Members suggested: a) involving other stakeholders in the workshop such as, consumers organisations, academics, and investment firms (to be able to gather other perspectives); b) considering that proportionality could be applied by being tougher on big banks rather than laxer on small banks); c) to better define the message on proportionality that the EBA would like to transmit; and d) explaining in which areas there is room to assess proportionality.

Conclusion

27. The Chairperson highlighted the need to engage in a dialogue with the industry. The initiatives and comments raised by BoS Members will be taken on board. A full discussion on proportionality will take place at the BoS in December 2013.

Agenda item 10: “Remuneration-Results on High Earners Data Collection”

28. BoS Members were asked whether they agreed: a) to include figures on average remuneration and ratios variable/fixed remuneration and deferred/non deferred variable remuneration for business lines and countries where less than four high earners were reported and therefore, the actual figures are not shown due to privacy issues; b) and to publish the results of the data collection exercise regarding High Earners.

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29. BoS Members expressed views on whether the current data and the average figures and ratios for the different elements of remuneration should be published. One BoS member asked to clarify in the report that data for 2010 showed lower figures than for 2011.

Conclusion

30. BoS Members did not identify any reason why the data should not be published due to privacy reasons and agreed with the publication of the current figures. The EU Commission also agreed with the publication of data. As a result, all aggregated data (including data for business lines with less than four High Earners), averages and ratios are to be published.
31. Data corrections should be handed in by 8 July 2013, cob. The EBA will circulate the updated report before publication, so that members can raise any issues regarding the updated report within a short time period.
32. The EU Commission confirmed that there is a legal obligation to publish the data and does not see privacy issues which would hinder a publication. Averages and ratios can be derived from the figures: the EBA should help the user of this publication by providing this information.

Agenda item 11: “Market Risk”

a) Consultation Paper on Draft RTS on CVA Proxy Spreads

33. The Chair of the Standing Committee on Regulation and Policy presented this agenda item.
34. The consultation paper was submitted to the BoS for approval. This consultation paper was an update of an earlier consultation paper that had been consulted in the second half of 2012.
35. The representative from the EU Commission asked the EBA staff to clarify a point in the cover note and in the technical standard. The EBA staff replied that there was an error and would amend the text amended accordingly. It was also highlighted by the EBA staff that banks will be requested to add additional information during the consultation process.

Conclusion

36. The BoS approved the Consultation Paper for consultation.

b) Consultation Paper on Prudent Valuation and Templates and Instructions for a QIS

37. The Director of Regulation noted that based on the input received at the last BoS, a QIS on prudent valuation should be conducted. A consultation paper on prudent valuation and a road map for the QIS was submitted to the BoS for endorsement. The Director of Regulations added that the intention was to finalise the RTS in the first half of 2014, which consequently will entail a 9-12 month delay of the technical standard. The deadline for institutions to hand in

QIS templates is 1 November 2013 and a public hearing will be held at the beginning of the consultation process; the suggested date for the public hearing is 29 July. Subsequently, the QIS material will be compiled and presented to the BoS together.

38. The Director of Regulations drew attention to the need of additional resources to work on the QIS templates, and in particular, on the QIS data received.
39. The Chairperson recalled that the BoS agreed to send a letter to the EU Commission explaining the reasons why the EBA cannot meet the proposed deadlines. This letter should be sent before the consultation process was launched.
40. BoS Members expressed their views on the consultation papers which were the following: a) adding a question in the Consultation process on the confidentiality level; b) adding some explanatory words as regards article 5; c) concerns were expressed on the timeframe; possible extension of the proposed deadlines; d) to avoid discrepancies between prudential and accounting valuations.

Conclusion

41. The Consultation Paper was approved. Some of the comments suggested by BoS Members will be added to the Consultation Paper. A letter will be sent to the EU Commission indicating that further discussions with participants on the timeline on impact assessment will take place.

Agenda item 12: “Issues note on Draft RTS of Geographical Location of Exposures for Application of the Countercyclical Buffer”

42. The Chairperson introduced the topic. He noted that this was the first RTS related to macroprudential tools that the EBA had to deliver. In fact, this was a partial contribution to the large piece of macro prudential regulation of the countercyclical buffer (CCB) and the policy option chosen should be the one that provided better support for the CCB to achieve its goal.
43. Members recognised there was very a tight deadline for this RTS, which was an issue that had many implications and needs thorough analyses. The ESRB noted they had not yet finalised the guidelines on the countercyclical buffer.
44. On the credit risk exposures, the EBA suggested the possibility of using the immediate obligor; some members suggested the convenience to analyse where the loan is utilised, while others argued this may be too complex an exercise for the intended purpose.
45. On the trading book exposures, members generally acknowledged the difficulties to perform the geographical breakdown of its credit risk related capital requirements and generally agreed with introducing a threshold, given the lower contribution of these exposures to the overall credit risk capital requirements.

Conclusion

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46. The Chairperson concluded that given the short timeline a written procedure would follow with a proposed Consultative Paper by the end of July 2013. The CP would be based on the proposal of the obligor's location as a first option, while analysing other possibilities and assessing, to the extent possible, the impact on capital.

Agenda item 13: "Draft Consultation Papers of RTS and ITS on Information Exchange"

47. The BoS was asked to agree with the content of the Consultation Papers of RTS and ITS on collaboration concerning supervision between home and host Member States regarding information exchange according to Article 50 of the Capital Requirements Directive.

Conclusion

48. The BoS agreed with the content of the two Consultation Papers and with the proposal to publish them for a three month public consultation.

Agenda item 14: "Capital Preservation Recommendation-Discussion on the Sovereign Buffer"

49. The BoS discussed the sovereign component of the capital buffer and whether to keep it or to remove it as part of the new recommendation on capital preservation.
50. It was highlighted that the EBA had addressed a letter to the ESRB requesting their opinion on the topic, but the ESRB had not yet replied.
51. In the discussion that followed different positions emerged among BoS members as to keep or remove the sovereign buffer. Some members were in favour of removing the buffer for the reasons outlined in the February letter from one member. Changed market conditions and macroprudential considerations were brought to bear as possible underlying reasons. Other members however were in favour of keeping the buffer. In particular, one member asked for a re-calculation of the buffer.

Conclusion

52. After a thorough discussion, where members showed their diverse views on this matter, it was agreed that the new recommendation would focus on the maintenance by the credit institutions of a nominal floor. Therefore, competent authorities should ensure that credit institutions maintain on an ongoing basis, a nominal floor of core tier 1 capital corresponding to the amount of capital needed as per 30 June 2012 to meet the requirements set out in Recommendation EBA/REC/2011/1. Credit institutions shall be waived by competent authorities from the nominal floor requirement in special cases of restructuring plans or de-risking programs, or when they demonstrate that they have sufficient capital to meet the minimum common equity tier 1 requirements plus the capital conservation buffer requirement as per the fully implemented CRDIV/CRR.

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53. It was decided that EBA should circulate for comments a new draft text of the Recommendation. It was also agreed to have a vote via written procedure on the new draft Recommendation.

Agenda item 15: “Transparency Strategy”

54. The Director of Oversight introduced the topic. He explained the objectives of this strategy and requested BoS members to endorse it. He noted that the paper on the transparency strategy had been commissioned by the Management Board and jointly produced by the Chairs of SCARA, SCOP and the EBA staff.
55. The BoS raised several concerns as regards this strategy: a) the need to avoid that the EBA becomes an accounting standard setter instead of focusing on CRD/CRR; b) the timing of this strategy was not clear; c) the transparency strategy should have a clear mapping of concrete deliverables instead of general principles.
56. The Director of Oversight agreed that key milestones are required but suggested to have some discussions in this regard within the EBA working groups and standing committees; only after, the EBA staff will be in a position to present the BoS some concrete deliverables.
57. The Chairperson noted that the implementation of the Strategy should require resources from National Supervisory Authorities. He added that indeed, the EBA was currently facing a lack of resources in this regard.

Conclusion

58. The BoS approved the Transparency Strategy. The Chairperson kindly asked BoS Members to check whether they could provide the EBA with national experts to assist the EBA in the implementation of this strategy.

Agenda item 16: “IT Strategy Progress Report”

59. The BoS was provided with an update on the status of the IT Strategy implementation. No comments were raised by the BoS members.

Conclusion

60. The BoS took note of the current status of the IT Strategy implementation.

Agenda item 17: “TCOR Update”

- a) TCOR LDP main findings and preliminary list of policy options and recommendations and further steps and b) TCOR interim external report

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61. The BoS welcomed the work done so far by the TCOR group and discussed the policy options, and the executive summary of the report.
62. The following comments were raised by the BoS members: a) the focus should be the operational output of the exercise, b) the EBA should also see this exercise as an opportunity to work with the SSM; c) the use of benchmarks should be done carefully to avoid a race to the bottom; d) although the BoS supported the identification of the range of policy options some sequencing and clarification should be added; e) need of clear communication to the market, f) the need for banks not to use the confidential feedback in any public communications.

Conclusion

63. As regards the executive summary, BoS Members agreed on the content of the executive summary and on the policy recommendations; however the order of the policy recommendations should be modified, the policy recommendation should be clarified and the sequencing underlined.
64. After a last round of comments at the TCOR level, the final report will be submitted to the BoS for approval by written procedure.
65. As regards the next steps of the TCOR work, the BoS agreed to replace the term Confidential Recommendation by the term Confidential Feedback to NSAs.
66. Feedback will be provided individually to banks, but it should be held as strictly confidential and not be used in any form of public communication by the bank. TCOR should also ensure that the framework proposed doesn't create a race to the bottom.
67. TCOR should develop a proposal for supervisory disclosure of aggregated statistics later in the year.

c) TCOR proposals on RWA related disclosure by the banks

68. The opinion of the BoS was requested concerning the TCOR proposals for RWA related disclosure by the banks.
69. The main comments from BoS Members were: a) the recognition of the need of enhanced disclosures b) the need to further work on the current proposal as a longer term task of the EBA c) in shorter term the need to merge the work on TCOR for disclosure on RWA with the transparency exercise already decided.

Conclusion

70. The BoS supported the TCOR work on disclosure; the work on comprehensive disclosure on RWA should continue.

71. In the short term there would be a less extensive disclosure exercise on RWAs to be merged with the 2013 transparency exercise.

d) TCOR next steps

72. The BoS agreed with the launch of phase 2 by TCOR on SME Residential Mortgages.

Agenda item 18: “Reports from Committees”

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

74. As regards the Review Panel Progress Report, the Executive Director updated the BoS on the current status of the EBA’s Review Panel work, and briefly explained how the current assessments of National Supervisory Authorities (NSA)’s responses to the Self Assessment Questionnaire on the application of the EBA Guidelines of Stress Testing had to date been desk based.

75. He proposed to go on site for some NSAs, where the EBA either wished to explore further good practices, or assess for some NSAs where the Review Panel’s assessment differed significantly from their own respective self assessment.

76. The Executive Director noted that some of the Review Panel Members had reservations about “on site” visits, since these on site visits were not explicitly contained in the review panel mandate papers previously submitted to BoS. Several members viewed that such “on site” visits would greatly assist the understanding of NSAs’ practices, and support identifying “best practice”. One member expressed his concern as regards the self-assessment and that SAQ responses may not be equally challenged. Furthermore, the EBA must be mindful of resource costs of NSAs to prepare for such visits.

Conclusion

77. The BoS approved the on site visits for Review Panel.

Agenda item 19: A.o.B

a) Written procedure on Draft BTS on Covered Bonds close correspondance

78. Due to time constraints, a written procedure will be launched on Draft BTS on Covered Bonds close correspondance.

Andrea Enria

Chairperson



**Participants at the Board of Supervisors meeting
1-2 July 2013**

Chairperson	Andrea Enria	
Country	Voting members or Alternate	Representative NCB
Austria	Helmut Ettl	Andreas Ittner/Ingeborg Stuhlbacher/Philip Reading
Belgium	Mathias Dewatripont/Rudi Bonte	
Bulgaria	Nelly Kordovska	
Croatia	Damir Odak	
Cyprus	Argyro Procopiou	
Czech Republic	David Rozumek	Zdenka Faulhamerova/Marek Sokol
Denmark	Ulrik Nodgaard	Birgitte Sogaard Holm
Estonia	Andres Kurgpold	Jana Kask
Finland	Anneli Tuominen	Kimmo Virolainen
France	Daniele Nouy/Frederic Visnovsky	
Germany	Raimund Roseler/Peter Lutz	Erich Loeper/Markus Lixfeld
Greece	Vassiliki Zakka	

Hungary		Arpad Kiraly	
Ireland	Patrick Brady/Mary Burke		
Italy	Roberto Rinaldi	Maurizio Trapanese	
Latvia	Jelena Lebedeva	Vita Pilsuma	
Lithuania	Aldona Jociene		
Luxembourg	Claude Simon	Norbert Goffinet	
Malta	Andrea Camilleri	Alexander Borg	
Netherlands	Jan Sijbrand/Anthony Kruizinga	Mascha Van der Marel	
Poland	Andrzej Reich	Izabella Szaniawska/Maciej Brzozowski	
Portugal	Pedro Duarte Neves/Maria Adelaide Cavaleiro Joaquim		
Romania			
Slovakia	Vladimir Dvoracek/Tatiana Dubinova		
Slovenia	Matej Krumberger		
Spain	Fernando Vargas Bahamonde/Cristina Iglesias-Sarria		
	Sweden	Uldis Cerps	Olof Sandstedt
UK	Paul Sharma	Fiona Mann/Lisa Robison	
<u>Country</u>	<u>Observers</u>		
Norway	Emil Steffensen	Elinar Sindre Weme	

Iceland

Jon Thor Sturluson/Jonas Poroarson

Lichtenstein

Rolf Brueggemann

Institutions

Representatives

European Commission

Dominique Thienpont

European Central Bank

Panagiotis Strouzas

ESRB

Francesco Mazzaferro

Andrea Maechler

EIOPA

Susanne Rosenbaum

ESMA

Stefan Kern

Others

Executive Director

Adam Farkas

Director Regulation

Isabelle Vaillant

Director of Oversight

Piers Haben

Director Operations

Peter Mihalik

EBA Staff

Corinne Kaufman, Mario Quagliariello, Delphine Reymondon, Lars Overby, Joseph Mifsud, Patricia Juanes Burgos