



EBA MB 2019 034

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Management Board

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22 January 2019/10:00-17:00

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Location: London

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EBA – Regular Use

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# Management Board meeting – Draft Minutes

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## Agenda item 1: Approval of agenda and minutes

1. The Alternate Chairperson welcomed the Members and announced that after consultation with the Head of Unit Legal Services, he has decided to postpone discussions on item 5 Chairperson Selection – Preparation for the Board of Supervisors interview. However, he asked the Management Board Members to tentatively book their calendars for a conference call on 7 February 2019 at 11:30 UK time. The aim of this call would be for the Management Board to discuss the possible topics proposed for interviews with the Board of Supervisors (BoS).
2. The Alternate Chairperson also informed that the EBA received comments from the EC on item 6 HR related matters on 21 January 2019. He mentioned that the comments were of a nature that would require further EBA internal discussions with HR and Unit Legal Services and therefore, he decided to discuss only items A) and B) and to postpone discussion on other items until the next meeting.
3. The Management Board (MB) approved the remaining items on the agenda of the meeting (document EBA MB 2018 001 rev.4) and the minutes of the MB meeting of 13 November 2018 (document EBA MB 2018 119).

## Agenda item 2: Administrative and Operational Status Report (A-Point)

4. The Director of Operations presented the Administrative and Operational Status Report (document EBA MB 2019 015).
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5. He noted that the Report provide a summary overview of the main activities of the EBA's operations in 2018. In relation to Finance, the budget execution was very satisfactory with a 99.85% rate and an execution of carry-forward from 2017 of 96.8%. The EBA also closely monitored payment of invoices with only 12 payments late, but not too late to generate any interest.
6. On HR, the Director of Operations pointed out that 142 out of 145 posts of the establishment plan were filled by the end of 2018 and that selections for the remaining three positions were ongoing. In relation to the relocation, the EBA noticed a slight increase of resignations (12%) but the Director of Operations confirmed that this was still manageable and that the reserve lists for 13 most typical positions were ready to be used in case of more resignations. Finally, he mentioned that the average number of sick leave days per staff member has decreased in 2018 (6.34) compared to 2017 (6.81), which represents the equivalent of 4.9 FTE.
7. With regard to the HR issues, one MB Member asked if the EBA was expecting more resignations in 2019 due to the relocation. In this response, the Director of Operations pointed out that schooling and housing in Paris might be an issue for some staff and might result in more resignations. Another MB Member requested clarification on lower numbers of applicants for vacancies. The Director of Operations clarified that for the reserve list, there was actually an increase in applications what was mainly because the reserve list was not binding. For other positions, the drop was probably because of the relocation. He concluded that the EBA was not planning to start any new positions in London.
8. The Director of Operations updated on IT projects and mentioned that several significant projects were implemented in 2018, including a new release of ESP platform and Secure Encrypted E-mail solution among EBA and NCAs/NRAs. In response to one MB Member, he confirmed that that the secure email was already operational and that no further action was required from end-users for its activation.

## Conclusion

9. The MB took note of the Administrative and Operational Status Report.

## Agenda item 3: EBA Relocation – Status Report (A-Point) and planning for contingencies (B-Point)

10. The Executive Director informed of the state-of-play of the EBA relocation to Paris (document EBA MB 2019 007).
11. He introduced the item by clarifying that the relocation relevant legislation would be effective as of end of March. However, the position of the EBA and its staff would not change after Brexit because the existing headquarters agreement allow keeping privileges until the EBA leaves the UK. The only remaining legal issue was the fact that if the UK leaves the EU, the EBA would be located in a 3<sup>rd</sup> country for two months (April and May 2019).

12. With regard to the headquarters agreement for France, the Executive Director explained that the EBA has not received comments from the French government yet and that all privileges would be listed in the agreement.
13. On the issue of the new premises in Paris, the Executive Director confirmed that all contracts were in place and within the approved budget. He updated on the fit out works, which were ongoing and should be finished by 16 April. With regard to possible risk of asbestos, he clarified that the landlord provided the EBA with a report that showed that there was not any danger caused by presence of asbestos in the building. The Staff Committee also reviewed the report and did not express further concerns.
14. The Executive Director pointed out that the Data Centre relocation project was slightly delayed but clarified that by mid-February, all data would be migrated. He appreciated the work done by the EBA IT Unit who worked over late evenings and weekends to ensure minimal disruptions for the EBA staff's work during working hours.
15. In relation to staff, the Executive Director mentioned that two persons from Choose Paris Region were based at the EBA premises to help the EBA staff with the relocation and that the EBA organised discovery trips to Paris for the staff. He informed that there were still open questions regarding the European School in Paris, which had to be further discussed, as well as teleworking arrangements. In this regard, he clarified that the EBA would make use of the long holiday week in May and move its office to Paris in four days. As result, the EBA office in Paris should be fully operational as of June 3rd.
16. The Executive Director also mentioned two budget related issues caused by the relocation. Firstly, the closing of the office in London, for which the EBA would contract a real-estate agent. He mentioned that the EBA informed the landlord well in advance. Secondly, he explained that for IT and administration roles, the EBA used interim contracts. However, these type of contracts are more restrictive under French labour law so the EBA suggesting replacing the most material existing interim positions with contract agents' contracts in Paris.
17. The Executive Director also explained that many services that the EBA was using in London were locally based. The EBA would need to re-procure them in Paris and therefore, more staff in procurement was required.
18. The MB requested clarification on working arrangements for staff after Brexit. The Executive Director explained that the EBA office would be open for staff until the relocation and therefore, the staff would continue working in London, while BoS and MB meetings, as well as some public hearings would be held in Paris. Sub-structure meetings might be host by some competent authorities, or they would be held in London.
19. The Executive Director also reminded the MB of the letter sent to the EC and asked the EC representative to present the EC's position. The EC representative mentioned that the EC discussed all issues pointed out by the EBA internally and that the response to the letter would be sent in the coming days. He continued by explaining that the EC considered various options

and concluded on the three main points: 1) the EBA senior management (Chair, ED and their supportive teams) must be in Paris as of April 1; 2) all official meetings have to take place in Paris; 3) Paris would be the place of employment for all EBA staff as of April 1.

20. The EC representative concluded by stating that the response to the EBA letter left a number of detailed issues open for further discussion between the EC and EBA.

## Conclusion

21. The MB took note of the Relocation Status Report.

## Agenda Item 4: Update on EUCLID (A-Point)

22. The EBA Director of Department Economic Analysis and Statistics (EAS) introduced the item (documents EBA MB 2019 013 and 014) by explaining that the MB and BoS mandated the expansion of the submission of ITS supervisory data from CAs to the EBA to the full population of credit institutions in the EEA. Based on this mandate, all EBA's existing data infrastructure and related processes had to be upgraded into a new platform (EUCLID), which provide a reliable, secure and efficient platform for collecting supervisory data from CAs. He continued by mentioning that there were three workstreams, with the ongoing WS2 focusing on: 1) Payment Institutions Register; 2) Credit Institutions Register; 3) Supervisory master data collection.
23. The Director of Department EAS reminded that the progress of WS2 was linked to the work of the joint EBA-ECB Task Force on EUCLID implementation (TFEI), where various options for the master data modelling were discussed. Based on a stocktake among CAs, it was agreed that the only feasible way forward was to have two different data models (one for the EBA and one, RIAD, for the ECB), with a tool for transforming the data. The TFEI would accordingly focus on assessing the cost of the transformation tool and draft a final report to the BoS on the recommended way forward.
24. He also updated on the state of play of WS2 testing, mentioning that it was in final stages with the PSD2 register going live in January and the credit institution register in April 2019, thus concluding the work of the workstream. This implied that the EUCLID platform would be up and running and the issue would be the gradual onboarding of the CAs, with some possible delays from the ECB due to the complexity of their budgetary process.
25. With regard to entity categorization, the Director of Department EAS informed that criteria for EBA's sample of largest institutions (current sample) and ECB's significant institutions were not aligned and therefore, the TFEI was proposing to revise these criteria, in particular regarding remittance dates for largest and smaller institutions. On this point, there was a relative flexibility on the EBA side, but it was important to ensure a timely delivery of data for at least three large institutions in each Member State for the production of the main risk products. The ECB would consult its stakeholders and inform the TFEI accordingly.

26. Finally, the MB Members were provided with an update on WS3, which was expected to start after the EBA's relocation to Paris. As planned, the WS3 design and development should take around 18 months and it should be completed by end 2020.

### Conclusion

27. The MB took note of the EUCLID updates.

## Agenda Item 5: Chairperson selection – Preparation for the Board of Supervisors interview (B-Point) [RESTRICTED]

28. The Alternate Chairperson informed that this item would be discussed during a separate MB conference call in February.

## Agenda Item 6: HR-related matters

29. The Alternate Chairperson informed that the EBA has received comments from the EC on all HR-related items and that for reasons stated there, he proposed to discuss only items A and B. Members agreed with his proposal.

### A) Replacement of interims by contract agents (C-Point)

30. The Executive Director explained that due to different obligations under the French law, the EBA proposed to replace positions currently filled by interim contracts with contract agents' positions. This proposal would be particularly relevant for IT and administrative support positions that would then be stabilised and did not require major budget adjustments.
31. The EC representative followed up on the comments sent to the EBA and explained that DG BUDG and DG HR have not been consulted before and that budget implications, when calculated by the EC, were different to numbers provided by the EBA.
32. Some MB Members explained that they use service provisions contracts, in particular for IT staff and the Executive Director confirmed that the EBA was considering this option as well. However, he mentioned that under such contracts, the EBA would not be able to choose employees, but only services.

### Conclusion

33. The MB agreed that the EBA further clarifies the issue with the EC.

### B) Model decision on types of posts and post titles

34. The Executive Director introduced the item by explaining that this was mapping exercise on the posts.

## Conclusion

35. The MB approved the decision with minor suggestions made by the EC representative.

### C) Draft Proposal for provision of Schooling support to the EBA staff members after relocation to Paris (C-Point)

36. The Alternate Chairperson informed that this item would be discussed at the next MB meeting.

### D) Decision on EBA Education contribution thresholds for school year 2018/2019 - Paris (C-Point)

37. The Alternate Chairperson informed that this item would be discussed at the next MB meeting.

### E) Decision on Nursery contribution thresholds for 2018/2019 - London (C-Point)

38. The Alternate Chairperson informed that this item would be discussed at the next MB meeting.

### F) Decision on Nursery contribution thresholds for 2018/2019 - Paris (C-Point)

39. The Alternate Chairperson informed that this item would be discussed at the next MB meeting.

### G) Draft Decision of the Management Board on the EBA nursery/pre-education contribution(C-Point)

40. The Alternate Chairperson informed that this item would be discussed at the next MB meeting.

## Agenda Item 7: Progress update on PSD2 mandates and tasks for 2019 (B-Point)

41. The Head of Unit Conduct, Payments and Consumers (COPAC) provided a progress update on the EBA's 12 mandates under PSD2 (document EBA MB 2019 016) and the work done on additional issues and requests for clarification, such as the meaning of the 'transitional period' under Articles 109 and 115 of PSD2, applicability of existing JC Guidelines on complaints handling to AIS/PISPs, or clarification on the use of eIDAS certificates. He continued by listing the tasks for 2019 and provided an update on the EBA's central register of payment and electronic money institutions, Q&As and working group on APIs. With regard to the EBA's register, he mentioned that some CAs have been late/have not started yet with the necessary testing, which was aimed at ensuring a successful go-live of this register and for CAs to meet their legal obligations under PSD2. The EBA's plan was to go live at the end of January 2019. He also reported that a quick survey amongst CAs revealed that approximately 200 legal

entities have so far been authorised across the EU for the provision of payment initiation or account information services and that the objective of PSD2 to increase competition appears therefore to be materialising. However, he also noted that the number of authorisations varied greatly between CAs; that some small CAs had a very large share of the authorisations, and that EBA staff would come back to the MB if any issue were to arise from this. Regarding the Q&As, the Head of Unit COPAC informed that the EBA had received 180 Q&As so far on PSD2 and has replied to 30 of them already, only one of which required escalation to the BoS. He concluded by explaining the new EBA working group on APIs, its aims and composition and forms of potential output that the EBA would consider on how disseminate any views the EBA may have in response to the issues raised by the group.

42. One MB Member was concerned that some banks might not have any interfaces prepared for the testing. In his response, the Head of Unit COPAC pointed out that the relevant legislation has been known for some time and therefore, if banks were not prepared, it would be for CAs to consider relevant steps. The Member also requested clarification on the Q&As related to L1 text. In this regard, the Head of Unit COPAC informed that the EC had committed itself to reserve dedicated EC staff time to responding to the 30 Q&As on L1 and that, the EC was planning to make available the first set of answers in the coming weeks.
43. Another MB Member mentioned that the answers to Q&As might result in even more Q&As. The Head of Unit COPAC confirmed that the EBA would closely monitor developments with regard to the Q&As.
44. Two MB Members provided an update on their preparedness for the EBA's register, including a potential change from manual to automatic upload, and one Member mentioned that they might need some support from the EBA.
45. The EC representative confirmed that the EC was in the process of adopting all the three remaining RTS that had been submitted by the EBA and that it was preparing answers to L1 Q&As.

## Conclusion

46. The MB took note of the progress update on the PSD2 mandates.

## Agenda Item 8: IFRS 9 monitoring and benchmarking exercise (B-Point)

47. The Head of Unit Liquidity, Leverage, Loss Absorbency and Capital (LILLAC) presented the item (document EBA MB 2019 021). She reminded the MB that in the context of the publication of the EBA first implementation report on IFRS 9, in December 2018, the BoS approved the planned next steps, including a development of benchmarking activities. The IFRS9 benchmarking exercise would help all interested parties to understand what is coming out of

IFRS9 models. She pointed out that the challenge was how to best frame this project so that it delivers meaningful results, not too late, and with a reasonable impact on resources.

48. The Head of Unit LILLAC clarified that regarding the quantitative data collection for IRB banks the ITS on supervisory benchmarking could be used in order to rely on the existing IT infrastructure and face less operational risk. For SA banks, Article 35 of the EBA Regulation would be considered. She also mentioned that while using the ITS would be considered the steady-state solution, it could be finalised only in the long-term. Therefore, an interim Excel-based exercise could be launched on a voluntary basis in the meantime. On the qualitative aspects, the Head of Unit LILLAC specified that questionnaires would be developed and meetings with banks and auditors organised. While for IRB banks it would be, in principle, possible to perform some earlier quantitative data collection, for SA banks the first phase of the project would be more focused on qualitative aspects. This was mainly due to the fact that SA banks do not have modelling experience. Finally, in terms of governance and structure of the work, the plan was to establish a task force (TF) composed by accounting and modelling experts.
49. While MB supported the proposal, there were divergent views on integrating SA banks in the quantitative data collection from inception or focusing only on IRB banks. Some expressed the view that the highest observed variability will probably come from the population of SA banks, while others would prefer to build first on the expertise of regulators and supervisors with IRB models. The Head of LILLAC clarified that this last would be further investigated with the EBA statistical experts since developing an approach for SA banks at this stage is more complex and more resource intensive. The question would also be discussed with SCARA. Furthermore, one MB member raised some concerns on the proposed timeline considering that banks may need more time to finalize their IFRS 9 models. He also suggested that an analysis on the possible pro-cyclicality effects of IFRS 9 could be considered in the future.

## Conclusion

50. The MB approved the use of the ITS for the purpose of the IFRS 9 benchmarking exercise as a steady state solution, as well as the use of an interim Excel-based solution to bridge the gap for when the ITS can produce its full effects.
51. The MB also agreed with the proposals on the qualitative part of the exercise (questionnaire and meetings with banks/auditors).
52. Finally, the MB supported the creation of a task force (TF) composed by experts in accounting and modelling aspects.

## Agenda Item 9: Call for advice on Basel III implementation: state of play (A-Point)



53. The Director of Department EAS introduced the item (document EBA MB 2019 011) by explaining that it was the first data collection fully coordinated by the EBA (previously, Bundesbank was involved and provided support). He also mentioned that the EBA accepted late submissions in January because not all banks were able to meet their resubmission deadlines before Christmas. He continued by summarising analytical elements of this Call for advice and mentioned that Pillar 2 was included in the impact calculation besides Pillar 1 and buffers. He also presented the list of banks included in the analysis and lessons learnt, highlighting that notwithstanding the efforts of the EBA staff the participation rate has been lower than originally envisaged.
54. The MB Members supported the work. One Member was concerned that the sample of banks included only one leasing and factoring bank and informed that they could submit data for one additional bank as it was important to have all business models adequately represented in the sample, in order to have a comprehensive assessment of all implementation issues relevant in the EU.
55. Another Member explained that the data collection was challenging for them, in particular due to very demanding timetable. He suggested providing subgroups and a relevant standing committee with enough time for comments and improvements. He was also of the view that the focus of this exercise should be on the full implementation of the Basel III agreement and no additional issues should be added and analysed. Another Member supported the EBA in analysing different Basel-compliant approaches to implementing the output floor.
56. The EC representative pointed out that the analysed sample of banks was smaller than expected, especially for some business models.
57. The Director of Department EAS concluded by summarising the steps done by the EBA to get more banks on board and pointing out that it was the first data collection of this nature and therefore, the EBA would implement improvements for any future exercises.

### **Conclusion**

58. The MB took note of the update on the Call for advice on Basel III implementation.

### **Agenda Item 10: Provisional Agenda BoS 19-20 February Meeting (B-Point)**

59. The Alternate Chairperson informed the MB that two additional items would be added to the Agenda. They would be related to Brexit and to nominations for the Mediation/Breach of Union Law Panel.

### **Conclusion**

60. The MB took note of the draft Agenda.

## Agenda Item 11: AOB

61. The Alternate Chairperson provided a short update on the Brexit MoU and explained that while the discussions between the EBA and UK authorities were on-going and required further agreements on particular details, the EBA was aiming at having final wording in the coming days followed by BoS written procedure.

## Participants at the Management Board meeting

22 January 2019

**Alternate Chairperson** Jo Swyngedouw

**Member** Jesus Saurina  
**Member** Edouard Fernández-Bollo  
**Member** Luigi Federico Signorini  
**Alternate** Peter Lutz  
**Alternate** Bjorn Bargholtz  
**Alternate** Carsten Kjær Joensen

**European Commission representative** Dominique Thienpont

### **EBA Staff**

Executive Director	Adam Farkas
Director of Operations	Peter Mihalik
Director of Economic Analysis and Statistics	Mario Quagliariello
Director of Prudential Regulation and Supervisory Policy	Isabelle Vaillant
Director of Banking Markets, Innovations and Consumers	Piers Haben

Philippe Allard; Jonathan Overett Somnier; Tea Eger; Gaetano Chionsini; Olli Castren; Delphine Reymondon; Dirk Haubrich