



EBA BS 2022 124 rev. 1

Board of Supervisors

28 February 2022

Location: teleconference

Board of Supervisors 28 February 2022 – Minutes

Agenda item 1: Welcome and Declaration of conflict of interest

1. The Chairperson welcomed the Members of the Board of Supervisors (BoS). He clarified that the purpose of the conference call was to discuss the current geopolitical situation and the implementation and impact of sanctions imposed by the European Union and other countries on Russia. He also reminded the Members of the EBA's role in facilitating and coordinating supervisory actions in the case of adverse developments which may seriously jeopardise the orderly functioning and integrity of financial markets or the stability of the whole or part of the EU financial system. In this regard, he asked the BoS to keep the EBA informed of any relevant developments, and of any gatherings by supervisors to discuss potential actions.
2. No Member declared a conflict of interest.

Agenda item 2: Market developments following Russia's invasion of Ukraine, sanctions and risk considerations

3. The EBA Director of Economic and Risk Analysis Department (ERA) presented the key issues and risks for competent authorities (CAs) and the EBA resulting from the Russian aggression. He stressed that uncertain developments, potential further sanctions (including from Russia) and continuous tensions might result in lower economic growth, higher inflation, increased sovereign debt and liquidity challenges for some banks and companies. He pointed to operational risk concerns stemming from disruptions – including of key financial infrastructure due to cyber-attacks. He also flagged potential issues for the CAs. One was challenges surrounding the operational implementation of sanctions. Second was how to ensure clarity as to the scope of sanctions. Third related to the supervisory monitoring of compliance with sanctions. Finally, he pointed to potential need to address potential prudential issues that may arise as a result of the situation.
 4. An update on SWIFT-related developments by Belgian BoS Member followed. He explained that SWIFT was a cooperative structure of members representing more than 200 countries allowing its members to communicate safely. He stressed that the respective sanctions were
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a political decision which SWIFT had to apply and noted that similar exclusion had precedents in the past. He also mentioned the risk of potential unintended consequences, such as possible retaliation (also in form of cyberattacks) and development of an alternative system to SWIFT (Russia developed a system already for financial transaction messaging which was however mainly a national system until now).

5. The ECB Banking supervision representative informed that liquidity outflows from a European located Russian bank parent and its subsidiaries were observed on the market and that these accelerated as the last week progressed, also due to USD related sanctions. He then elaborated in detail on developments related to that financial institution which, after considerations by the ECB Supervisory Board and SRB was put into failing or likely to fail position. With regard to the sanctions, he asked for discussion on the nature and scope of these sanctions, how to interpret them and their interaction with the US sanctions. He was of the view that EU institutions should provide clarity to the market with regard to the sanctions. He noted that there were some signs of US counterparties were stepping back from certain exposed EU banks and as result, FX swap spreads have widened. He also mentioned that direct exposure of EU banks was limited but ECB was monitoring market and liquidity situation closely. Finally, he concluded that so far, there were no cyber-attacks related to SSM institutions.
6. The SRB representative added further details on the individual financial institution and process that led to the decision in the public interest.
7. The EC representative clarified that the COREPER was finalizing an implementing decision on the sanctions which would provide useful details and notably clarity on the impacted entities, in particular with regard to SWIFT and that it would be published in the Official Journal very soon.
8. The Czech, Hungarian and Slovenian BoS Members updated on national developments with regard to the individual financial institution given that there were failing subsidiaries due to liquidity problems within their jurisdictions.
9. The BoS discussion followed. Several Members raised questions related to the sanctions, and also to SWIFT. One Member questioned whether there were exceptions to sanctions and whether SWIFT payments in relation to margin calls may not be suspended and hence contracts may be closed. Other Member asked whether when a shareholder is on the sanctions list, freezing of their voting rights in combination with measures to ensure that no cash flows (e.g. dividends) to sanctioned entities take place was sufficient to avoid a situation where all assets of the bank have to be frozen. One Member asked whether there are any foreseen grace periods, and that it would be preferred if the approach taken in the EU and the US was aligned. On the role of supervisors, a number of Members agreed that the role should be to clearly inform the sector and subsequently monitor the implementation and compliance with the sanctions. None of the Members had seen any increase in cyber-hostilities targeting banks but said that they remained concerned and vigilant. One Member asked what alternatives could be used if SWIFT was hacked. Members asked the EBA to provide guidance how to implement

the sanctions and consider having FAQs on sanctions. One Member noted that they were discussing an introduction of credit moratoria for refugees or families whose members had to return to Ukraine. Other Member asked for stress test on gas prices and impact of the potential rise of energy prices. One Member asked for a clear agenda for any further BoS discussions and stressed the need for continuing bilateral exchanges of views between Members. A number of Members reminded that the focus should be also on medium- and long-term aspects and that second round effects should not be underestimated similarly to countersanctions from Russia.

10. The ESRB representative raised concerns related to uncertainty, inflation and cyber risks which the ESRB Steering Committee was to discuss at the beginning of March. He also noted that banks were more depended on market funding.
11. The EC representative clarified that only some Russian banks were to be disconnected from SWIFT and therefore, as part of a compromise, payments for gas and energies could be paid. He noted that communication and coordination were necessary and that the EC would probably adopt a Q&A document in this regard. He invited the EBA to collect questions from the CAs and banks.
12. The Chairperson concluded by noting that risks as discussed at the BoS meeting on 15 February have materialized but the implications from these risks have not. There were no systemic concerns at this stage from the evolution of the crisis. However, the EBA should collaborate with the EC and the other ESAs on fielding of questions from the CAs and banks related to sanctions and to channel this to the EC for it to provide answers. The EBA would also begin identifying and listing possible related prudential issues or united consequences arising from the prudential framework under the present circumstances. Finally, the Chairperson noted that the EBA was planning to continue monitoring developments and assessing risks.

Participants of the Board of Supervisors' conference call 28 February 2022¹

Chairperson: Jose Manuel Campa

<u>Country</u>	<u>Voting Member/High-Level Alternate</u>	<u>National/Central Bank</u>
1. Austria	Michael Hysek	Karin Turner-Hrdlicka
2. Belgium	Jo Swyngedouw	
3. Bulgaria	Radoslav Milenkov/Stoyan Manolov	
4. Croatia	Sanja Petrinić Turković	
5. Cyprus	Constantinos Trikoupis	
6. Czech Republic	Marcela Gronychova	
7. Denmark	Jesper Berg/Thomas Worm Andersen	Morten Rasmussen
8. Estonia	Andres Kurgpold	
9. Finland	Jyri Helenius/Marko Myller	
10. France	Dominique Laboureix	
11. Germany	Peter Lutz	Karlheinz Walch
12. Greece	Heather Gibson	
13. Hungary	Csaba Kandrac	
14. Ireland	Gerry Cross	
15. Italy	Bruna Szego	
16. Latvia	Santa Purgaile/Ludmila Vojevoda	
17. Lithuania	Simonas Krėpšta/Renata Bagdonienė	
18. Luxembourg	Claude Wampach	Christian Friedrich
19. Malta		Oliver Bonello
20. Netherlands	Maarten Gelderman	
21. Poland	Kamil Liberadzki	Olga Szczepanska
22. Portugal	Ana Paula Serra	
23. Romania	Cătălin Davidescu	
24. Slovakia	Tatiana Dubinova	
25. Slovenia	Primoz Dolenc/Damjana Igljic	
26. Spain	Angel Estrada/Alberto Rios Blanco	
27. Sweden	Karin Lundberg	

<u>EFTA Countries</u>	<u>Member</u>
1. Iceland	Unnur Gunnarsdottir
2. Liechtenstein	Markus Meier
3. Norway	Morten Baltzersen

<u>Observer</u>	<u>Representative</u>
1. SRB	Sebastiano Laviola

<u>Other Non-voting Members</u>	<u>Representative</u>
1. ECB/SSM Walter	Costanza Rodriguez D'Acri, Maciej Grodzicki, Stefan

¹ Matthias Hagen (OeNB); Liga Kleinberga (Financial and Capital Market Commission); Jose Rosas (Banco de Portuga); Kurt Van Raemdonck (NBB); Brita Hrenovica (Finanstilsynet); Morgan Allen, Eida Mullins (Central Bank of Ireland); Pawel Gąsiorowski (Narodowy Bank Polski); Pascal Hartmann (FMA); Marek Sokol (CNB); Liza Lunstroo, Annemijn van Rheden; Jurrriaan Paans (DNB);); Christian Elbers; Julia Blunck (BaFin)

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|--------------------------------|----------------------------|
| 2. European Commission | Almoro Rubin De Cervin |
| 3. EIOPA | Petr Jakubik |
| 4. ESMA | Roxana De Carvaljo |
| 5. EFTA Surveillance Authority | Marta Margret Rúnarsdóttir |
| 6. ESRB | Toumas Peltonen |

EBA

Executive Director
Director of Economic and Risk Analysis Department
Director of Prudential Regulation and Supervisory Policy
Department

Francois-Louis Michaud
Jacob Gyntelberg
Isabelle Vaillant

Heads of Unit

Lars Overby; Francesco Mauro

EBA experts

Tea Eger

For the Board of Supervisors

Done at Paris on 23 March 2022

[signed]

José Manuel Campa

EBA Chairperson