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Board of Supervisors

15 February 2022

Location: teleconference

Board of Supervisors 15 February 2022 – Minutes

Agenda item 1: Welcome, approval of the agenda and Declaration of conflict of interest

1. The Chairperson welcomed the Members of the Board of Supervisors (BoS). He reminded the Members of the conflict of interest policy requirements and asked them whether any of them considered themselves as being in a conflict. No Member declared a conflict of interest.

2. The Chairperson informed about BoS membership changes and welcomed a new Alternate representing Hungary – Mr Laszlo Vastag.

3. The Chairperson asked the BoS whether there were any comments on the draft agenda. There were no comments on the agenda.

4. Finally, the Chairperson informed the BoS that the Minutes of the BoS conference call on 08 December 2021 have been approved in written procedure.

Conclusion

5. The BoS approved the agenda of the meeting.

Agenda item 2: Update from the EBA Chairperson and the Executive Director

6. The Chairperson updated the Members on five items.

7. Firstly, he reminded the BoS that the EBA recently published a repository of financial education initiatives that competent authorities (CAs) have taken. Together with initiatives collected with colleagues at ESMA and EIOPA, there was a repository of more than 300 such initiatives. This was one of the many steps we the EBA took to fulfil the EBA's mandate to coordinate CA initiatives. In this regard, the Chairperson mentioned a high-level conference on financial

education and digitization organized by the EBA at the beginning of February 2022 and noted that together with the other ESAs, the EBA was preparing the education training workshop in Q3 of 2022 to be attended by the CAs. Finally, he mentioned that together with ESMA and EIOPA, the EBA has been working on a consumer-focused initiative in relation to crypto assets. More specifically, the ESA staff have been approached by several CAs asking whether the ESAs could issue an updated warning addressed to consumers on the risks arising from crypto assets. This work has been progressed through various standing committees across the three ESAs and was likely to be submitted to the BoS via a written procedure in the coming days.

8. Secondly, the Chairperson informed about the recently restarted EU RCAP on the net stable funding ratio and large exposures regime. The RCAP was launched in December 2019 and suspended in March 2020 due to Covid-19. It has been restarted in December 2021. As usual in these exercises, the European Commission (EC) led the project and the EBA provided support to the EC in the qualitative discussions as well as the necessary data to the assessment team for the materiality analysis. The sample of banks for the materiality analysis was the same as the one used for the last RCAP on LCR in 2017 plus one additional bank to ensure that the required threshold of representativeness, of 60% of total assets of internationally active banks, was reached. The number of banks in the sample was 13 and the number of Member States concerned was 6. He noted that the intention was to optimise the use of the regulatory reporting that the EBA had, particularly considering that COREP NSFR data has been in place since June 2021 and to avoid as much as possible any additional data requests from banks. The cut-off date for the assessment was scheduled for 31 March 2022, the discussion of the reports at the Basel Committee were expected for 27 May 2022 and the subsequent publication in June 2022.

9. Thirdly, the Chairperson updated the BoS on implementation reviews of CAs' approaches to AML/CFT supervision. A report summarising the first seven reviews that the EBA carried out over the course of 2019 was published in 2020. The work was paused due to the Covid-19 pandemic, but the second report was now ready and would be circulated to the BoS for a vote by written procedure in the coming days. The reviews were to be continued in the course of 2022. In addition, he reminded the Members that in July 2021, the EC published its AML/CFT package which consisted of four legislative proposals that, if adopted, would fundamentally change the way ML/TF risk was tackled in the EU. The proposal reflected in large parts the recommendations set out in the EBA's response to the EC's call for advice on the future EU AML/CFT framework. The EBA facilitated technical discussions with AML/CFT experts from CAs on those aspects of the package that relate to supervision and the financial services industry. In this context, AML/CFT experts identified a number of points that would be of interest to the co-legislators during the ongoing negotiations, such as related to the draft Fund Transfers Regulation (FTR), and how it applied to Crypto Asset Service Providers and Payment Service Providers; provisions that were to govern the future relationship between AML/CFT and prudential supervisors and regulators, in particular in relation to issues where both AML/CFT and prudential supervisors have a shared interest; and the criteria that were to be used to select institutions that would be directly supervised by the new AML Authority. A first letter on the FTR has been sent to key stakeholders and it has been received very positively. Notes

setting out the experts' views on cooperation provisions and selection criteria were discussed at the meeting of the AML standing committee and were to be shared with the co-legislators in due course.

10. Fourthly, the Chairperson reflected on the outcome of the Ombudsman's inquiry into disclosure of BUL voting records. He said that the outcome was very positive: the Ombudsman did not ultimately make any findings of maladministration despite maintaining her views that (1) Board members should be able to maintain their independence in the face of any additional external stakeholder pressure that may arise from disclosure, and (2) that Board members should have been excluded from discussions and voting on BUL cases concerning their countries. As result, there were no recommendations from the Ombudsman for the EBA to respond to, and there has been little external interest so far. Nevertheless, the EBA could expect this issue of transparency and independence to remain on the radar going forward.

11. Fifthly, the Chairperson thanked the Czech BoS Member for her offer to host the BoS Away Day on 11-12 July in Prague. The EBA would closely monitor the situation and update the BoS closer to the event.

12. The EBA Executive Director updated on three points.

13. Firstly, he mentioned that the new internal organisation introduced in June 2021 was working well and would be completed soon, with three new directors recruited already and two new Heads of Units for the ESG risks and Digital Finance already on board. In addition, there were ongoing selection procedures for another two Heads of Units. He also noted that the EBA has organised an executive coaching programme with an external provider for managers and team leaders.

14. Secondly, the Executive Director informed that on 18 January 2022 the EBA held, together with the other ESAs, a virtual conference on gender equality. He reminded the BoS of the European Parliament's resolution and the EC's action plan on gender issues and noted his focus on the topic. He clarified that the ESAs were considering how to introduce discussions on gender issues in their day-to-day work and agreed that as a first step, a conference for the ESAs staff could provide a platform for the exchange of views.

15. Thirdly, the Executive Director mentioned that the Single Programming Document 2023 – 2025 was submitted to the EC, European Parliament, and the Council on 31 January 2022.

16. The BoS took note of the updates. One Member questioned whether the criteria that were to be used to select institutions that would be directly supervised by the new AML Authority should be discussed by the BoS given the sensitivity of the issue.

17. The Chairperson clarified that the EBA contributed to the EC's Call for advice in which it explained its views and positions. Given that there was no further mandate for the EBA in this regard, the EBA did not consider issuing an opinion on the topic.

Agenda item 3: Risks and vulnerabilities in the EU

18. The Director of Economic and Risk Analysis Department (ERA) provided an analysis of current risks and vulnerabilities in the EU banking sector. The main risks identified for the sector are due to the uncertain and volatile economic outlook, the geopolitical tensions in Ukraine and the possible impacts on banks. He summarised that the economic outlook remained very uncertain due to spread of the Omicron Covid variant which might have negative impact on the improving asset quality; high geopolitical risks and increasing inflation due to higher energy prices and supply chain challenges combined and high demand. In this regard, he said that the inflationary pressures might lead to higher operating expenses and have impact on bank revenues. He noted that bank capital levels remained elevated and that macroprudential buffers have increased in several jurisdictions. The Director of ERA considered real estate exposures (due to high growth in housing prices) and cyber incidents as additional concerns for the sector. With regard to the geopolitical tensions, he stressed that these posed additional challenges and said that while first-order impacts were rather limited (there were only a few banks for which exposures to Russia and Ukraine were significant), second-order impacts were more concerning as they might include increases in the price of gas (and the subsequent energy inflation) and other raw materials such as wheat or aluminium; targeted sanctions against Russian firms, including blacklisting (i.e. banning EU and US firm from doing business with them), sanctioning their access to FX markets (USD and EUR), or an exclusion of Russian banks from SWIFT might entail operational challenges for EU banks. He concluded by referring to a number of extraordinary measures applied by regulators and supervisors in order to address the Covid-19-related challenges and wondered whether it was time to wind them down.

19. Presentations by BaFin and ECB SSM banking supervision representatives followed.

20. In his presentation, the BaFin BoS Member focused on reactivation of macroprudential buffers and phase-out of support measures. He explained that they reactivated buffers in order to strengthen banks and the economy. There were strong credit growth rates over the last years, especially in the real estate sector but a downturn in economic growth in the (near) future could not be excluded. As a consequence, loan collateral would then deteriorate, house values would likely go down and banks would be forced to cut credit for the economy. With regard to phasing-out of Covid-19 support measures, such as payment moratoria, or various government programmes, the Member explained that most of the so-called ‘support measures’ were in fact a clarification of current legislation and as a consequence, those measures have always been in place and would be so in the future. Some measures already expired, and some were to be adopted permanently. He concluded by highlighting the importance of timely and thorough communication to the market.

21. The SSM Banking supervision representative presented on emerging markets (EM) risk assessment for SSM SIs. He noted that geopolitical and economic developments in EM geographies have put increased focus on SSM SIs’ country risk during Q4 2021 and early 2022 and that SSM banks’ direct exposure to securities, derivatives and FX from EM geographies

appeared contained. He also referred to potential impacts of Russia and Ukraine-related tensions and mentioned that the work in the SSM was focusing on the relevant risks that SSM banks would be exposed to in case of further escalation, considering in particular direct SI and LSI supervision; scenario and impact assessment of potential sanctions; monitoring liquidity risk and capital markets activities, incl. correspondent banking, and operational preparedness, including cyber risk.

22. Several Members updated on their national developments. With regard to changes in macroeconomic environment and impacts of banks, a number of Members mentioned a substantial increase in residential real estate lending combined with increased growth in housing prices. Members mentioned a number of national measures and recommendations to address these developments. One Member noted that where possible sectoral buffers should be introduced to address this vulnerability. A few Members raised concerns related to costs of banks and how these should be decreased. Some Members stressed that the high inflation and as result, increased interest rates, might have impacts on funding costs.

23. On the geopolitical tensions, the majority of Members considered a likelihood of some form of cyber-attack as very realistic, also in relation to potential exclusion of Russian banks from SWIFT. Other Members expected increase of energy prices and potentially also food prices. One Member suggested developing a stress test for cases of cyber-attacks. Other Member noted that also exposures to clients that have economic ties with Russia and/or Ukraine should be considered.

24. In relation to Covid-19 measures, several Members were of the view that any remaining support measures should be limited even if these measures helped the economy in general. One Member noted that all their moratoria have expired and that economy was recovering and the quality of assets was improving. Other Member said that the impact of the expiring fiscal support measures should not be underestimated. One Member asked for coordinated response to the Covid-19 measures also with other relevant institutions.

25. The ESRB representative informed that in the medium term, the ESRB has been focusing on rising cyclical risks in the housing market and therefore, the ESRB welcomed any national measures aimed at increasing resilience of the market. He also referred to recent ESRB publications related to the real estate as well as cyber risk as a second rising concern observed.

26. The SRB representative informed that the SRB has been closely monitoring banks and their exposure to Russia and Ukraine and that they work closely with the ECB in order to address any potential cyber-attack.

27. The ECB Banking supervision representative noted that despite current tensions and developments, the prospect for the banking sector was optimistic for the coming years.

28. The Director of ERA mentioned that the EBA was analysing how to address any potential cyber-attacks and that it was also engaging with the ESRB in this regard.

29. The Chairperson concluded by noting the comments and said that the EBA would consider a stocktake exercise on remaining Covid-19 measures as well as try to enhance EBA's cyber risk stress testing capabilities to address increasing risks in this area.

Agenda item 4: EU-wide Stress test

30. The Chairperson introduced the item by reminding the BoS of the discussion at the previous meeting in December 2021 during which the BoS mainly focused on the potential implementation of the hybrid approach for the Stress test exercise and gave guidance on the validation of the two proposed areas that would potentially be centralised, the Net interest income (NII) and Net fees and commission income (NFCI).

31. The Director of ERA presented proposals on the possible changes to the methodology for the 2023 Stress test exercise based on the discussions with the industry and the Stress Test Task Force (STTF) members, collecting feedback and suggestions from the banks participating in the 2021 stress test. He pointed out that discussion of the sample of banks to be included in the stress test would take place during the next BoS meeting. The changes related to 1) credit risk (removal of the floor on the coverage ratio for stage 1 exposures; potential introduction of cures only as part of the NPL calendar; inclusion of an additional template breaking down banks' credit risk exposures further by economic sectors, and introduction of FX effects for credit risk P&L items), 2) market risk (new definition of Net Trading Income; recognition of CVA hedges, recovery of the liquidity and model uncertainty reserves) and 3) incorporation of FAQs and some clarifications and simplifications. He also provided an update on the validation process and noted that the EBA has been mandated to work on the centralisation of NII and NFCI projections for the 2023 exercise. The validation would be conducted with a few limitations, such as that the ECB would not be able to share all input data used in their models due to restrictions from private vendors' and the IT environment did not allow running of codes and therefore, the experts would have to download and run the models locally relying on their own CA's software and IT resources. He concluded by announcing that at the next BoS meeting in April, the BoS should discuss the outcome of the validation of top-down models, sample of banks for the EU-wide 2023 stress test and the timeline of the EU-wide 2023 stress test.

32. The BoS supported the proposed methodological changes and the validation process. However, some Members raised concerns regarding the validation and said that it could not be outsourced completely to the ECB and had to be done at national level as well. One Member stressed that not all processes were transparent and therefore, it was important for the CAs to understand the models. One Member noted that for some banks, bottom-up predictions would have to introduced for very specific cases as the general models would not fit. Several Members welcomed the input provided by the ECB but also stressed that they were confronted with late data provision, incomplete data sets due to sharing restrictors of private vendors and therefore questioned whether the validation would be done by April 2022 as planned. In this regard, some Members asked for clear timelines, planning and action points which would also allow them to provide more resources for the exercise as well for a plan B in

case of late finalization of the validation. A number of Members suggested to carry out the validations more quickly to facilitate the incorporation of top-down elements. One Member also questioned whether the EBA would ensure relevant answers to the ECA recommendations on the stress test exercise. On the methodology, one Member asked for increase of realism of the exercise and two Members asked for further aspects to be incorporated with regard to FX effects. Several Members were of the view that there was no need to collect sectoral information if there were no sectoral shocks included in the scenarios. One Member proposed to consider ad hoc collections in this regard. Finally, with regards the possibility to enlarge the sample of participating banks, there were mixed views. One Member expressed support for expanding the sample in line with the ECA recommendations.

33. The ECB representative clarified that the models were an intellectual property of the ECB who also owned them and that the EBA could use them for the purpose of the Stress test exercise. He also noted that there was no need to rush the validation process as it was for the purpose of the 2023 exercise.

34. In his response, the Director of ERA explained that there were only two models and therefore, he did not expect any delays. He also confirmed that the EBA would prepare a workplan to be shared with the BoS.

35. The Chairperson concluded by noting the comments and the support for proposed changes. Further work on the preparation of the 2023 Stress test top-down validation exercise would be shared with BoS Members by EBA staff.

Agenda item 5: Report on sustainable securitisation

36. The Chairperson reminded the BoS that in accordance with Article 45a (1) of the amended securitisation regulation (SECR), the EBA has been mandated to deliver a report on a sustainable securitisation framework. Based on this report, the EC may submit a report to the European Parliament and the Council on the possible creation of a specific sustainable securitisation framework together with a legislative proposal, if deemed appropriate.

37. The EBA Director of Prudential Regulation and Supervisory Policy Department (PRSP) presented the main findings and policy recommendations of the report. She mentioned that the report shows that the EU sustainable market was very small and far less developed that the US and the Chinese sustainable securitisation market but also in comparison with the EU sustainable covered bonds market. The EU market was also characterised by a lack of data, standard and definition. Against this background, the EBA recommended that some adjustments were made to the EU green bond standards to better account for the specificities of securitisation. It also considered that it would be too early to establish a dedicated framework for sustainable securitisation and that amendments should be made to the EU Securitisation Regulation to enhance the ESG disclosure framework. She also added that further work on sustainable securitisation would be needed to i) re-evaluate if a collateral-based framework should be developed for asset-backed securities; ii) assess the development

of the EU green synthetic market and investigate the potential need for a green framework for synthetic securitization; and iii) assess the need for a dedicated framework for social securitisation if an EU Social Bond Standard was established.

38. The BoS supported the work and the report. Several Members welcomed the conclusions of the report and noted that it summarised well the current situation in the market and that it provided a well-nuanced view. A number of Members supported the next steps and some mentioned that market developments and timing were crucial for any future work. One Member suggested to analyse collaterals as part of the future work, while another Member would rather focus on green synthetic securitisation.

39. The ESMA representative pointed that fragmentation should be avoided and that investors should have single access to all relevant securitisation information.

40. The Chairperson concluded by noting the support of the Members as well as their comments on the next steps.

Conclusion

41. The BoS approved the Report on sustainable securitisation by consensus.

42. The BoS supported the proposed further work on sustainable securitisation.

Agenda item 6: EBA credit and market risk internal models benchmarking reports

43. The Chairperson introduced the item by noting that the tabled reports presented the results of the 2021 supervisory benchmarking exercise pursuant to Article 78 of the (CRD).

44. The Director of PRSP continued by explaining that while the market risk report summarised the conclusions drawn from a hypothetical portfolio exercise (HPE), the credit risk report consisted of two documents - a summary report focusing on (a) the impact of the COVID-19 pandemic on the IRB-parameters and (b) on the impact of the IRB roadmap; and a chart pack providing comprehensive horizontal views on the benchmarking data submitted as of December 2020. The conclusions in the credit risk report suggested that the main impact of the Covid-19 crisis was yet to come and that in particular for retail SME portfolios, the observed decrease of average default rates as well as the observed decrease of average PDs may indicate potential overcompensation of the expected impact of the economic crisis by public measures and moratoria. Going forward it may be important to continue the monitoring of the impact of Covid-19 on the IRB parameters and to extend the analysis in 2022 to defaulted exposures and the downturn modelling. The market risk report summarised the data submission collected from the end of 2020 until September 2021, and the questionnaire responses provided by the CAs on the banks supervised participating in the exercise. The considerations were that the 2021 analysis showed a stable low in the dispersion in the initial market valuation, except for a minority of instruments. This relatively good quality of the submission

was expected because of the clarification provided with respect to the previous exercises. Regarding the single risk measures, across all asset classes except for credit spread, the overall variability for value at risk (VaR) was slightly lower than the observed variability for stressed VaR (sVaR) (27% and 31% respectively, compared with 18% and 29% in 2020). More complex measures such as incremental risk charge (IRC) showed a higher level of dispersion (43% compared with 49% in 2020).

45. The BoS supported the work.

46. The SRB representative welcomed the reports and stressed their importance for monitoring of market and credit risk developments. He also mentioned that the SRB observations regarding the credit risk were in line with those in the report.

47. The Chairperson concluded by noting the BoS' support.

Conclusion

48. The BoS approved the EBA credit and market risk internal models benchmarking reports by consensus and agreed with their publication.

Agenda item 7: Luanda leaks - report

49. The Chairperson reminded the BoS that the EBA has been continuously monitoring the development in respect of ML/TF risks and has previously investigated a number of allegations made in the media, for instance in the context of Panama papers, Paradise papers and the Cum-ex scandal.

50. The EBA AML expert continued by presenting the results of EBA staff's assessment set out in the report submitted to the BoS on how well-equipped CAs were to act on emerging risks highlighted by external sources, using the example of the ML/TF risks highlighted in the context of the Luanda leaks (i.e., the documents released in January 2020 by the International Consortium of Investigative Journalists (ICIJ) about the financial affairs of Ms Isabel dos Santos). The content of the leaks pointed to the risk that financial institutions in the EU were handling the proceeds from corruption. EBA's assessment followed a request from the European Parliament ((2020/2686(RSP)). To respond to the Parliament's request, EBA staff carried out an inquiry under Article 9a(5) of the EBA Regulation, following the methodology that was approved by the BoS at the end of 2020. Overall, EBA's findings suggested that CAs' approaches to identifying and tackling ML/TF risks highlighted by the Luanda Leaks differed significantly across CAs. On the positive side, more than half of all CAs across the EU took action and assessed the information provided in the leaked ICIJ documents. On the other hand, nearly a third of CAs took no action at all. This suggested that there was a risk that relevant risk exposures in Member States whose CAs took no action may not have been detected and may continue to exist.

51. The BoS supported the work.

52. The EC representative welcomed the report and noted that reactions of various CAs varied significantly. He questioned whether the EBA was planning any further work with regard to the CAs risk assessment, or whether the good practices in the report were to be considered as recommendations as per the request from the European Parliament.

53. The EBA expert clarified that a part of the key conclusions of the report was referring the EBA AML/CFT Guidelines which, if well implemented, would help the CAs in addressing similar cases as related to Luanda leaks.

54. The Chairperson concluded by noting the support by the BoS.

Conclusion

55. The BoS approved the EBA Report on competent authorities' responses to the 2020 Luanda leaks by consensus and agreed with its publication.

Agenda item 8: Final EBA Guidelines on limited network exclusions under PSD2

56. The Chairperson introduced the item by mentioning that following the publication of the Consultation paper in July 2021, the EBA finalised its own own-initiative Guidelines on the limited network exclusion under PSD2 which aimed at addressing issues and divergent practices in the application of this exclusion from the scope of PSD2.

57. The EBA Head of Conduct, Payments and Consumers Unit (COPAC) explained that Article 3(k) of the revised Payment Services Directive (PSD2) introduced an exclusion from the scope of application of the Directive for services based on specific payment instruments that can be used only in a limited way. The instruments that fall within the scope of the so-called limited network exclusion (LNE) could be cards that can only be used in a particular chain of stores or a particular shopping centre, fuel cards, membership cards, public transport cards, parking ticketing, meal vouchers and others. Given that since the publication date of PSD2, the EBA and the EC have received a number of queries from CAs and externa stakeholders on the LNE and related notification requirements, which had been interpreted and applied differently, the EBA decided to issue the own-initiative Guidelines. The EBA assessed the responses it received during the consultation phase and has made targeted amendments as a result of some of the more valid and plausible arguments presented in the responses.

58. The BoS supported the work. Three Members raised concerns related to the transitional period and Guideline 1.7, which sets out that a single means of payment cannot accommodate simultaneously regulated payment instruments under PSD2 and instruments falling under the limited network exclusion. One Member expressed the view that a mandate in Level 1 legislation would be needed to request from legal entities that they submit new notification documents or to require, as Guideline 1.7 did, that excluded payment instruments must not be on the same card as regulated ones and asked for legal advice by the EBA and EC legal

teams. One member supported this view. Another Member suggested redrafting Guideline 1.7 so that digital wallets were not affected by the prohibition of gathering excluded instruments and instruments subject to PSD2 in the same means of payment. One Member proposed to leave controversial issues from the Guidelines and to raise them during the review of the PSD2.

59. The Head of COPAC confirmed that the Guidelines were discussed with the EC and reviewed by the EBA's legal team. With regard to the re-submission of notifications, he clarified that the PSD2 itself provided that such notifications be submitted to CAs and noted that, already now, some CAs required annual update notifications from the legal entities that have benefited from a limited network exclusion continue to be indeed limited. In response to the suggestion to drop controversial issues from the Guidelines and leave those to the review of the PSD2, he noted that there was no legislative proposal for PSD3 yet and that any potential PSD3 would only apply in 3-4 years' time at the earliest. He added that the EBA has been working separately on its reply to the EC's call for advice on PSD2, in which the EBA was planning to address various issues from the PSD2, including the issue that has led to the formulation of Guideline 1.7.

60. The Chairperson concluded by noting the comments and said that based on these, a written procedure on the Guidelines would be launched after the BoS conference call.

Agenda item 9: Final Guidelines on the revised common procedures and methodologies for SREP and supervisory stress

61. The Chairperson introduced the item by clarifying that the review of the SREP Guidelines was initiated to implement the changes introduced by CRD5 and CRR2, but also to align with other recent regulatory and supervisory developments.

62. The Director of PRSP continued by summarising that the Guidelines on common procedures and methodologies for the supervisory review and evaluation process (SREP) were developed based on the mandate in Article 107(3) of the CRD. The SREP Guidelines were published in 2014, and firstly revised in 2018. This second revision was a comprehensive review affecting all main SREP elements. The Director of PRSP mentioned the discussion at the standing committee level which required some limited redrafting, in particular concerning the provision addressing the risk of excessive leverage. She introduced also the only remaining open issue, the quality of capital to cover P2G/P2G-LR and asked BoS for their views. She mentioned that answering a consultation question, the industry rejected the use of CET1 for the coverage of both P2G/P2G-LR, as being too restrictive compared to the provisions of Article 104b of the CRD, and advocated T1 for the coverage of P2G-LR ensuring consistency with the leverage ratio framework. She concluded that the tabled Guidelines proposed the coverage of P2G using CET1, and P2G-LR using T1.

63. The BoS supported the work. On the quality of capital to cover P2G/P2G-LR, there were mixed views. The majority of the Members supported the compromised proposal in the Guidelines. However, some Members would consider using CET1 for P2G – LR arguing that various institutions were in different stages and therefore, these should also be an option to use CET1.

One Member disagreed, instead, with the proposal to cover P2G with CET 1 and asked for further consideration of this issue. Another Member was of the view that the quality of capital to cover P2G was primarily a Level 1 legislation issue and pleaded for subsequent interaction with the EC on this aspect. While supporting the Guidelines, a number of Members commented on the length, granularity, and complexity of them Guidelines as well as documents in general and asked to explore in the next review additional room for simplification and principle-based approach, where needed on the basis of clear guidance set at BoS level. One Member, while supporting the compromise presented, noted the need to come back soon on the consideration the Guidelines give to the Systemic Risk Buffer. Similarly, one Member suggested to elaborate soon on the interplay between capital depletion and the leverage ratio stack.

64. The ECB Banking supervision representative supported the compromise presented, highlighted the need to reflect on the capital stacks and their behaviour in both going and gone concerns as well as the views of the Members to review the whole framework and to look for opportunities for simplifying, streamlining, and risk focusing under a more principles-based approach.

65. The SRB representative called for balance approached with regard to the quality of the capital.

66. The EC representative said that the EC was neutral on the issue of tier 1/CET 1 to cover P2G-LR but stressed that the compromise proposed in the Guidelines was legally sound and consistent with Level 1 legislation.

67. In her response, the Director of PRSP acknowledged a need for further simplification of the framework.

68. The Chairperson concluded by noting the comments on the need of streamlining of the guidelines, appreciating the possibility to develop guidance with this respect at BoS level, and mentioned that the EBA was working on implementing internal guidance on drafting of the guidelines with an aim to address also comments raised by the Members with regard to the complexity, length, and granularity of the EBA Guidelines and documents in general. He also noted the general support for the Guidelines as well as diverging views on the optional use of T1. Therefore, he informed that the EBA would launch a written procedure on the Guidelines after the conference call.

Agenda item 10: Stocktake on the use of prudential waivers under CRR Art. 7 – 10. Final conclusion

69. The Chairperson introduced the item by summarising that the tabled Report explored the legal framework applicable to prudential waivers, the assessment criteria applied by CAs quantitative data on existing waivers and provided quantitative data on existing waivers. It presented an analysis of the benefits and drawbacks of waivers according to CAs as well as the

interaction of waivers with the level of consolidated integration of banking groups, and with recovery and resolution topics.

70. The Director of PRSP added that following a survey on the use of prudential waivers in 2019 and extensive discussions held in the course of 2020 in light of the preparation of a Discussion Paper, the relevant standing committee did not support the publication of the Discussion Paper and decided to change the format to an internal report. She also noted that the data in the Report was as at end 2018, as it was collected in 2019. The current work should have ended in 2020 but this has not been possible due to the Covid-19 outbreak. With regard to the main findings, the Director of PRSP mentioned that the granting of prudential waivers envisaged in the CRR was limited in the EU. The Report illustrated that CAs apply divergent interpretations of the legal requirements and follow divergent supervisory practices. She concluded by outlining next steps and said that the EBA was planning to continue monitoring the use of prudential waivers, also reflecting on industry views, to continue facilitating sound market integration. Specific topics may be of higher interest, such as 'branchification' and EU insolvency framework for banks. The EBA also intended to encourage the exchange of information between CAs and resolution authorities related to prudential waivers.

71. The BoS supported the work and appreciated the good balance of the document. The majority of Members did not agree with the publication of the Report, and not even of part of it, given that it included information specific for individual CAs and their approaches and it would require extensive explanations and addition information. In particular, to understand the rationale behind the use of national waivers, readers would need profound knowledge of the respective banking sectors. Otherwise, the report could be misinterpreted. One Member noted that it would be possible to identify individual institutions in the data contained in the report. The Members agreed with the proposed next steps but also said that the further work was not of immediate urgency. With regard to the branchification, one Member stressed that the focus should be only on aspects relevant for the EBA’s mandate, and another Member highlighted that banks that want to benefit from capital and liquidity waivers could fully do so by going for a branchification.

72. The SRB representative stressed that the resolution standing committee should be extensively involved in any further work.

73. The EC representative was of the view that the Report should be published in order to collect the views of stakeholders, noting that the latter could be useful in looking ahead on how the current situation could be improved. He supported proposals for further work and stressed that the technical dialogue should continue. He also supported involvement of the resolution authorities in any further work.

74. The Chairperson concluded by noting the comments and agreed that the Report would not be published. He added that the EBA will continue monitoring the implementation of this part of the framework and agreed on the need of appropriate interaction with Resolution Authorities.

Conclusion

75. The BoS approved the use of Report for internal purposed only.

76. The BoS agreed that the EBA would continue monitoring the use of prudential waivers.

Agenda item 11: AOB – A) EBA Basel III mandatory exercise: update on the progress of data collection and on the suggested presentation of results in the Report

77. The EBA Senior Policy Expert provided an update on the QIS data collection, which was changing from a voluntary, semi-annual exercise to a mandatory, annual exercise with an enlarged sample. He mentioned that after having organised two rounds of extensive training seminars directed especially for the newly participating banks, the EBA circulated the data templates and instruction to the participating banks at the end of January. He continued by summarising the main steps and timeline and said that the publication of the report was planned for the end of September 2022.

78. The BoS supported the work. One Member stressed that there should not be any further data collections, outside the scope of Basel III framework, and that the EBA should prepare a cost and benefit analysis for such additional elements in this exercise. He also noted that, in the future, the timelines should be more aligned with the timelines envisaged by the Basel Committee. Other Member questioned why involvement of a relevant standing committee was missing in the timeline. He also mentioned that at the national level, they were planning data quality checks for the newly added banks and that they would also allow more time for the re-submission of data.

Agenda item 11: AOB

79. The Director of ERA informed that the EBA has decided to reduce the periodicity of The Weekly Update on Market Trends (WOLF) from a weekly to a fortnightly production in order to focus more on analytical notes based on analyst reports which could be complemented, when relevant, with supervisory reporting or market data and used as background documents for BoS or internal discussions on risks and vulnerabilities.

Participants of the Board of Supervisors' conference call 15 February 2022[1]

Chairperson: Jose Manuel Campa

Country	Voting Member/High-Level Alternate	National/Central Bank
1. Austria	Helmut Ettl	Karin Turner-Hrdlicka
2. Belgium	Jo Swyngedouw	
3. Bulgaria	Stoyan Manolov	
4. Croatia		
5. Cyprus	Constantinos Trikoupis	
6. Czech Republic	Zuzana Silberová	
7. Denmark	Jesper Berg	Morten Rasmussen
8. Estonia	Andres Kurgpold	Timo Kosenko
9. Finland	Jyri Helenius	Katja Taipalus
10. France	Dominique Laboureix/Emmanuelle Assouan	
11. Germany	Peter Lutz	Karlheinz Walch
12. Greece	Heather Gibson	
13. Hungary	Laszlo Vastag	
14. Ireland	Gerry Cross	
15. Italy	Andrea Pilati/Bruna Szego	
16. Latvia	Santa Purgaile/Ludmila Vojevoda	
17. Lithuania	Renata Bagdoniene	
18. Luxembourg	Claude Wampach	Christian Friedrich
19. Malta	Pierre Paul Gauci	Oliver Bonello
20. Netherlands	Maarten Gelderman/Sandra Wesseling	
21. Poland	Kamil Liberadzki	Olga Szczepanska
22. Portugal	Ana Paula Serra	
23. Romania	Cătălin Davidescu	
24. Slovakia	Tatiana Dubinova/Linda Simkovicova	
25. Slovenia	Primoz Dolenc/Damjana Iglic	
26. Spain	Angel Estrada/Alberto Rios Blanco	
27. Sweden	Karin Lundberg/Magnus Eriksson	

EFTA Countries	Member	
1. Iceland	Kristjan Olafur Johannesson	
2. Liechtenstein	Markus Meier	
3. Norway	Morten Baltzersen	Sindre Weme

Observer	Representative
1. SRB	Sebastiano Laviola

Other Non-voting Members	Representative
1. ECB/SSM	Stefan Walter, Carmelo Salleo

[1] Matthias Hagen (OeNB); Liga Kleinberga (Financial and Capital Market Commission); Jose Rosas (Banco de Portuga); Kurt Van Raemdonck (NBB); Luca Serafini (Banca d'Italia); 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); Iris Taleb (SRB); Stefan Barriga (EFTA); Christian Toftager (Danish FSA); Marc Peters (EC)

2.	European Commission	Martin Merlin
3.	EIOPA	Kai Kosik
4.	ESMA	Tomas Borovsky
5.	EFTA Surveillance Authority	Marta Margret Rúnarsdóttir
6.	ESRB	Francesco Mazzaferro, Toumas Peltonen

EBA

Executive Director	Francois-Louis Michaud
Director of Economic and Risk Analysis Department	Jacob Gyntelberg
Director of Prudential Regulation and Supervisory Policy Department	Isabelle Vaillant

Heads of Unit

Philippe Allard;Lars Overby; Francesco Mauro; Dirk Haubrich; Angel Monzon; Jonathan Overett Somnier

EBA experts

Tea Eger; Lampros Kalyvas; Amandine Scherrer; Antonio Barzachki;

For the Board of Supervisors

Done at Paris on 06 April 2022

[signed]

José Manuel Campa

EBA Chairperson