



EBA BS 2023 233 rev. 1

Board of Supervisors

04 April 2023

Location: teleconference

Board of Supervisors 04 April 2023 – 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 clarified that the purpose of the ad hoc BoS conference call was to discuss a proposal for an ad-hoc data collection on bonds' positions at amortised cost and fair value through Other Comprehensive Income (FVOCI) as part of the regular monitoring of the risks in the EU banking sector.
2. None of the Members declared any conflict of interest.
3. The Members did not raise any comments on the Agenda.

Conclusion

4. The BoS approved the Agenda of the ad hoc conference call by consensus.

Agenda item 2: Proposal for an ad-hoc data collection for the 2023 EU-wide stress test

5. The Chairperson introduced the item by reminding the Members of recent market developments. He noted that while the current legal framework specified treatment of held-to-maturity portfolios, detailed information at instrument level on the hedges of these products was not available to the regulators and supervisors. Collecting this information would help the regulators to have a better understanding of the magnitude of the potential unrealised losses. In addition, the data collection would allow to perform a sensitivity analysis to assess the potential unrealised losses under adverse market conditions.
 6. The EBA Bank Sector Analyst continued by explaining that the data collected could be used to assess the impact from alternative hypothetical scenarios on bonds at amortised cost and FVOCI, other than the one used in the 2023 EU-wide stress test. He clarified that bonds at amortised cost were covered in the EU-wide stress test methodology under the credit risk
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methodology and their carrying amount adjusted via impairments. Information on hedges related to the bonds recognised at amortised cost could help to assess potential revaluation loss mitigating capacity of the adopted hedging strategies. The ad-hoc template would allow to collect the fair value, the carrying amount, the related hedges and the sensitivities of amortised cost and FVTOCI bonds' positions towards Governments, Financial and Non-financial corporations. Furthermore, some information on the eligibility of these positions as collateral (encumbered/unencumbered) and on their valuation were also included as well as some historical information on the fair value and the carrying amount of both bonds and their hedging positions. Finally, the template had a dedicated section with banks' top 20 hedging counterparties for interest rate risk for which also the amount and the type of collateral should be reported. The EBA Expert highlighted the importance of the communication towards the banks participating in the 2023 EU-wide stress test exercise when requesting further data and noted that the decision on the disclosure of the collected information had to be carefully considered.

7. The Members supported the proposal for the ad hoc data collection. They stressed the importance and relevance of the collected information. Some Members were of the view that the data collection should be clearly separated from the currently on-going 2023 EU-wide stress test exercise. They argued that the stress test methodology did not fully cover the type of information that was proposed for the data collection. One Member proposed developing a uniform template for the data collection and used it separately from other data collections. A number of Members highlighted that the information to be collected could not be considered without taking into consideration also other factors, such as business models of banks, their strategies, balance sheets or liquidity risk analysis. Several Members noted that the proposed information has been collected already at the national level as part of continuous supervisory scrutiny and raised concerns regarding the timing of the collection. Some Members said that the 2023 EU-wide stress test, during which the banks have been submitting various information, was a good opportunity for the proposed ad hoc data collection. With regard to the disclosure of the collected data, some Members noted that there would be a market pressure in any case to publish results. One Member was of the view that the data would have to be disclosed on the individual bank' level. A number of Members said that the individual results should not be disclosed and warned that the publication could be misinterpreted. One Member suggested the publication in quartiles. Some Members also said that the data should be disclosed without delay and potentially before the publication of the stress test results. Others were of the view that the results of both exercises should be published at the same time and the publication should be accompanied with an explanation of differences between the two data collections. On the communication to the market, the Members agreed that it was crucial to clearly explain the aim of the data collection, its purpose, and the use of the data. One Member suggested to communicate clearly to banks the launch date and the submission date of the data collection.

8. The ECB representative supported the data collection as part of the on-going stress test exercise and highlighted that the main aim of the collection is also to communicate to the public that similar risks, as observed recently in the US, are not of the same magnitude for European banks.
9. The EC representative noted the importance of the proposed data collection as well as of transparency when communicating the rationale for this exercise. He asked for further discussion on the disclosure of the data.
10. The EBA Bank Sector Analyst clarified that the sample of the banks in the proposed data collection would be the same as for the stress test exercise.
11. The Chairperson asked the Members to cast their vote on the approval of the proposed data collection. All voting Members unanimously supported the proposal.
12. The Chairperson concluded by noting the results of the vote and said that the EBA should communicate clearly to banks and to the public the features and the purposes of this data collection. He also clarified that given the 2023 EU-wide stress test has been recently launched, the data collection will include the same sample of banks, which is representative of the EU banking sector and would make the data collection smoother from a process perspective. The communication should also explain that while the stress test was focusing on solvency issues, the data collection was primarily focused on liquidity aspects. The BoS would decide the exact content of any external communication on the outcome of the collected information at a later stage.

Conclusion

13. The BoS unanimously approved the proposal for the ad hoc data collection.

Agenda item 3: AOB

14. Jesper Berg, the BoS Voting Member representing Denmark, informed that he was stepping down and thanked the Chairperson and the BoS for a good cooperation and work. The Chairperson thanked Jesper Berg for his valuable contributions.
15. None of the Members raised any additional comments.

Participants of the Board of Supervisors' ad hoc conference call 04 April 2023¹

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	Stoyan Manolov	
4. Croatia	Sanja Petrinić Turković	
5. Cyprus	Constantinos Trikoupis	
6. Czech Republic	Marcela Gronychova	
7. Denmark	Jesper Berg	
8. Estonia	Andres Kurgpold	
9. Finland	Marko Myller	
10. France	Nathalie Aufauvre	
11. Germany	Raimund Roeseler	Karlheinz Walch
12. Greece	Heather Gibson/Kyriaki Flesiopoulou	
13. Hungary	Laszlo Vastag	
14. Ireland	Gerry Cross	
15. Italy	Andrea Pilati/Francesco Cannata	
16. Latvia	Ludmila Vojevoda	
17. Lithuania	Simonas Krepska/Renata Bagdoniene	
18. Luxembourg	Nele Mayer	Christian Friedrich
19. Malta	Christopher Buttigieg	Oliver Bonello
20. Netherlands	Steven Maijoor/Willemieke van Gorkum	
21. Poland	Kamil Liberadzki	Olga Szczepanska
22. Portugal	Rui Pinto/Jose Rosas	
23. Romania	Catalin Davidescu	
24. Slovakia	Tatiana Dubinova	
25. Slovenia	Damjana Iglic	
26. Spain	Angel Estrada/Agustin Perez Gasco	
27. Sweden	Karin Lundberg	David Forsman

<u>EFTA Countries</u>	<u>Member</u>
1. Iceland	Palmi Isolfsson
2. Liechtenstein	Markus Meier
3. Norway	Ann Viljugrein

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

<u>Other Non-voting Members</u>	<u>Representative</u>
1. ECB/SSM	Stefan Walter, Carmelo Salleo
2. European Commission	Martin Merlin

¹ Matthias Hagen (OeNB); Dries Cools (NBB); Liga Kleinberga (Financial and Capital Market Commission); Eida Mullins (Central Bank of Ireland); Pawel Gąsiorowski (Narodowy Bank Polski); Pascal Hartmann (FMA); Christian Elbers (BaFin); Emilio Hellmers (ESRB); Eleni Katsigianni (SRB); Luca Serafini (Banca d'Italia); Katarina Klacanska (NBS); Kadri Kaljaste (Finantsinspektsioon); Tomas Borovsky (ESMA); Ivan-Carl Saliva (MFSA); Norbert de Roij (DNB); Anna Kuligowska (KNF)

- 3. EIOPA
 - 4. ESMA
 - 5. EFTA Surveillance Authority
 - 6. ESRB
- Natasha Cazenave
Marta Margret Rúnarsdóttir
Andreas Westphal

EBA

Executive Director
Director of Economic and Risk Analysis Department

Francois-Louis Michaud
Jacob Gyntelberg

Heads of Unit

Angel Monzon; Philippe Allard

EBA experts

Tea Eger, Raffaele Passaro

For the Board of Supervisors

Done at Paris on 15 May 2023

[signed]

José Manuel Campa

EBA Chairperson