

EBA MB 2016 036rev1

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EBA Staff

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05 April 2016

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Location: London

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## Management Board – Final Minutes

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### Agenda item 1.: Opening and Approval of Agenda and Minutes

1. The Chairperson opened the meeting of the Management Board (MB).
2. The MB approved the provisional agenda (document *EBA MB 2016 022rev3*) and the minutes of the meeting of 19 January 2016 (*EBA MB 2016 019rev1*).
3. On a question on the Commission Legal Service's early legal review of technical standards, the Chairperson advised that he would update the MB following a meeting he had scheduled with the Director General of DG FISMA, Commission on 12 April 2016.

### Agenda item 2.: Administrative and Operational Status Report

4. The EBA Director of Operations presented the administrative and operational status report (document *EBA MB 2016 010*) providing an overview of the EBA activities since the latest MB meeting of 19 January 2016.
5. Following a meeting with the *Centre de Traduction* (CdT) where, amongst other things, the quality of translations was discussed, he informed that a meeting between the CdT and national editors would be organised to clarify some aspects of the work by the CdT as well as to exchange views. A glossary of terms agreed between the CdT and national editors would soon be finalised.
6. The Commission representative asked for a clarification on some apparent inconsistencies in the Status Report concerning the number of seconded national experts (SNEs). Concerning the EBA's 2016 budget, he requested an analysis of the budget situation, if possible by mid-July, should adjustments be needed as a result of the evolution of the exchange rate.

### Agenda item 4.: Discussion on Proportionality

7. The EBA Director of Regulation presented a paper (document *EBA MB 2016 026*) with an EBA staff proposal on the EBA's contribution to the work launched by the Commission on the review of the EU regulatory framework for financial services. The proposal focused on strengthening

proportionality and simplification of the applicable regulatory framework, in particular, in the area of reporting.

8. Members discussed whether the EBA's work should focus on reporting or widen its scope, and the need to differentiate between proportionality in reporting and more widely on the regulatory framework. On the different options presented by the EBA to develop a discussion paper on proportionality with reporting data from smaller institutions, members agreed with the option of using statistical data provided by competent authorities (CAs).
9. Members noted that proportionality was a principle already embedded in EU banking legislation, and this should also inform the debate and the EBA's work. Moreover, this work should take into account the ongoing discussions at BCBS-level on the risk weighted assets (RWAs) framework, the outcome of which could have an impact on proportionality should the Standardised Approach (SA) be remodelled with a higher risk sensitiveness.
10. The Commission representative welcomed the EBA's work and considered that the Commission could use it to inform its work on the review of the EU regulatory framework for financial services, mindful however of the Commission's end 2016 deadline.

## Conclusion

11. The EBA would share with the Commission any preliminary results on its work on proportionality and simplification. The EBA would extend its assessment on the application of proportionality to regulations other than the reporting framework. The Chairperson invited CAs to support this work with resources. Finally, the EBA would assess the feasibility of initiating work on sign posting on the single rule book to make it simpler for some banks, depending on the individual banks' characteristics, reflecting on resource implications.

## Agenda item 5.: Preliminary Discussion on EBA's Input to the Envisaged Commission's White Paper on Governance and Funding

12. View a view to informing the EBA's position on the future Commission's White Paper on ESAs governance and funding, 'to find a way to eliminate EU and national budgetary contributions to the ESAs which should be wholly financed by the sectors they supervise'<sup>1</sup>, the Chairperson asked MB members for their preliminary views on the matter (document *EBA MB 2016 025*).
13. Members expressed their concern that, depending on the way industry funding would be organised, the independence of the ESAs could be compromised. They also noted that such a funding option would amount to another fee on top of those in which industry in many Members States was incurring at present. In general members viewed that any funding option proposed should address adequately the issues of effective and transparent budget setting and control and accountability of the ESAs.

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<sup>1</sup> See [http://ec.europa.eu/commission/sites/cwt/files/commissioner\\_mission\\_letters/hill\\_en.pdf](http://ec.europa.eu/commission/sites/cwt/files/commissioner_mission_letters/hill_en.pdf)

14. The Commission representative said that any alternative funding mechanism should gear towards a decentralisation of functions of the ESAs. He concurred with members that the independence, efficiency and governance of the ESAs should be properly assessed.
15. The Chairperson also invited members to continue thinking of alternative funding mechanisms for EBA training activities, since the option of an independent budget line had been ruled out by the Commission's Directorate-General for Budget.

### Conclusion

16. The Chairperson concluded noting that greater autonomy and accountability should be regarded as two fundamental elements of any change to the funding mechanism for the ESAs.

## Agenda item 6.: Follow up to BCBS Meeting on 9/10 March and Implications to the EBA's Work Programme

17. The Chairperson tabled a proposal (document *EBA MB 2016 027*) outlining some priorities to inform the EBA's stance on the BCBS's work to reform the regulatory framework. The proposal also included suggestions to reprioritise the EBA's work programme on market and operational risk in view of the impact that the BCBS reforms would have in these two areas.
18. Members agreed that the EBA should focus on carrying out a quantitative impact study (QIS) to help identify the areas mostly impacted by the BCBS reforms. The QIS should not extend to areas not included in the BCBS reforms discussions; but it would be important to ascertain the impact on institutions not included in the QIS. The QIS results should help determine the EBA priorities. Some members also stressed the need to gather data not only on large, IRB banks, but also on smaller, SA banks, to ensure that the impact of any new requirements be balanced.
19. The Chairperson asked members to commit resources to enable the EBA to carry out the QIS.
20. Members also agreed that, in view of the GHOS statement after its meeting on 10 January 2016 on the impact of the reforms on capital requirements, it would be necessary to develop a narrative to support this, as well as on the use of internal models where certain conditions are fulfilled.
21. On the EBA's work programme, the Commission representative noted that, in spite of current discussions at BCBS level, the Advanced Measurement Approach (AMA) for operational risk continued being applicable in the EU. But other members viewed that it would be desirable not to request institutions to implement regulations, nor EBA develop regulatory proposals which could be soon reverted as a result of the BCBS reforms.

### Conclusion

22. The MB agreed to a QIS to support the analysis and coordination of an EBA's stance on the BCBS reforms. The MB also agreed to an EBA Opinion setting the regulatory sequencing of the

operational risk deliverables while requesting institutions to make a good use of the currently applicable legal framework. On market risk, the MB agreed that the EBA should start developing own-initiative guidelines on the treatment of structural exchange rate under Article 352(2) of the CRR.

## Agenda item 7.: Board of Supervisors' Away Day in Prague 7/8 July 2016

23. The Chairperson proposed to the MB different topics for discussion at the BoS away day on 7/8 July 2016 (document *EBA MB 2016 028*).

24. Members discussed the proposed topics and suggested additional ones, e.g. cyber risk and cybercrime, SREP guidelines on outsourcing, the Capital Markets Union, and the settlement negotiated between the EU and the UK government.

### Conclusion

25. The MB agreed to discuss bank's profitability and non-performing loans (NPLs) as well as FINTECH. The discussions should take into account supervisory views and include some specific examples to facilitate an exchange of views among BoS members. The EBA would prepare a concrete proposal to share with the BoS and then contact possible speakers/discussants.

## Agenda item 8.: Board of Supervisors' Agenda for 19/20 April Meeting

26. The MB discussed the provisional agenda for the BoS meeting of 19/20 April 2016 (document *EBA BS 2016 074*).

## Agenda item 9.: AoB

27. The EBA distributed to the MB a note by the Commission's Internal Audit Service (document *EBA MB 2016 024*) confirming the organisational independence of the internal audit activity in 2015.

### END OF MEETING

**Andrea Enria**

**Chairperson**

## Participants at the Management Board meeting 05 April 2016

<b>Chairperson</b>	Andrea Enria
<b>Alternate Chairperson</b>	Pedro Duarte Neves (absent)

<b><u>Country</u></b>	<b><u>Member/Alternate</u></b>
Czech Republic	David Rozumek
France	Édouard Fernández-Bollo
Italy	Luigi Federico Signorini
Poland	Andrzej Reich
Spain	Fernando Vargas Bahamonde
United Kingdom	Andrew Bailey

<b><u>EU Institution</u></b>	<b><u>Representative</u></b>
European Commission	Mario Nava (videoconference)

### **EBA Staff**

Executive Director	Adam Farkas
Director of Operations	Peter Mihalik
Director of Oversight	Piers Haben
Director of Regulation	Isabelle Vaillant

Lars Overby; Corinne Kaufman; Santiago Barón Escámez