



EBA BS 2016 241rev1

EBA Staff

20-21 June 2016

Location: London

EBA Board of Supervisors – Final Minutes

Agenda item 1.: Welcome, Approval of Agenda and Minutes

1. The Chairperson opened the meeting of the Board of Supervisors (BoS).
2. The BoS approved the agenda of the meeting, and the minutes of the BoS meeting of 19-20 April 2016.

Agenda item 2.: Election of a Member of the Management Board

3. The BoS held an election to renew the mandate as member of the Management Board of Mr Luigi Federico Signorini (Bank of Italy), whose first term would expire on 25 August 2016.

Conclusion

4. An election by secret ballot took place. Mr Luigi Federico Signorini was re-elected as member of the Management Board for a second term until 24 February 2019.

Agenda item 3.: Update on Risks and Vulnerabilities

5. The EBA Director of Oversight presented an overview of risks and vulnerabilities in the European banking system, based on the latest supervisory data and Risk Assessment Questionnaire (RAQ) of April/May 2016. He noted in particular a slight decrease in CET1 ratios after a steady increase during 2015, and asked members whether this could signal the start of a trend and whether it could merit coordinated action to also tackle non-performing loans (NPLs). Further, he stressed the perceptions of future quality deterioration of asset finance as reported by banks and market analysts.
 6. The Chair of the Standing Committee on Oversight and Practices (SCOP) presented a letter highlighting four main areas: conduct risk, funding, markets' volatility resulting from the UK referendum on EU membership, and profitability.
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7. A few members noted that the importance of some of those risks, e.g. increase of SME and consumer financing exposures, did not rest on their increase but on how they were being assessed. They also noted that it was important to ascertain the identification of trends and considered that it was yet too early to identify it in the case of the decrease of CET1 ratios. In any case, should such trends emerge, supervisors should find pragmatic solutions to deal with them.
8. One member said there was a need to follow up closely the impact that the interaction of IFRS9 financial instruments with the accounting regime could have on asset financing.

Conclusion

9. The BoS took note of the update on risk and vulnerabilities, and identified asset finance as the key area going forward in terms of assessment of risks.

Agenda item 4.: Discussion on NPLs and Structural Impediments

10. The Chairperson introduced the discussion on NPLS and structural impediments, which remained an important issue for the EU banking sector's balance sheet.
11. The EBA Director of Oversight explained the situation across the EU, which presented a great dispersion among countries in particular regarding coverage ratios. He referred to the main findings of the EBA's report on NPLs, which pointed inter alia at a higher coverage ratio in countries with a longer duration of court proceedings. He presented some possible supervisory actions to reduce NPL levels but noted that it was crucial to implement structural changes, coupled with interventions to improve market efficiency, to tackle the main problem.
12. The representative from the ECB/SSM presented the SSM taskforce's work on NPLs. The member from the Romanian National Bank presented the Romanian strategy to deal with NPLs; and the member from the Bank of Italy explained the main features of Atlante Investment Fund, a private market solution to invest in junior and mezzanine tranches of NPL securitisation, and the changes introduced in the Italian insolvency and judicial foreclosure regime to strengthen creditors' protection for corporate loans. Finally, the member from the Bank of Slovenia explained its strategy, based on transparency, supervisory action and market infrastructure interventions.
13. The Chairperson noted that although individual CAs had been taking action to address NPLs and other structural impediments, it seemed as if no European-wide mechanism was in place. In his view, state aid rules could be a challenge for the activation of asset management programmes as they would lead to the bail-in of creditors and the imposition of losses on retail investors in case of public support. The Chairperson also mentioned the possibility of a common initiative for safeguarding retail investors in case of resolution or use of state aid. In this context, a member said that the main concern rested on financial stability and market confidence .

14. Members considered that addressing NPLs and other structural impediments was an EU-wide problem for which solutions at EU-level should be adopted, e.g. introducing changes to the legislative framework. The ESRB representative informed that the ESRB had set up a working group to look into macroprudential responses and invited the EBA to participate.
15. Other members considered that there were some issues concerning the consistent application of IFRS 9 by credit institutions and its impact on capital that should be addressed. They also viewed that supervision by banks should improve but that in any case supervisory actions by CAs appeared necessary.

Conclusion

16. The EBA's report on stocktake of NPLs would be finalised and submitted to the BoS for approval and subsequent publication. The EBA would try to reflect the BCBS discussions on the impact on capital of IFRS 9 on its strategic discussions on the matter.

Agenda item 5.: Final Report on the Leverage Ratio (LR) Calibration

17. The Chairperson and the EBA Director of Regulation presented the final report on the Leverage Ratio (LR) calibration, which would be submitted to the European Commission after BoS endorsement. Two recommendations were highlighted for discussion, namely on additional LR requirements for banks of systemic relevance (recommendation 6) and on the capital measure of the LR (recommendation 7).
18. Members expressed their views on the proposed wording of both recommendations. On recommendation 6, a majority of members did not agree, for multiple reasons, with warranting higher LR requirements in respect of 'very large O-SIIs'.
19. Regarding recommendation 7 on the use of AT1 instruments for G-SIIs, the discussion revolved around whether the recommendation should propose a potential cap to their use to be confined to G-SIIs and to be aligned with the eventual BCBS standard or alternatively establishing a constraint to their use while monitoring developments at BCBS-level. Although the views of members were mixed on these two options, a majority opined that the current wording of the recommendation appeared as a balanced solution and in line with developments at the BCBS.
20. Finally, it was mentioned that the ESRB's feedback on the impact of LR on market liquidity would be added at a later stage to the EBA's report on LR. In this respect, one member stressed the importance of the macroprudential perspective of market liquidity in connection with central bank reserves.

Conclusion

21. The BoS adopted the report by consensus. It agreed to not introduce an alternative wording to recommendation 6 of the EBA's report on LR whereby further considerations should be given

with a view to applying higher LR requirements to O-SIIs. The final version of the report for publication would in particular indicate that the EBA stand ready to undertake further work in this field where needed. The BoS also agreed to recommendation 7 regarding a potential cap to the use of AT1 instruments confined to G-SIIs and aligned with the eventual BCBS standard.

Agenda item 6.: Draft Consultation Paper on Guidelines on Accounting for Expected Credit Losses

22.EBA staff introduced a draft consultation paper on own-initiative guidelines on credit institutions' credit risk management practices and accounting for expected credit losses. The guidelines would be addressed to both CAs and credit institutions and would implement in the EU the BCBS's guidance on the same matter; furthermore, they would facilitate the introduction of IFRS9.

23.The BoS supported the draft consultation paper. A comment was made on the provision concerning the limited use of practical expedients by smaller and non-complex credit institutions, suggesting instead 'smaller and less-complex' ones.

Conclusion

24.The BoS endorsed the consultation paper and it agreed to a final iteration with the Standing Committee on Accounting, Reporting and Auditing (SCARA) before publication.

Agenda item 7.: Discussion on Supervisory Convergence

25.EBA staff presented the second Report on supervisory convergence prepared for submission to the European Parliament and the Council, which provided a summary of assessment for 2015-1Q 2016. EBA staff also presented the results of a deep-dive analysis of joint decisions on capital in 2015 requested by the BoS and on the status of the EBA SREP Guidelines implementation. EBA staff proposed the introduction of structured assistance in implementation of supervisory policy products, and further work on quantitative and qualitative benchmarks supporting implementation and assessing convergence.

26.The BoS noted the outcome of the analysis and status of the SREP implementation and praised the report and the achievements on supervisory convergence. A few comments were made, inter alia, on CA's request of individual plans for entities belonging to a cross-border group; on capital requirements; and use of Pillar 2 requirements for macroprudential purposes.

27.There was a request to make a historical comparison of developments on supervisory convergence departing from past findings. One member reflected on how to balance supervisory convergence with supervisory judgement, and noted that a sensible framework seemed necessary to better understand the indicators used to measure convergence.

Conclusion

28. The BoS supported the proposed way forward in supervisory convergence work. It was invited to submit further comments for their incorporation in the report, which would be subsequently transmitted to the Council and the European Parliament and published on the EBA's website.

Agenda item 8.: EBA draft Recommendation on Setting Capital Guidance

29. Following the discussions at the BoS meeting of 19-20 April, the EBA Director of Oversight introduced a draft recommendation addressed to CAs setting out the rationale and use of Pillar 2 capital guidance for the purpose of capital planning, stress testing and forward looking elements of business model analysis, including the supervisory reaction to guidance breaches. He urged the BoS to take action in this field in light of the publication of the 2016 EU-wide stress tests by end-July 2016, also as a means to have in place clear guidance on the use of Pillar 2 capital until changes to the CRDIV be brought about by the EU legislator.

30. Members discussed extensively on the appropriateness and content of the draft recommendation. Some viewed that it was premature to adopt a recommendation since the concept of capital guidance was not sufficiently clear and some technical aspects needed yet to be fine-tuned. They viewed that capital guidance should be a flexible, forward-looking element. Some also objected to using capital guidance to address concerns over capital planning and in respect of findings related to business model analysis. They opined that there were many legal uncertainties, e.g. on legal enforceability, on the concept of 'imminent risk', which had to be addressed before committing to a recommendation. Furthermore, one observer noted that resolution aspects had not been reflected in the recommendation, which added another layer of complexity in particular in view of the current Commission's work on the introduction of MREL in the TLAC framework.

31. As a compromise solution, the majority of members favoured a public statement in the form of a news item on the supervisory reaction to the 2016 EU-wide stress test results and its incorporation into the 2016 SREP process and joint decisions, while further discussions on technical aspects of capital guidance would be held.

Conclusion

32. The BoS agreed to publish a news item on the use of Pillar 2 capital guidance for the purposes of addressing quantitative outcomes of the 2016 EU-wide stress test which would reflect the comments by members. The BoS also agreed to continue working on the concept of capital guidance and supervisory responses to breaches based on the content of the draft recommendation and incorporate it into the revision of the EBA SREP Guidelines. This work would inform the future Commission's legislative proposals, too. The Chairperson alerted of

the need to react quickly on the differences between capital requirements and capital guidance to prevent the arising of market uncertainties in this area.

Agenda item 9.: Benchmarking Report of Recovery Plans

33.The EBA Director of Oversight presented the comparative report on governance arrangements and indicators for recovery planning. He explained that the recovery plans of 26 European cross-border banking groups with parent institutions located in 12 EU countries had been compared and that the work had focused on how institutions had described their governance arrangements to develop and implement recovery plans and how the framework of recovery indicators has been developed.

34.The BoS supported the work conducted by the EBA. Some members commented on the insufficient coverage of material entities in group recovery plans.

Conclusion

35.The BoS approved the report, which would be slightly amended to address the comment on requests for individual plans, and then published on the EBA's website.

Agenda item 10.: Update on Work on Guidelines on IT Risks Supervision

36.The Chair of SCOP explained the state-of-play of the Task Force on IT Risk Supervision's (TFIT) work on own-initiative guidelines which would supplement the references in the existing SREP guidelines on assessment of ICT risk under the operational risk assessment. He explained that the latest discussions had focused on proportionality, coordination with SREP and the resource implications for CAs to comply with the guidelines.

37.If finalised, the draft consultation paper would be submitted to the BoS 20 September 2016 meeting for discussion and endorsement.

Conclusion

38.The BoS took note of the update.

Agenda item 11.: Final draft RTS specifying the Cooperation and Exchange of Information (Passporting) under PSD2

39.EBA staff presented a progress overview of the 11 mandates conferred on the EBA under the Revised Directive on Payment Services (PSD2).

40.The final draft RTS on the framework for cooperation and exchange of information between competent authorities for passport notifications under Article 28(5) of the PSD2 were introduced to the BoS for approval.

41. Members did not raise any objections. The Commission representative asked the EBA to hold the endorsement and publication of the RTS pending a clarification by the Commission legal services on the status for passporting purposes of agents distributing e-money in another Member State. The EBA asked for such a clarification not later than September 2016.

Conclusion

42. The final draft RTS were not submitted for BoS endorsement pending the Commission's clarification; they would be resubmitted to the BoS once the clarification had been received and assessed.

Agenda item 12.: Final draft RTS on Separation of Payment Card Schemes and Processing Entities under the Interchange Fee Regulation (IFR)

43. EBA staff submitted for final approval of the BoS the final draft RTS under Article 7(6) of Regulation (EU) 2015/751 on interchange fees for card-based payment transactions.

44. Members did not raise any objections. The Commission representative raised concerns regarding the discretion left for payment card schemes entities for the purposes of innovation.

Conclusion

45. The BoS adopted the final draft RTS. A final iteration for fatal flaw comments with the BoS would take place once the Commission's early legal review had been received and any necessary changes to the RTS had been made.

Agenda item 13.: EBA Consumer Trends Report 2016

46. EBA staff presented the 2016 EBA Consumer Trends Report 2016, in fulfilment of its mandate under Article 9 of the EBA founding Regulation. The Chairperson noted that, in light of the current resources constraints faced by the EBA, it would not produce the Report in 2017.

Conclusion

47. The BoS approved the publication of the 2016 EBA Consumer Trends Report.

Agenda item 14.: Update on the 2016 EU-wide Stress Test

48. The EBA Director of Oversight updated the BoS on the process underpinning the 2016 EU-wide stress test exercise. He said that, based on the conclusions of the BoS teleconference of 10 June 2016, an additional submission of data had been scheduled by end-June followed by a final submission by mid-July 2016. He asked CAs to inform the EBA of the list of exceptions based on the BoS decision to allow for limited waivers from the methodology as part of the quality assurance process.

49. Members discussed the appropriateness of disclosing those exceptions as part of the publication of results. It was recalled that the BoS had agreed to such communication and of one-offs and that it would be a matter of consistency to also communicate the exceptions stemming from FAQs. Some members, however, considered that communicating such information would create market confusion and that in any case it did not amount to fundamental changes to the methodology; they thus viewed that it should be up to CAs to explain them should the need arise.

50. The EBA Director of Oversight then explained the communication strategy for the 2016 EU-wide stress tests. One of its key elements would be to highlight that the exercise would not be a pass/fail one but rather a supervisory tool feeding the SREP process. Additionally, CAs and banks should clearly communicate the actions they were planning to put in place, particularly in case of more severe impacts.

Conclusion

51. The BoS agreed that it would be up to CAs to explain any differences resulting from exceptions stemming from FAQs. It also agreed to discuss further and fine-tune the possible coordination of the impact of the 2016 EU-wide stress test results on SREP.

Agenda item 15.: EU-wide Transparency Exercise 2016

52. EBA staff presented to the BoS the EBA's proposal for a EU-wide transparency exercise in 2016, as agreed at the BoS meeting of 19/20 April 2016. The proposal consisted of a timeline, templates and communication strategy; the sample of banks had yet to be finalised pending discussions with a CA.

53. The Chairperson explained that the inclusion of the leverage ratio and sovereign exposures in the transparency exercise would be considered for future exercises, possibly including sovereign data in supervisory reporting.

Conclusion

54. The BoS agreed to the EBA's proposal.

Agenda item 16.: Draft Consultation Paper on Guidelines on the Implementation of Disclosure Proposals in the EU

55. The Chairperson presented a draft consultation paper on own-initiative guidelines to facilitate the implementation of the revised BCBS Pillar 3 Framework in the EU. They would apply to G-SIIS and O-SIIs, and to other institutions only upon supervisory decision. While the implementation date would be end-2017, it would still be possible that a subset of the Guidelines were implemented by G-SII as soon as possible, and starting with end-year 2016 disclosures.

56. The Chairperson also explained that the Guidelines included a template on disclosures on non-deducted participations in insurance entities in accordance with the options and national discretions (OND) of Article 49 CRR. But aware of the different views on this matter, he asked the BoS for their feedback on the content of that specific disclosure when that OND would be used.

57. Members expressed diverging opinion on this latter point. Some viewed that the template on disclosures as provided would help the market to assess the impact of non-deducted participations in insurance entities. But others contested the legal basis and argued against establishing new additional disclosure requirements via guidelines. As an alternative, it was proposed to use a template providing the different components of the supplementary own fund requirement and the adequacy ratio for insurance conglomerates.

58. The BoS decided to include a template on disclosure of the carrying amount and risk-weighted assets of participations in insurance entities non-deducted in application of Article 49 CRR.

Conclusion

59. The BoS agreed to publish the consultation paper.

Agenda item 17.: Interim EBA MREL Report to the Commission

60. The Chairperson introduced an interim report on the implementation of the minimum requirement for own funds and eligible liabilities (MREL) with recommendations and proposals on adjustments to the MREL parameters. The report would inform the Commission ahead of its legislative proposal on a 'harmonised application' of MREL. The Chair of the EBA's Resolution Committee (ResCo) debriefed the BoS on the discussions at ResCo-level, and the EBA staff presented the main recommendations, inter alia: a change in the reference basis (denominator) for the MREL requirement from total liabilities and own funds to risk-weighted assets with a leverage ratio exposure backstop; the stacking of regulatory capital buffers on top of MREL; clear responsibility for Resolution Authorities' (RAs) to address breaches of the MREL, but closely cooperating and coordinating with CAs; MREL calibration closely linked to and justified by the institution's resolution strategy; mandatory subordination of MREL eligible liabilities for some institutions; and a review of third country recognition requirements.

61. The BoS welcomed the report as a very good tool to inform the Commission of the EBA's views on MREL. Members commented on the recommendations presented by EBA staff, and in particular on stacking of CET1 capital buffers, and on the consequences of breach of MREL requirements.

62. The recommendation on the stacking of CET1 capital buffers was praised as being aligned with the TLAC standard. Members opined that this recommendation was of utmost importance in order to better understand the interaction with the maximum distributable amount (MDA), for which further work should be carried out.

63. With regard to breaches to the MREL, members expressed different views on whether RAs or CAs should be responsible to deal with them and how their coordination should be framed. Some viewed that it would be more efficient to nominate RAs as the main authority to deal with them, but coordinating with CAs should capital concerns arise. A case-by-case approach was also suggested. Others argued in favour of greater flexibility in RAs-CAs coordination. On the other side, some members noted that the consequences of breaches to the MREL should be elaborated further; in this regard, a breach should not be a trigger to consider an institution as 'failing or likely to fail' although it could be the basis for prompting such an assessment.

64. The BoS discussed the subordination of MREL eligible liabilities, with some members calling for a EU-harmonised approach. Also, some argued in favour of developing further thinking on the relationships between MREL and Pillar 2, noting that it was not clear how they could interact. Finally, the EBA was asked to continue working on the impact assessment going forward.

65. EBA staff thanked the BoS for their comments, and noted that the final report would further update and develop the quantitative assessment, and would aim to include recommendations on intragroup issues, subordination requirements and exemptions, deductions of cross-holdings, disclosure and reporting.

Conclusion

66. The BoS agreed to the way forward with the interim report on MREL. The comments by the BoS, together with those of the Standing Committee on Regulation and Policy (SCRePol) and ResCo, would be incorporated in the report and circulated to the BoS before transmission to the Commission. The EBA would continue working with a view to submitting a final report by end-October 2016.

Agenda item 18.: Discussion on Resolution Colleges

67. The Chairperson presented to the BoS a state-of-play of the establishment of resolution colleges since the introduction of the BRRD. He expressed his concern with regard to the slow progress in the identification of European resolution colleges for third-country banking groups, an exercise that should be completed in every jurisdiction by end-2016. Moreover, he noted that meetings should be held with at least G-SIBs and high-risk banking group by that date.

68. The SRB observer provided a more detailed update of the work conducted by Resolution Colleges.

Conclusion

69. The BoS took note of the update, and it agreed to a further update at a next BoS meeting during 2016.

Agenda item 19.: Discussion on Developments at International Level at the BCBS

70. The Chairperson discussed with the BoS the latest developments at BCBS-level concerning the proposals to reform risk-weighting rules, in particular for credit risk. He noted that the proposals on the Standardised Approach (SA) were raising concerns amongst European members, although warned that it would be necessary to wait for the first results of the QIS exercise to better understand their impact.
71. The EBA Director of Regulation gave further details on those latest developments, notably on the calibration of the new SA, and in particular regarding mortgages, exposures to banks, credit conversion factors (CCFs) and specialised lending. She noted that the preliminary impact analysis seemed to confirm a significant impact in terms of RWAs increase across SA portfolios; and she mentioned the expected impact for the EU sub-sample noting however that no figures for that were readily available.

Conclusion

72. The BoS took note of the update and supported developing a coordinated stance at the EBA table. A BoS teleconference would be organised in view of the next BCBS meeting using data from the Basel QIS as available.

Agenda item 20.: Final draft RTS on Risk Weights for Mortgage Lending

73. The EBA Director of Regulation introduced the final draft RTS setting out the conditions that CAs should take into account when determining higher risk-weights for exposures secured by immovable property, and when increasing the minimum exposure weighted loss given default (LGD) for retail exposures secured by residential or commercial immovable property.
74. The BoS member from the UK's Prudential Regulation Authority explained a joint note by the Danish, Polish and UK CAs setting out their views on the final draft RTS, in particular the room left to CAs to react to potential real estate risks, and explained their alternative approach from both a micro- and macro prudential perspective.
75. Members expressed their views on the proposed RTS and also on the alternative approach. Some viewed that the proposed RTS were sufficiently flexible and left room for manoeuvre to CAs to react in case of real estate risks. But a large part of members felt that the proposed RTS constrained the options left to CAs, and opined that the alternative approach, which afforded greater flexibility to CAs to react to specific developments in their markets, was worth pursuing. Several members mentioned that a time horizon of 3 years may not be enough and should be extended.

76. Other concerns expressed on the proposed RTS touched upon the documentation requirements of article 7; and the lack of sufficient guidance as to the application of articles 124 and 164 of the CRR which could potentially lead to divergent practices across the single market.

77. The Chairperson opined that the proposed RTS amounted to a very good basis for compromise in view of the work developed over the past one and a half years. But in light of a majority of comments requesting a review of the final draft RTS, he noted that some of those could be accommodated, e.g. extending the time horizon to assess the loss expectation timeframe, and including a broader specification of the term of financial stability considerations.

Conclusion

78. The BoS agreed to further work to accommodate the comments and views expressed by members and to discuss and endorse a final version later in summer after a new round of discussion by SCRePol and at the latest at the September 2016 meeting; in case of failure to endorse the RTS, the Commission would be informed thereof.

Agenda item 21. : Definition of Default in the Credit Risk Framework: Discussion on Materiality and General Conditions

79. EBA staff presented the materiality package, consisting of i) final draft RTS under Article 178(6) of the CRR on the materiality threshold for past due credit obligations, ii) final Guidelines on the definition of default under Article 178(7) of the CRR, and iii) the EBA report on the results from the data collection exercise on the proposed regulatory changes for a common EU approach to the definition of default.

80. The proposed RTS included a calibration of the relative threshold at 1% with the possibility of deferring it either upwards or downwards, which a majority of members supported, although one member suggested 2,5% instead. There was an objection to the time approach used to specify the credit obligation past due for the purpose of the application of the materiality threshold. Finally, there was a request to discuss further on college coordination concerning the application of the appropriate level of the materiality threshold in the case of institutions operating on a cross-border basis.

81. Regarding the final guidelines, the BoS was asked in particular to share their views on the different options presented on thresholds for the sale of credit obligations and distressed restructuring, and on the application by institutions of probation periods before the reclassification of exposures to non-defaulted status.

82. The BoS expressed different opinions on both issues, with no majority agreement on neither of the options.

83. The RTS on materiality threshold were adopted but not the Guidelines. It was decided to continue working on this part of the default definition and materiality package for subsequent submission to the BoS.

Conclusion

84. The BoS approved for publication the EBA report on the results from the data collection exercise. The Guidelines would be further discussed before their submission to the BoS for final endorsement in view of the completion of the default repair package.

Agenda item 22.: Issues Note on EBA's Work on Covered Bonds

85. EBA staff introduced an issues note on the work conducted by the EBA in view of the final report on covered bonds, due for submission to the ESRB and the Commission in line with the ESRB recommendation. The BoS was invited to discuss the proposals contained therein, in particular, the risk analysis and different options to enhance the EU regulatory framework on covered bonds via either specific amendments to the CRR providing more detailed criteria for preferential bank capital treatment (option 1) or the establishment of a fully-fledged cross-sectoral EU covered bond framework, which would build on the principles currently included in the UCITS Directive and the EBA principles of best practice and to which the different sectoral prudential requirements would have to refer (Option 2). This last option would be accompanied by a recommendation for voluntary convergence by Member States on specific elements excluded from the EU framework.

86. Members supported the analysis of the latest trends and developments in the covered bond markets and in the national covered bond frameworks, as presented in the issues note, and a majority agreed to the need for establishing an EU framework (option 2), i.e. a three-pillar approach to this kind of harmonisation of the covered bond frameworks by developing an EU cross-sectoral framework and introducing specific targeted amendments to CRR.

87. Several other members however expressed diverging opinions regarding the proposed options to harmonise the EU framework. Specifically, some members objected to any option implying a development of a legislative proposal (option 1 and 2), since they believed that there was a risk that already existing national frameworks could be weakened. Safeguarding of well-functioning national frameworks could alternatively be achieved through voluntary convergence for some specific selected areas via non-legislative coordination measures. Those members also opined that an EU framework should ensure sufficient flexibility and leave some room to impose stricter prudential rules.

88. Other comments referred to the EBA's analysis of alignment with best practices across the covered bonds national frameworks and suggested assessing the tone of some conclusions.

Conclusion

89. The BoS supported to formulate a more detailed harmonised covered bond framework—building on option 2 whilst allowing an adequate level of flexibility to ensure that well-functioning national frameworks would not be weakened in a new framework – for subsequent BoS discussion later in 2016.

Agenda item 23.: Issues Note on Publication of List of Public Sector Entities (PSEs)

90. The BoS was asked whether it would agree to the publication of the list of public sector entities that could be treated as exposure to their central and regional governments and local authorities. The BoS was however alerted that there had not been a previous assessment of such treatment, which had shown divergences among Member States.

91. Members noted the apparent disparity in the presentation of the list output across jurisdictions while the data seemed correct. It was suggested to consider some harmonisation in the break out and presentation of categories in view of its publication.

92. Some members considered that given the lack of prior assessment and the potential for generating confusion, the list should not be published; and supported instead further work to clarify the criteria for the assessment of PSEs that would be treated as sovereign exposures.

Conclusion

93. The EBA would conduct further work on presentational grounds before publishing the PSEs list.

Agenda item 24.: Reports from Standing Committees

94. The BoS took note of the Standing Committee's reports.

Agenda item 25.: AoB

95. The Chairperson asked the BoS to inform the EBA of any initiatives by their CAs on the leak of the so-called Panama Papers so the EBA could prepare a discussion on the topic later in 2016. He noted that some CAs were experiencing problems with accessing information due to privacy laws which was preventing them to fully understand the situation. One member noted that not only CAs were being prevented but also parent institutions were facing the same difficulties in regard of their subsidiaries.

END OF MEETING

Andrea Enria

Chairperson

Participants at the Board of Supervisors' meeting

20/21 June 2016, London

Chairperson: Andrea Enria

Country	Voting Member/Alternate¹	Representative NCB
1. Austria	- ²	Philip Reading
2. Belgium	- ³	
3. Bulgaria	Dimitar Kostov	
4. Croatia	Damir Odak	
5. Cyprus	Argyro Procopiou	
6. Czech Republic	David Rozumek	
7. Denmark	Sean Hove	Peter E. Storgaard
8. Estonia	Andres Kurgpõld	Indrek Saapar
9. Finland	Marja Nykänen	Jouni Timonen
10. France	Frédéric Visnovsky	
11. Germany	Raimund Roeseler	Erich Loeper
12. Greece	Spyridoula Papagiannidou	
13. Hungary	Gábor Gyura	
14. Ireland	Cyril Roux	
15. Italy	Luigi F. Signorini/Andrea Pilati	
16. Latvia	-	Vita Pilsuma
17. Lithuania	Vytautas Valvonis	
18. Luxembourg	Christiane Campill	Norbert Goffinet
19. Malta	Ray Vella	Alexander Demarco
20. Netherlands	Jan Sijbrand/Olaf Sleijpen	
21. Poland	Andrzej Reich	Maciej Brzozowski
22. Portugal	Pedro Duarte Neves/M. Adelaide Cavaleiro	
23. Romania	Nicolae Cinteza	
24. Slovakia	Tatiana Dubinová ⁴	
25. Slovenia	Miha Kristl	
26. Spain	Fernando Vargas/Cristina Iglesias-Sarria	
27. Sweden	Uldis Cerps	Olof Sandstedt
28. UK	Andrew Bailey/Sasha Mills	Fiona Mann/K. Neiss

¹ Accompanying experts: Ingeborg Stuhlbacher (Austrian Finanzmarktaufsicht); Cool Dries (National Bank of Belgium); Marek Sokol (Czech National Bank); Mary Burke (Central Bank of Ireland); Maurizio Trapanese (Banca d'Italia); Olena Loboiko (De Nederlandsche Bank); Izabella Szaniawska (Polish Financial Supervisory Authority); Damjana Iglíč (Bank of Slovenia); Christine Boykiw and Omar Ahmed (UK's Prudential Regulation Authority)

² Represented by Eva-Désirée Lembeck-Kapfer

³ Represented by Jurgen Janssens

⁴ Only on Monday 20 June

<u>Country</u>	<u>Observer</u> ⁵
1. Iceland	Sigurður Freyr Jónatansson
2. Liechtenstein	Patrick Bont
3. Norway	Emil Steffensen

<u>Non-voting Members</u>	<u>Representative</u>
1. SSM	- ⁶
2. European Commission	Martin Merlin
3. EIOPA	- ⁷
4. ESMA	Verena Ross
5. ESRB	- ⁸

<u>Observer</u>	<u>Representative</u>
1. SRB	Dominique Laboureix

EBA Staff

Executive Director	Adam Farkas
Director of Oversight	Piers Haben
Director of Regulation	Isabelle Vaillant

Mario Quagliariello; Slavka Eley; Delphine Reymondon; Lars Overby; Dirk Haubrich; Spyridon Zarkos; Jonathan Overett Somnier; Philippe Allard; Charles Canonne; Vinay Pranjivan; Geoffroy Goffinet; Santiago Barón Escámez

⁵ Representatives from central banks: Jonas Thordarson (Central Bank of Iceland); Sindre Weme (Norges Bank)

⁶ Represented by François-Louis Michaud, and accompanied by John Fell and Panagiotis Strouzas (ECB)

⁷ Represented by Patrick Hoedjes

⁸ Represented by Tuomas Peltonen