



Banking Stakeholder Group

BSG 2011 11

10 June 2011

Minutes

1st meeting Banking Stakeholder Group 27 May 2011

1. Opening of the meeting

The EBA chairperson, Andrea Enria, welcomed the members of the Banking Stakeholder group at the EBA premises in London. In line with the draft Rules of Procedures it was agreed that the EBA chairperson would chair this meeting.

The order of the draft agenda was changed, so as to be able to allocate more time to the topic of stress testing. Consequently, item 7 was swapped with item 10.

A tour de table was held whereby people introduced themselves. Subsequently, the group's role was discussed. Firstly, there is the group's legal role on providing advice and opinions on proposed guidelines and standards. Also, the group might provide intelligence on the risk situation in the banking sector, on risk assessments and on stress tests. And thirdly, the BSG could act as sounding board for setting priorities for EBA's work.

Further it was clarified that people would act in the Banking Stakeholder Group in their personal capacity, based upon a unitary board structure.

Andrea Enria mentioned the complaints received about the selection of members. He will share them with the members, providing consent is received for distribution from the senders. Given these complaints, the possibility to accept observers was discussed. There were divergent views. It was agreed that the EBA chair would engage in bilateral discussions with members and would propose some alternative scenarios, so that the BSG could decide on the route to take at its next meeting.

2. Approval of the Group's Rules of Procedures

The draft Rules of Procedures were discussed. On point 7 it was agreed to add the possibility for 2/3 of the members to dismiss an existing chair from his or her duties. Concerning point 21 on the possibility for the chair to convene an extraordinary meeting without having a quorum, it will be added that also here the requirements as mentioned under point 17 for sending documents at least

three days prior to the meeting, will be taken into account. On the location of the meetings of the working groups (point 30) some more flexibility will be added in order to have the possibility for these meetings to convene outside the EBA's premises, when that would be more economical and efficient. With respect to point 36 which deals with replacement of members in case they cannot attend two consecutive meetings, it was agreed that for the first year of operations of the BSG it would be accepted to start the procedure as mentioned in point 36 only in case a member would not be able to attend three consecutive meetings, based upon the argument that the calendar dates for the meetings in 2011 have been provided rather late. For the September 2011 meeting of the BSG however, a calendar with the meeting dates for 2012 will be provided including the expected regulatory deliverables, so that as of 2012 members can adequately plan in advance their participation in the meetings. Some members wanted an earlier distribution of agenda's and documents. It was agreed that the secretariat will endeavour to distribute the documents as early as feasible, but leaving the dates in the Rules of Procedures as they are. Also a further coordination of the work of the three Stakeholders Groups of the respective Authorities was asked for; the EBA chair indicated that such a coordination could be undertaken via the Joint Committee and indicated that he would raise it at a next meeting. Also a comment was made on the confidentiality provisions as indicated under point 50 and 51. In this context it was agreed that documents sent to the BSG would in future have an indication of its confidentiality level. Taking into account these points, the Rules of Procedures have been adopted.

3. Appointment of the group's chair and vice chair – process

An e-mail will be sent to BSG members asking them to nominate themselves for the position of chair and/or vice-chair. Nominations should be accompanied by a motivation letter and a CV and should be sent to the EBA chair and executive director. The EBA staff will ensure that a list with possible candidates and the accompanying documentation will be sent to the BSG in time for the next meeting. To facilitate bilateral contacts the EBA staff will also circulate the contact details of all BSG members. The election will then take place at the next meeting, and will follow the procedure as outlined in the EBA regulation and in an accompanying document for the election of the chair of the EBA. Further information about this procedure will be distributed in due course. From the BSG chair it is expected that he or she is perceived as being neutral and will bring the EU perspective. It is difficult to indicate the time consumption for this post. It includes some external representation, the preparation of meetings together with the EBA staff and coordination of this group's work with the work of the other Authorities' groups. Normally, the BSG chair would not attend the regular EBA meetings.

4. EBA 2011 work program

The EBA chair introduced the EBA work program 2011 which is near to final and which will be published soon. Special attention was drawn to the huge number of tasks attributed to the EBA and the need for rigorous prioritisation and more staff. When looking at concrete tasks attributed to the EBA in 2011, the main areas of future work will be on the regulatory repair following the crisis, on regular risk assessments of the EU banking sector, on the EU wide stress test, and on the set up and functioning of supervisory colleges. In addition as of 2012

new tasks are expected on consumer issues (eg on responsible lending, mortgage credit and transparency of the risk profiles of financial products) and on crisis management, bank resolution and deposit guarantee schemes. In addition, Andrea Enria mentioned the need to improve the impact of EBA deliverables. Following a subsequent discussion, it was agreed to have a full session on future priorities for the EBA at a next BSG meeting, probably the one in September, also in the context of the work program 2012. In addition, the EBA staff will provide the BSG with an organigram of the EBA organisation, as well as with an overview of its committee structures.

5. BSG opinion on EBA's draft guidelines

5.1 AMA changes

The draft guidelines on changes of the Advanced Measurement Approach (AMA) were presented. These guidelines have been prepared already last year by CEBS and have already been consulted with the public. The draft guidelines were well received by the public, and comments received have already been taken on board. Although these guidelines have already been consulted the EBA wanted to offer the BSG the opportunity to provide an opinion on these draft guidelines in the context of article 16 of the EBA regulation, if felt necessary. Subsequently some comments were made, for instance on the timing of this guideline (would this be the most appropriate first guideline of the EBA? Alternatively the guideline could be part of a broader model change guideline encompassing also credit risk and market risk models), on reinforcing the link with supervisory outcomes and on an increase of OpRisk when employees are made redundant and knowledge is lost. Following the discussion, the chair concluded that in the BSG's opinion there were no impediments to go forward with finalising the guidelines.

5.2 Corporate governance

A draft Internal Governance handbook was presented to the BSG. It was noted that also this guideline has been prepared already last year by CEBS, and has already been consulted with the public. In general, respondents were supportive to the guidelines and comments received have been recognised in the text. Bernd Rummel presented the guidelines more in detail. He indicated that the work was undertaken, taking advantage of the input of an EU representative who is closely involved in the EU Commission's work on governance, so no major inconsistencies are to be expected between these guidelines and the upcoming EU COM proposals. On the link with EIOPA's work, it was noted that on the topic of 'internal governance' extensive coordination has taken place with both EIOPA and ESMA, but not specifically on EIOPA's current work on 'internal compliance'. It was concluded that possible suggestions could be forwarded to the EBA staff in the coming week, and that no formal opinion of the BSG is deemed necessary, given that the work started under CEBS and has already been consulted with the public.

5.3 Data collection on remuneration practises

According to CRDIII, the EBA has to perform two tasks in respect of data collection on remuneration. The first task is to undertake a benchmarking exercise of remuneration trends and practises based on quantitative information on remuneration. The second task is the disclosure by member state of the number of employees in pay brackets of at least EUR 1 million. For both tasks the EBA has developed a guideline that it wants to consult swiftly. According to article 16 of the EBA regulation the BSG is asked to provide its opinion on these guidelines. Subsequently there was a discussion on a number of points, mostly related to clarifications. It was agreed that comments could be forwarded to the EBA in the next two weeks, whereby some of the comments might be addressed immediately before the guidelines will go out for consultation and some might be assessed during the consultation period itself.

7. Development of EBA binding technical standards

The EBA outlined the process for the development of binding technical standards. The presentation will be provided to the BSG.

8. EBA consultation practises

A separate document, describing the EBA consultation practises, is under construction. It is largely based on the CEBS consultative practices. It will be presented at a next BSG meeting.

9. Update on regulatory developments

Given the absence of time, this point was not discussed.

10. Update on EBA EU wide stress testing exercise

The EBA chair presented the current state-of-play in the stress testing exercise. He indicated that the planning of the exercise was very challenging, given the time needed to undertake the detailed peer review process. On the criticism voiced in the market that sovereign debt was not taken into account, the chair indicated that indeed sovereign exposures in the banking book are not marked-to-market but that still these positions should be stressed by IRB banks via the use of adequate PD's and LGD's, one of the topics now being assessed in the peer review process. On the coverage of banks in the exercise, it was mentioned that the focus is on the internationally active banks that account for more than 65% of the market. It was also stressed that although the EBA and EIOPA stress testing exercises to some extent measure different risks, the exercises are closely coordinated and will be based on a similar macro-scenario. On suggestions from the BSG, Andrea indicated that indeed living wills might be an interesting solution, and that this is now being brought forward by the FSB. Also the importance of a good external communication strategy was underlined, with consistent messages coming from the EBA, the national supervisory authorities, the national ministries and the banks, with a special focus on the communication needed for failing banks. In conclusion it was agreed that the EBA will involve

the BSG in a post-mortem of the current exercise, and with the methodological set-up of a possible future exercise.

11. AOB

The next meeting will be on 5 July with subsequent meetings on 14 September and 16 November. A meeting schedule for next year will be presented in September.

Participants of the 1st Banking Stakeholder Group meeting

London, 27th May 2011

Name	Representing
Andrea Cesare Resti	Top-ranking academic
Andrew Thomas Procter	Industry
Arnold Kuijpers	Industry
Bostjan Krisper	Consumers
Christian Lajoie	Industry
Daniel Gros	Top-ranking academics
David T Llewellyn	Top-ranking academics
Erik Berggren	SMEs
Giles Williams	Users of banking services
Giovanni Ferri	Top-ranking academic
Guglielmo Zadra	Industry
Hiltrud Thelen-Pischke	Users of banking services
Javier De Andrés	Top-ranking academics
Louise Lindgren	Industry
Lubomir Christov	Consumers
Magdolna Szóke	Industry
Marcin Kawiński	Consumers
Michel Barbet-Massin	Users of banking services
Michelle Brennan	Users of banking services
Mónica Cueva Diaz	Industry
Oliver Schuetz	Industry
Pamela Walkden	Industry
Robin Jarvis	SMEs

Rudi Vander Vennet	Top-ranking academics
Sony Kapoor	Consumers
Sylvie Bourguignon	Users of banking services
Ute Meyenberg	Trade unions
Zita Čeponytė	Consumers
Andrea Enria (Chairperson)	EBA
Adam Farkas	EBA
Arnoud Vossen	EBA
Bernd Rummel	EBA