



EBA BS 2014 151v1

EBA Staff

26 March 2014 / 09:00-10:00 (GMT)

Location: Teleconference

EBA Board of Supervisors Teleconference – Final Minutes

1. The EBA Chairperson chaired the Teleconference

Agenda item 1.: Road Map for Credit Risk Deliverables

2. Further to the discussion held at the BoS meeting of 11-12 December 2012, the Chairperson proposed a roadmap for credit risk deliverables sought of the EBA under Directive No 2013/36/EU and Regulation (EU) No 575/2013 (CRDIV/CRR). Noting the high workload required by legislation in this area, the proposed roadmap would be aimed at defining a clear work prioritisation plan with deadlines for credit risk deliverables, namely regulatory technical standards (RTS) and guidelines (GL), for 2014 and onwards.
 3. According to the proposed roadmap, RTSs mandated under the CRR would be prioritised. In particular, the RTS on assessment methodology of the IRB approach (Arts. 144(2), 173(3) and 180(3b) CRR), the RTS on permanent partial use and roll-out plan (Arts. 148(6), 150(3) and 152(9) CRR), and the RTS on mortgages risk-weight/LGD floors (Arts. 124(4) and 164(5) CRR) would be submitted to the European Commission by the end of 2014. The submission of the RTS on downturn LGD/CCF conditions (Arts. 181(3a) and 182(4a) CRR) would be delayed by six months, thus submitted by mid-2015. The RTS on the materiality threshold on defaulted exposures (Art. 178(6) CRR) would be finalised for end-2014. Remaining work on credit risk would be addressed in 2015. As to the remaining GLs, including the ones mandated by the CRR on the default definition (Article 178(7) CRR) and the ones mandated under Article 502 CRR, they would be finalised by end-2015. The only exception would be the GL on treatment of defaulted assets (computation of IRB shortfall), which would be submitted by mid-2014.
 4. Should this proposal be acceptable to the BoS Members, a letter would be sent to inform the European Commission of the EBA's proposed priorities and revised timelines for submission to the EC of these mandates, and the EBA's work programme would be updated to so reflect.
 5. BoS Members expressed their concern about the significant resource implications imposed by the legislative framework in this regard. One BoS Member pointed out at the lack of data supporting the conclusions stemming from the comparability report on the IRB approach with
-

respect to the cyclicity of capital requirements under Article 502, CRR, which would justify waiting for more evidence before resuming work. It was noted that the CRR contains no deadlines for this Article 502 Mandate, and as such it was acceptable to postpone the delivery of this work to 2015.

6. Another BoS Member suggested to restrict the EBA's roadmap to those RTS mandated by legislation, as well as focusing on the RTS on the treatment of defaulted assets, as presented by the Chairperson; this BoS member also underlined: i) the need to avoid an excessive reliance - to achieve full harmonization - on guidelines rather than RTS; ii) the importance to ensure coordination with the relevant Basel initiatives.
7. The European Commission representative stated that the prioritisation presented in the Roadmap appeared reasonable. He sought clarification on why the EBA seeks to delay by 6 months the submission of the draft RTS on eligible collateral (Art. 194(10) CRR) given the link with the work sought under the Mandate on Article 57 CRD, due in autumn 2014. The EBA staff confirmed that such postponement would not impede the delivery of Article 57 CRD work.
8. Moreover, the possible overlapping with the work underway by the BCBS on this topic and the need to coordinate was stressed by a BoS Member. The Chairperson confirmed that EBA was keen on aligning its work with that of the BCBS; however, the EBA had to deliver its mandated RTS within the required timeline.

Conclusion

9. There was broad agreement with the proposed roadmap. This would be reflected in a letter to be addressed to the European Commission. The Chairperson also noted the general concern regarding the workload imposed, resource constraints and the feasibility to deliver all of the GLs sought. With regard to those GL mandated under Article 502 CRR without a predefined deadline, the EBA would include them in the 2015 work programme.

Agenda item 2.: TCOR detailed work plan for the finalization of the SME and residential mortgage portfolio analyses

10. The Chairperson noted that at the BoS December 2013 meeting the *Task Force on consistency of outcomes in risk weighted assets* (TCOR) was given a mandate to discuss the SME and residential mortgages portfolios bank by bank results with specific attention to the focus on identified outliers. The TCOR has since started the work to elaborate a more robust framework for the identification of outliers, which it had been supporting by discussions with national competent authorities (NCAs). TCOR was also completing the "drill-down" investigation for residential mortgages (loan to value, loan to income, debt to service and credit risk mitigants).

11. BoS Members were asked to agree on the finalisation of this exercise, which should include further interactions with NCAs. The ad-hoc bank tool prepared by TCOR could be used by NCAs for qualitative assessment purposes of the internal approaches used by supervised banks. Interviews/meetings between the EBA and NCAs could also take place. It was proposed that the BoS would be updated at its May meeting about the process with a report on the extra analyses (drill-down) on residential mortgages. NCAs would then submit their assessments to the EBA during June, so that the EBA could prepare final outcomes to be eventually presented to the BoS July meeting.
12. The Chairperson asked the BoS Members if they could support this proposal, recalling that it was a pilot exercise which should only be completed with NCAs' agreement.
13. One BoS Member expressed concern about the workload to perform this exercise. She also noted that it would only target outlier banks, a point which was confirmed by the EBA.
14. Other BoS Members expressed support to the work plan whilst highlighting the workload concern and the fact that it was an issue which concerned supervision rather than policy. A point raised by another BoS Member was how to translate the templates into policy options, for instance whether RWA calculations in banks reflect actual losses. This would require further reflection on how to structure feedback on NCAs' assessment to enable discussion at BoS.
15. The Chairperson suggested preparing a high level communication message on this exercise which could be provided to banks. Further, TCOR should have an open discussion on the bank-by-bank results produced by the exercise before sharing the outcome with the BoS.

Conclusion

16. BoS Members agreed with the proposed TCOR work plan: a report would be presented to the BoS May meeting for a decision on whether or not a more granular report should be published. This report would not contain details on a bank-by-bank basis but rather give an overview of their major features. TCOR would then send to NCAs the templates identifying banks and portfolios and then agree on the scope of the exercise. Further engagement between TCOR with Members and NCAs would take place if deemed necessary. Finally, TCOR would discuss the overall feedback received and if feasible, a discussion would be tabled at the BoS June meeting.

Andrea Enria

Chairperson

Participants at the Board of Supervisors' teleconference

26 March 2014

Chairperson Andrea Enria

<u>Country</u>	<u>Voting Member or Alternate</u>	<u>Representative NCB</u>
Austria	Dagmar Urbanek/Ingeborg Stuhlbacher	Philip Reading
Belgium	Jo Swyngedouw	
Bulgaria	Boryana Borisova	
Croatia	Damir Odak	
Cyprus	Argyro Procopiou	
Czech Republic	David Rozumek	
Denmark		Birgitte Vølund Buchholst
Estonia		
Finland	Marja Nykänen	
France	Philippe Richard	
Germany	Peter Lutz	Jochen Flach
Greece		Tionysios Kristopholos
Hungary		
Ireland	Mary Burke	
Italy	Andrea Pilati	
Latvia		
Lithuania		
Luxembourg	Claude Simon	Christian Friedrich
Malta	Andre Camilleri	
Netherlands		Anthony Kruizinga
Poland		
Portugal	Pedro Duarte Neves	
Romania		
Slovakia		Vladimir Dvoracek
Slovenia		
Spain	Cristina Iglesias-Sarrià	
Sweden	Uldis Cerps	
UK	Katharine Braddick	

<u>Country</u>	<u>Observer</u>
Iceland	Elvar Gudmundsson
Liechtenstein	Rolf Brüggemann
Norway	Knut Lykke

<u>Institution</u>	<u>Representative</u>
European Central Bank	
European Commission	Dominique Thienpont
EIOPA	
ESMA	
ESRB	



EBA Staff

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

Antonio Marcelo; Aurore Schilte; Corinne Kaufman; Paolo Bisio; Santiago Barón Escámez