EBA BS 2021 184

Board of Supervisors

24/25 February 2021

Location: teleconference

EBA-Regular Use

Board of Supervisors meeting – Final 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).

2. None of the Members declared any conflict of interest regarding any of the agenda items.

3. The Chairperson informed the Members that the Minutes of the 27 January 2021 meeting had been approved by written procedure.

4. The Chairperson also welcomed Heather Gibson (Bank of Greece) and Stefan Walter (ECB) as new Members to the BoS meeting.

Conclusion

5. The BoS approved the agenda of the meeting.

Agenda item 2: Update from the EBA Chairperson

6. The first point on which the Chairperson informed the Members is the publication of the preliminary findings by the Ombudsman in relation to a request made to EIOPA for disclosure of individual voting by members on the PRIIPS RTS last year. EIOPA will need to respond by 30 April and, having discussed it with the other ESA Chairs, our perception is that the request that the ESAs disclose individual votes in decisions affecting the development of 'legislative' products is likely to materialize.

7. The Ombudsman response to this request from EIOPA has led to the same person asking the EBA for details of the discussions and voting on the BUL cases from the spring of 2019. The

Chairperson informed the Members that the EBA had previously rejected a similar request on this decision and the requester did not follow it up. Given that the person who made the current request has already referred to the Ombudsman investigation in EIOPA's refusal to disclose, it is expected that a refusal of disclosure by the EBA would also be likely challenged.

8. One Member noted that competent authorities frequently experienced significant pressure from industry and other stakeholders and in order for Board members to act independently of such interests, a certain degree of confidentiality was needed. The same Member suggested that a balance is therefore needed between transparency and independence. The EBA Chairperson responded that this trade-off was indeed part of EIOPA's discussion with the Ombudsman. The EIOPA representative shared its current considerations with the Board, noting that further discussions were to be held with its Board and no final decision has been made. The EBA Chairperson acknowledged that an approach where the amount of disclosure might depend on the nature of the decision, might be a viable approach depending on the final outcome of the Ombudsman's inquiry. Another Member noted that they were in general in favour of transparency and noted ESMA's own approach to disclosure of its Board members' positions in certain votes, highlighting the desirability that the three ESAs should have a similar approach to the discussion at hand.

9. A second point on which the Chairperson updated the Members is the annual crypto-asset monitoring exercise. This year, in view of the importance of ensuring cross-sectoral surveillance, the EBA issued the competent authority survey jointly with ESMA. The survey was issued on 27 January and closed on 17 February with 40 of the 42 national competent authorities submitting responses. The Chairperson thanked the Members for the very prompt and extremely comprehensive input, which EBA and ESMA staff are now reviewing. The results will be shared with competent authorities within the next week in accordance with EBA's objectives of promoting consistency in regulatory and supervisory approaches to, and understanding of, crypto-assets. However, the results will not be made public as EBA would like to maintain this space for open dialogue and information exchange within the supervisory community.

10. A third point on which the Chairperson updated the Members is the Call for Advice (CfA) on Digital Finance that was received at the start of February 2021. This CfA was addressed to all three ESAs and called on the ESAs to

    a. Review the regulation and supervision of more fragmented or non-integrated value chains, platforms and bundling of services, and risks of groups combining different activities.

    b. In addition, it calls upon the EBA to also provide advice on (i) non-bank lending and (ii) protection of client funds and the articulation to the deposit guarantee scheme directive.

11. These requests focus on the impact of technology on the finance sector and are therefore being led by staff working on Digital Finance in the Banking Markets, Innovation and Consumers (BMIC) department. They touch on conduct and consumer protection, AML, authorizations and regulatory perimeter and also on the prudential regulatory regime and therefore staff will ensure a suitable coordinated approach consulting the necessary subgroups and standing committees. Similarly, the EBA is working closely with the ESAs to align and ensure a coordinated report.

12. Finally, Members were updated on the taxonomy-related product disclosures RTS. The Joint Committee of the ESAs is preparing a Consultation Paper fulfilling new empowerments to develop RTS given by the Taxonomy Regulation, through amendments to the sustainable finance disclosure regulation (SFDR). In order to fulfil these taxonomy-related product empowerments, the ESAs have agreed to amend the finalised SFDR RTS (submitted to the Commission on 4 February), instead of creating a new ruleset, to minimise duplication and complexity in this area. The ambition is to send the Consultation Paper at the end of February to the three ESAs' BoS for comments and for approval, after which a shortened consultation of 8 weeks will follow until the middle of April 2021. The shortened consultation period is needed to allow sufficient time to finalise the draft RTS for approval and submission to the Commission by June 2021.

Agenda item 3: Risks and vulnerabilities in the EU

13. The EBA director of Economic Analysis and Statistics (EAS) updated the Members on current risks and vulnerabilities in the EU banking sector and focused on the Q3 2020 preliminary data. The presentation provided an analysis of trends in capital, asset quality and a first view on Q4 results. The capital position improved further for European banks. The management buffer (incl. P2G) is indicatively estimated to grow from around 3.0% as of YE2019 to around 5.4% in 2020 not least supported by regulatory and supervisory measures. The asset quality trajectory is driven by macro conditions and possible cliff effects from ending support measures. The EBA Director of EAS informed the Members on the increase in stage 2 exposures for loans under current and expired moratoria and provided some ideas on the explanation why there are more stage 2 exposures in loans under current moratoria than in loans for which moratoria had expired. Related to asset quality, the EBA Director of EAS made the link to the presentation on IFRS 9 benchmarking, which also covers the impact of Covid-19 on the identification of significant increase in credit risk and expected credit loss calculations.

14. The rest of the presentation covered an analysis of the impact from dividend restrictions, seen from different angles. The analysis showed that the RWA limit is the key limiting factor for banks under the SSM, and not the 15% limit of the pay-out ratio of combined 2019 & 2020 profits (plus adjustments, like for goodwill impairments). The analysis also showed that the 2021 payments might roughly reach 2019 levels in the Nordics, whereas for banks under

the SSM this is far lower. The retained earnings generation from YE2020 results could reach around 40bps on average under the dividend restriction assumption. The presentation stressed that several (also simplifying) assumptions had to be made for respective calculations, including on forecasting Q4 results, consideration of e.g. goodwill impairments and RWAs.

15. A presentation by the BoS member from Lithuania followed. The Lithuanian Member focused on the macro financial developments, banking sector and COVID-19 private moratoria. The overall picture showed that Lithuania has a highly concentrated market with the three largest institutions dominating the sector. The Lithuanian banking sector was still profitable, although profit dropped by 16.4%. The Lithuanian Member informed the BoS that the LCR was exceptionally high which could be a sign that the market is flooded in liquidity. Regarding NPLs, there were no signs yet of a significant deterioration. In conclusion, the Lithuanian Member stated that there is a potential underestimation of NPLs in Lithuania due to moratoria and that the use of moratoria is widely dispersed.

16. While thanking both previous presenters, a number of Members updated the BoS on the developments in their jurisdiction. Several Members noted that there seemed to be limited growth of credit in their jurisdiction and discussed the reasons behind this development. In that context, several Members noted that there were signs that limited credit growth could be the result of lower demand as the economy was slowing down, and not due to presumably tightening lending standards. One Member argued that rejection rates for loan applications were the same in 2020 when compared to the year before.

17. Multiple Members stressed the need for a responsible timing of possible exit measures. There were divergent views on the risk that exit measures would result in cliff effects. While some Members were fairly optimistic, other Members were less confident. There were also different views if governments might be interested themselves in very cautious phase outs or not. Some Members noted that the available data could sometimes lead to confusing interpretations, as moratoria could hide real trends in asset quality. One Member noted that support measures could potentially bias credit risk parameters in IRB-models, and endorsed the ongoing work of the TFMV on how current non-representative data should be treated. On moratoria related data one Member confirmed that there seems to be a selection bias, confirming that credit quality of exiting borrowers tends to be slightly better than those remaining under moratoria. Some Members also pointed to the divergence in stage allocation under IFRS 9, in particular of levels / share of stage 2 loans.

18. Some Members also stressed the efficient impact of the dividend restrictions on capital generation, and that they also seemed to support new lending. However, it was also mentioned that this might need further analysis in future, once the restrictions are lifted and when more reliable data will be available. Besides, one Member raised the possibility to discuss the prudential treatment of certain restructuring measures in the case of viable over indebted enterprises, where this situation is a consequence of an exogenous aggregated shock such as that generated by the pandemic.

19. The ESRB representative informed the BoS of known cases where the decrease of bank credits was replaced by other means of finance. In addition, he noted there was a rapid increase in housing prices in certain jurisdictions which could raise concerns as unemployment was rising. Other areas of concern are NFC exposures, which might come under pressure when support measures are phased out, and CRE exposures.

20. The ECB representative informed the Members that the recommendation for dividend distribution had been highly effective in the EU as distributions plans had decreased strongly and with the vast majority of banks also decreasing bonus payouts. Moreover, the ECB representative noted that loans that exited moratoria did not result in a sharp increase of NPLs, which might be due to the wide range of other support measures following the COVID pandemic.

Conclusion

21. The EBA Chair concluded that appropriate exit measures were important and that there were split views on the likelihood of cliff effects. In that context he noted that there was overall consensus that authorities were likely to maintain their current measures and that there were no signs for a quick retreat. Finally the EBA Chair noted that a continuous monitoring and assessment of credit quality remains important.

Agenda item 4: Preliminary results on IFRS9 benchmarking 2020 exercise

22. The Director of Prudential Regulation and Supervisory Policy (PRSP) presented the preliminary results of the IFRS9 benchmarking 2020 exercise. The presentation focused on the COVID implications on the IFRS 9 Expected Credit Loss (ECL) models and included some aspects that would deserve further scrutiny/attention from a supervisory and/or regulatory perspective. Specific reference was given to the Significant Increase in Credit Risk (SICR). Only a minority of institutions had changed the overall SICR approach to accommodate practices on the discrimination of obligors under Covid-19 support measures. Moreover, for almost all institutions, an increase in the IFRS 9 ECL was already observed in June. In the majority of cases, this was mainly due to an increase in the PD estimates, while the impact stemming from the evolution in the LGD was quite limited. In addition, some institutions introduced temporary overlays at the ECL estimates rather than at the IFRS 9 risk parameter level in order to reflect the Covid-19 implications.

23. The Director of PRSP then focused on the IFRS 9 PD robustness and volatility. As of June 2020, IFRS 9 PD estimates generally increased (with more variability) due to the incorporation of forward looking information, while IRB PDs remained comparatively stable. Nevertheless, the Director of PRSP reminded the Members that further investigations would be needed as part of the next steps to assess any potential change occurred in the sensitivity of the IFRS 9

PD to the evolution of macroeconomic factors (e.g: GDP), given its potential implications on the ECL amount effectively recognized by EU institutions. The task force will finalize the analyses on the data collected as part of the second ad hoc exercise, with the aim of presenting a second report to the BoS in June 2021.

24. Multiple Members expressed appreciation for the work done while acknowledging the importance of the preliminary results. Several Members suggested to postpone the decision on the publication as further analyses was needed given that several banks had changed their underlying methodologies after June 2020. Other Members underlined the need for qualitative data as this could help further improve the results from the benchmarking exercise.

25. The representative of the SRB questioned whether the limited reclassification to stage 2 could be interpreted as a sign that losses were building up that could materialize later on. The ESRB representative asked EBA to what extent the impact of the different policy measures following the COVID pandemic were visible. Furthermore, he noted that in normal times, point-in-time estimates should be higher than through-the-times estimates, but that the slides show a different picture.

26. The EC representative considered important that the EBA could proceed with a third exercise still in 2021 instead of delaying to 2022.

27. Some Members noted that the preliminary results presented indicate that there are important differences between models and approaches implemented by banks. These Members encouraged EBA to continue its efforts to investigate banks impairment practices and the reasons behind any significant (not risk driven) variability of outcomes. One Member suggested to further explore whether SA institutions could be integrated into the benchmarking exercise.

28. The Director of PRSP thanked the Members for their input and acknowledged that more analyses was needed. She reminded the Members that the qualitative part of the exercise might help answering the questions posed by some BoS members and that EBA could use other sources to further improve the analyses.

Conclusion

29. The EBA Chairperson noted that there was clear support for the work done but that there were mixed views on the publication of the results of the benchmarking exercise. As a way forward he concluded that further work on the analyses was needed before a decision could be made on the publication. In this sense, he also noted that more caution might be needed as the benchmarking exercise relied heavily on the data reported by the banks.

Agenda item 5: Update on industry readiness for SCA under PSD2

30. The EBA Head of Conduct payment and Consumers (COPAC) updated the Members on the industry readiness for strong customer authentication (SCA) under PSD 2, which is based on the input received from NCAs as set out in the EBA Opinion of October 2019. Additionally, he pointed the Members to seven NCAs that have decided to introduce SCA “ramp-up” periods, which were not in line with the agreement set out in said Opinion and not compliant with the requirements set out in PSD2 and the RTS on SCA&CSC.

31. Several Members referred to the ramp-up periods introduced by a number of competent authorities and expressed concerns on the negative consequences these deviations from the previous agreement have in terms of level playing field. One Member stated that the situation is characterized by a last mover advantage, that this is undesirable and that it must now stop.

32. Other Members provided some insights in the reasoning for introducing the ramp-up period in their respective jurisdiction. In that context, some Members noted that the cross border nature of certain PSD2 activities created dependencies with jurisdictions that had introduced ramp up periods, even though no ramp-up was foreseen in their own jurisdiction. Another Member regarded the glass as half full rather than half empty, as the ramp up periods cover a limited number of months.

33. One Member noted that the introduction of SCA needed more time and more coordination and saw room for improvement by building on the lessons learnt in similar projects, such as the introduction of Target 2 or SWIFT. Other Members asked EBA to continue to monitor the situation in order to ensure supervisory convergence and level playing field across Europe. In that regard, one Member noted that any flexibility to the introduction of SCA should be applied in a very restrained manner so that incentives for applying SCA as soon as possible are not eliminated and moreover, any flexibility should be allowed in a coordinated way in all jurisdictions.

34. The representative of the EC highlighted its disappointment on the fact that too many transactions are still not subject to SCA, in spite of its full introduction on 1 January 2021. Finally, one Member invited EBA to deliver an additional report which could document how the SCA protocols translated into lower fraud levels across the EU, as that was the main objective of the whole exercise.

Conclusion

35. The Chair concluded that the implementation of SCA was going in the right direction but noted that the speed is too slow. He called on all Members to push for 100% compliance as the level playing fields concerns are valid. As a first step he concluded that per May the ramp up periods should cease to exist. The EBA Chairperson informed the Members that they will be updated on the progress made in one of the upcoming BoS meetings.

Agenda item 6: Opinion on ML/TF risks in the financial sector in the EU

36. The AML coordinator in the Conduct, Payment and Consumers (COPAC) team introduced the Members to the 2021 Opinion on the risks of money laundering and terrorist financing (ML/TF) affecting the Union's financial sector and the associated report. The EBA has to publish an Opinion on ML/TF risks every two years. She informed the Members that the AMLSC unanimously approved both the draft Opinion and the report.

37. There was general support from the Members for the Opinion and the report, with the EC representative sharing her appreciation for the work done.

38. Several Members pointed to the paragraphs on de-risking and noted their interest in the EBA pursuing this important topic further. One Member highlighted that it was important to be clear that working to tackle de-risking did not mean that the EBA attached less importance to robust AML/CFT controls.

39. One Member said that in their view, the section dedicated to divergent supervisory practices should highlight the efforts made by some competent authorities in this matter. Other Members stressed the importance of a common approach at L1 to the AML/CFT supervision of firms that provide technology-enabled services.

40. The EC representative recalled the importance of the text for the adoption of the Commission’s supranational risk assessment (SNRA), which the Commission has to publish every 2 years and which for this year is due in Q4 2021.

41. Finally one Member welcomed that the Opinion addressed the issues raised in the payments institutions sector and that it was considering performing a robust assessment of that sector in their jurisdiction, while another ember suggested that the EBA should coordinate a harmonized approach with regard to payment institutions.

Conclusion

42. The EBA Chairperson concluded that the Opinion and its annexed report was approved and that it would be published and submitted to the EC. Regarding the questions on de-risking, he informed the Members that EBA will continue to look at additional aspects of de-risking and that follow-up actions are considered.

Agenda item 7: Final revised Guidelines on ML/TF risk factors

43. The EBA Head of Conduct payment and Consumers (COPAC) updated the Members on the changes made in the revised Guidelines on ML/TF risk factors following consultation. He reported that despite an extensive 90-page feedback table in which all responses were

assessed, only few changes were eventually made. Most of these were clarifications with some semi-substantive changes made to Guideline 18 which now acknowledge, more than was the case before, that the ML/TF risks of account information and payment initiation service providers (AISPs/PISPs) is limited. However, he also explained that this particular Guideline cannot go as far as accommodating some apparent national approaches that exempt these providers from the obliged entity status under the AMLD, as this would bring the Guidelines in breach of EU law.

44. Multiple Members expressed their support for the revised Guidelines thanking the EBA for the work done. Two Members informed the EBA that they could not comply with the sectoral Guideline 18 for PISPs and AISPs as, contrary to provisions in Union law, AISPs were not obliged entities under their national transposition of the AMLD.

45. One Member questioned whether the EBA should issue these Guidelines and potentially create duplication or simply follow the FATF Guidelines. Finally, the representative of the EC recalled that text on Guideline 18 (AISPs/PISPs) is the outcome of a balanced approach and whatever the interpretation of the PSD II, the text of the AMLD is clear and requires AISPs/PISPs to become obliged entities. Moreover, the EC representative noted that this will be the approach maintained for the future too, and delegations who still consider the text to be problematic will need to adapt their work and push for internal legislative changes if required.

46. The EBA Head of COPAC responded to the comments on AISPs/PISPs by referring to the fact that EBA was bound by Union law. In response to the comment on FATF, he explained that the Risk Factors Guidelines were consistent with, and the EU-specific articulation of, FATF standards and that financial institutions that comply with the EBA Guideline will comply with the FATF standards.

Conclusion

47. The Chairperson concluded that there was clear support for the revised Guidelines and that the revised Guidelines were approved by consensus. The Chairperson noted that it is not within the powers of the EBA to change AML/CFT legislation in respect of PISPs or AISPs.

Agenda item 8: Election of one Management Board member

48. The Chairperson reminded the Members that one Member recently stepped down from the BoS, and therefore from her position as MB member. To fill this vacant position, the EBA issued a call for expression of interest on 8 February 2021. This call for expression of interest was issued in two phases, firstly with a focus on applications coming from female BoS Voting Members, and secondly open to all BoS Voting Members and their Alternates.

49. Following this second round of the call for expression of interest, the EBA received two applications: from Mr. Helmut Ettl and from Mr. Ángel Estrada. The Chairperson invited the BoS-members or their Alternates to send an e-mail with the name of the candidate selected to a dedicated mail address.

50. After counting the votes, the EBA Chairperson informed the BoS that Mr. Ettl was elected to become a member of the EBA Management Board.

Agenda item 9: Supervisory independence study

51. The EBA Head of Legal & Compliance outlined the proposal for a supervisory independence study and described how it would fit with work being done by the other ESAs. EBA has been reviewing how to take forward the new task of fostering and monitoring supervisory independence which was given to the ESAs in the last ESAs Review. Having discussed with ESMA and EIOPA staff their own plans, and with the Commission on the report that it needs to prepare on this topic by the beginning of 2022, the EBA staff has put together a proposal for an initial study which is closely aligned with ESMA's approach of carrying out a survey of competent authorities and preparing a report. The EBA's survey would, however, extend to the broad range of authorities within the EBA's remit and so was proposed to cover prudential, conduct and AML/TF supervisors as well as resolution authorities and deposit guarantee schemes and their designated authorities.

52. The EBA Head of Legal & Compliance informed the Members that the aim of the supervisory independence study would be to identify any significant themes identified after carrying out a survey of competent authorities with regard to their independent functioning based on international standards such as the Basel Core Principles and similar FSB and FATF guidance. He reminded the Members that no detailed comparative analysis was planned in this initial phase of the work. In this regard, the EBA Head of Legal & Compliance pointed Members to the timetable for the study that was considered tight but feasible. At a later point, around autumn 2021, the EBA could use the preliminary results to identify what further work could usefully be carried out, such as developing benchmarks which could be used in peer reviews.

53. There was overall support for the outline of the supervisory independence study. Several Members stressed the need for close cooperation with the other ESAs in order to achieve an efficient and harmonized approach, and the need to take account of the work of international bodies. One Member reminded the EBA in this context that comparative analyses of different authorities might be complicated even within a country as authorities might carry a broad range of supervisory responsibilities.

54. Two Members asked the EC representative for more insight in the underlying motives to initiate the supervisory independence study. The EC representative shared with the Members that the report would be used as input for the next ESA review which might cover

topics in the context of supervisory independence. In this light, the EC representative underlined the need for timely delivery of the report.

55. One Member reminded the BoS that there is quite a lot of information available on supervisory independence and that the ESAs could build on this available work when drafting the report. Another Member asked the EBA whether macro prudential authorities would be in scope.

56. Several Members asked the EBA to first discuss the outcomes of the report with the BoS before deciding on publication. Furthermore, two Members stressed that the definition of supervisory independence should be aligned with existing definitions, such as the definitions used by the IMF to assess supervisory independence.

57. The EBA Head of Legal Services responded to the different questions. He explained that the EBA would continue to align the supervisory independence study with both ESMA and EIOPA so far as possible and regular meetings were already planned in this regard. Furthermore, he noted that macro prudential authorities are out of scope and that publication of the report had been proposed given that it is normal practice for the EBA to publish input that it provides to, such as technical advice.

58. The EIOPA representative asked the floor to comment on the impression that the initiatives of the three ESAs were not aligned. He noted that there were however different views on what steps to take first.

Conclusion

59. The EBA Chairperson concluded that there was support for the supervisory independence study and that the report findings would need further discussion which was planned for the September 2021 BoS before it decided on publication.

Agenda item 10: Consumer Trends Report 2020/21

60. The EBA Director of Banking Markets, Innovation and Consumers (BMIC) presented the main outcomes of the Consumer Trends Report 2020/21 to the BoS. He informed the BoS that the recent edition of the Report also identified the issues that had arisen as a result of COVID, as well as the regulatory and supervisory measures taken by CAs and the industry to address these. Furthermore, the EBA Director of BMIC informed the BoS that this edition of the Report also included the regulatory and supervisory measures that CAs and the EBA had taken to address the topical issues identified in the previous edition of the CTR.

61. There was full support for the CT Report with multiple Members underlining the contribution it made to the restoration of trust in the financial sector and the shift that has been made moving to emphasize that firms were actively thinking in the interest of their customers.

Among others, the representative of the EC thanked the EBA for its work done while pointing to the growing importance of this biennial CT Report.

62. One Member made the suggestion that the Report could be improved further by including more country specific breakdowns in the graphs instead of the averaged figures presented.

63. Another Member pointed out that the CT Report seemed to make a direct link between de-risking and AML, while de-risking has a much broader perspective and is not exclusively tied to AML. In this context, the Member asked the EBA to address the issue of de-risking in other EBA products as well.

Conclusion

64. The EBA Chairperson concluded that there was full support for the Report and that EBA could continue with publication.

Agenda item 11: EBA guidelines on recovery indicators – Consultation Paper

65. The EBA Director of Prudential Regulation and Supervisory Policy (PRSP) presented to the BoS the main changes made to the EBA Guidelines on recovery indicators. She noted that in light of the pandemic and increasing importance of crisis preparedness, the EBA had decided to review its Guidelines on recovery indicators. In October 2020, the BoS supported this initiative during its meeting on the EBA COVID related prioritization work.

66. The revision of the existing EBA Guidelines on recovery plan indicators was initiated by practical experience in assessing recovery plans gained since the issuance of these Guidelines in 2015, as well as by issues identified during the pandemic. The main changes to the Guidelines included: i) an updated list of recovery indicators, ii) a recalibration of the thresholds of the indicators and iii) incentivising institutions to monitor possible breaches of recovery indicators as part of their business continuity plans.

67. Several Members expressed their support for the revised Guidelines. One Member noted that the current wording on the timelines to act on breaches or recovery indicators brought about the risk of an administrative reading of Guidelines. According to the same Member this could be prevented by revisiting the wording in certain paragraphs of the Guidelines.

68. The representative of the Single Resolution Board expressed support for the revision of the Guidelines while sharing one technical remark on the wording in the paragraph on the MREL trigger. The EBA Director of PRSP responded to this remark by noting that there might be room to change the wording in the paragraph concerned.

69. The ECB representative expressed support for the work done and reminded the EBA that it would be critical to update the guidance on recovery planning.

70. Another Member asked the EBA to reconsider the text on the calibration of capital indicators in relation to the combined capital buffer requirement. The EBA Director of PRSP responded that she understood the point made, but that given the previous discussions on this issue, there was little room to reconsider the wording.

Conclusion

71. The EBA Chairperson concluded that there was a lot of support for the Consultation Paper on the revised Guidelines and that EBA could go ahead with publication.

Agenda item 12 ESG disclosures

72. The EBA Director of Banking Markets, Innovation and Consumers (BMIC) introduced the topic, explaining that there will be one discussion, and two decisions, one on the submission of the EBA's Opinion on the advice on disclosures under Article 8 of the taxonomy Regulation to the Commission, and the other on the publication for consultation of the draft ITS on Pillar 3 disclosures on ESG risk.

73. In its presentation the EBA Director of BMIC gave an overview of the different policy initiatives that had been launched on ESG disclosures at EU level, following the FSB-TCFD Recommendations. He explained the disclosures proposed in both packages, including a common definition of a green asset ratio, underlined the need for proportionality and presented several proposals to facilitate quantitative disclosures. He highlighted how the proposals have been developed seeking consistency with other initiatives, and in alignment with the TCFD recommendations.

74. Multiple Members expressed their full support to the work done, considering it meaningful and sensible and well calibrated. Among others the representative of the EC brought to memory that the work done would provide a vital contribution to the Commissions work in the field of sustainability.

75. One Member welcomed the recommendation to the Commission that information on energy performance of buildings should be made publicly available and asked if the EBA could further elaborate on this message in the Opinion.

76. Some Members, while supporting both packages, expressed concerns on the level of granularity of the ESG disclosures, including whether exposures to smaller financial corporates outside the NFRD should really be captured in the Green Asset Ratio, and underlined the need for a proportionate approach after consultation, and based on the

feedback received. In this context one Member stated that especially in this early stage, a less granular disclosure would seem appropriate.

77. One Member expressed concern on the data availability for disclosures on SME counterparties, which could result in inaccurate data, and highlighted the need for providing supporting measures for these disclosures. Finally, one Member noted the need to frontload every preparation or the topic, and highlighted the importance to consider under the green asset ratio certain lending exposures, in particular house renovation and car loans.[1].

Conclusion

78. The EBA Chairperson concluded that there was clear support for both the Opinion and the Consultation Paper and that EBA could proceed with the submission to the Commission of the Opinion, and the publication of both the Opinion and the Consultation Paper.

79. At the same time he understood the concerns some Members had on the level of granularity of the data templates and he underlined the need to properly address proportionality during the Consultation phase.

80. On the particular request to elaborate further in the Opinion on the recommendation to the Commission that information on energy performance of buildings should be made publicly available, it was agreed to underline this aspect in the letter to Mr Berrigan when submitting the Opinion.

Agenda item 13: Feasibility study on integrated reporting – Discussion Paper

81. The EBA Head of the Reporting, Loans Management and Transparency Unit (RLMT) presented to the Members the main aspects of the discussion paper on feasibility study on integrated reporting. She reminded the Members that CRR 2 mandates the EBA to prepare a feasibility report for the development of a consistent and integrated system for collecting statistical, resolution and prudential data, as well as to involve the relevant authorities in the preparation of the report. The Head of the RLMT unit presented the main outline of the Discussion Paper which covered the main building blocks of the mandate and an assessment of integration options through the reporting process chain. The Discussion Paper will launch interaction with external stakeholders while discussion with authorities will continue in parallel.

[1] As a follow up to the meeting, it is confirmed that indeed both house renovation loans and motor-vehicle loans are included in the definition of the green asset ratio.

82. There was overall support for the Discussion Paper although several Members expressed doubt on the complexity of the project and reminded the EBA that there still was a long way to go.

83. Several Members stressed the need for a single data dictionary to create a common understanding of the integrated data fields.

84. Other Members acknowledged the need for close coordination among the different authorities and asked EBA to keep them closely engaged and continue discussion on governance aspects.

85. Some Members noted that the section on the Data Dictionary was one of the key elements of the Discussion paper and asked for a more prominent place of this section in the Report, eg by means of addressing it in the Executive Summary. In the same context, another Member noted that the Discussion Paper was rather thick and that the readability could be improved by moving certain parts to the Annex.

86. Some Members asked the EBA to revisit the section on the Governance for the feasibility of the integrated reporting system, to clarify competent authorities' access to data at all times and without administrative hurdles.

87. Two other Members reminded the EBA that some jurisdictions already had taken steps to integrate their reporting framework and warned the EBA that this project should not disrupt the initiatives that were already launched.

88. Lastly, several Members stressed the importance of interoperability of reporting systems and that an integrated reporting system would not necessarily have to be built from scratch.

Conclusion

89. The EBA Chairperson concluded that there is support for publication of the discussion paper and for the project in general although he acknowledged that there still is a long way to go. The Chair sensed a strong willingness among the Members to be engaged in the following steps and that the EBA should reflect on the right format for this engagement.

90. The EBA Chairperson agreed on a round of written comments and gave Members until Tuesday March 2nd to provide any possible drafting suggestions.

Agenda item 14: AOB

91. The Chair thanked the Members for their participation in the meeting. No other business was discussed.

Participants of the Board of Supervisors' conference call

24/25 February 2021

Chairperson: Jose Manuel Campa

José Manuel	Campa	EBA	Europe
François-Louis	Michaud	EBA	Europe
Helmut	Ettl	FMA	Austria
Karin	Turner-Hrdlicka	Austrian National Bank	Austria
Jo	Swyngedouw	National Bank	Belgium
Radoslav	Milenkov	Bulgarian National Bank	Bulgaria
Stoyan	Manolov	Bulgarian National Bank	Bulgaria
Martina	Drvar	Croatian National Bank	Croatia
Constantinos	Trikoupis	Central Bank of Cyprus	Cyprus
Zuzana	Silberová	Czech National Bank	Czech Republic
Jesper	Berg	Danish FSA	Denmark
Thomas Worm	Andersen	Danish FSA	Denmark
Alberto	Ríos Blanco	Banco de Espana	Espana
Ángel	Estrada	Banco de Espana	Espana
Andres	Kurgpõld	Finantsinspektsioon	Estonia
Heather	Gibson	Bank of Greece	Greece
Anneli	Tuominen	Financial Supervisory Authority	Finland
Dominique	Laboureix	ACPR	France
Karlheinz	Walch	Deutsche Bundesbank	Germany
Peter	Lutz	BaFin - Federal Financial Supervisory Authority	Germany
Csaba	Kandrács	Magyar Nemzeti Bank	Hungary
Gergely	Gabler	Magyar Nemzeti Bank	Hungary
Elmar	Ásbjörnsson	Central Bank of Iceland	Iceland
Unnur	Gunnarsdóttir	Central Bank of Iceland	Iceland
Gerry	Cross	Central Bank of Ireland	Ireland
Andrea	Pilati	Bank of Italy	Italy
Santa	Purgaile	Financial and Capital Market Commission	Latvia
Ludmila	Vojevoda	Financial and Capital Market Commission	Latvia
Markus	Meier	FMA Liechtenstein	Liechtenstein
Marius	Jurgilas	Bank of Lithuania	Lithuania
Martine	Wagner	CSSF	Luxembourg
Christiane	Campill	CSSF	Luxembourg
Christian	Friedrich	Banque Centrale du Luxembourg	Luxembourg
Pierre-Paul	Gauci	MFSA	Malta
Morten	Baltzersen	Finanstilsynet	Norway
Kamil	Liberadzki	Komisja Nadzoru Finansowego	Poland

Ana Paula Serra	Serra	Banco de Portugal	Portugal
Adrian	Cosmescu	Romanian National Bank	Romania
Tatiana	Dubinová	Národná banka Slovenska	Slovakia
Damjana	Iglič	Banka Slovenije	Slovenia
Primož	Dolenc	Banka Slovenije	Slovenia
Karin	Lundberg	Finansinspektionen	Sweden
Maarten	Gelderman	De Nederlandsche Bank N.V.	The Netherlands
Sandra	Wesseling	De Nederlandsche Bank N.V.	The Netherlands
Nathalie	Berger	European Commission	Europe
Stefan	Walter	ECB	Europe
Frank	Buechel	EFTA Surveillance Authority	Europe
Tomas	Borovsky	ESMA	Europe
Francesco	Mazzaferro	ESRB	Europe
Sebastiano	Laviola	SRB	Europe
Kai	Kosik	EIOPA	Europe

EBA staff: Peter Mihalik; Piers Haben; Mario Quagliariello; Isabelle Vaillant; Philippe Allard; Lars Overby; Jonathan Overett Somnier; Slavka Eley; Francesco Mauro; Angel Monzon; Olli Castren; Dirk Haubrich; Tijmen Swank

For the Board of Supervisors

Done at Paris on 7 April 2021

[Signed]

José Manuel Campa

EBA Chairperson