



EBA MB 2016 054rev1

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EBA Staff

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01 June 2016

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Location: London

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## Management Board – Final Minutes

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

1. The Chairperson opened the meeting of the Management Board (MB). The MB approved the provisional agenda (document EBA MB 2016 032rev5) and the minutes of the meeting of 05 April 2016 (EBA MB 2016 036rev1).

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

2. The EBA Director of Operations presented the administrative and operational status report (document EBA MB 2016 035) providing an overview of the EBA activities since the latest MB meeting of 05 April 2016. He informed the MB of the state-of-play of the provisional 2017 budget, expected from the European Commission by end-June 2016. The Chairperson also referred to his latest discussions with the Commission services on possible alternatives to fund the EBA's training plan, as discussed at the meeting of 19 January 2016.

#### Conclusion

3. The MB took note of the administrative and operational status report.

### Agenda item 3.: Consolidated Annual Activity Report 2015

4. The EBA Director of Operations introduced, for approval of the MB, the 2015 EBA consolidated annual activity report (document EBA MB 2016 044). Further to MB's approval, the report would be submitted for approval of the Board of Supervisors (BoS) and then transmitted to the European Parliament, the Council, the Commission, the Court of Auditors and the European Economic and Social Committee no later than 15 June.

#### Conclusion

5. The MB approved the 2015 EBA consolidated annual activity report.
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## Agenda item 4.: EBA 2015 Annual Accounts

6. The Executive Director presented the EBA 2015 annual accounts (documents EBA MB 2016 037-038-039-040). He explained that the European Court of Auditors (ECA) hadn't yet issued its final Report on the reliability of the financial statement and Opinion on the legality and reliability of the transactions underlying the accounts. This delay was caused by the lengthy discussions held with the external auditors in particular on the lease of the EBA's offices and the landlord's contribution, on which the external auditors had finally issued an unqualified opinion.

### Conclusion

7. The MB approved the 2015 annual accounts and adopted the proposed Opinion. The ECA's Report and Opinion would be circulated to the MB as soon as submitted to the EBA.

## Agenda item 5.: Commission Decision on Types of Posts

8. The EBA Director of Operations explained a draft decision (document EBA MB 2016 030) whereby the EBA would not apply Commission's Decision C (2013) 8979 on the type of posts and post titles. He noted that the EBA used the types of posts set out in Annex I.A of the Staff Regulation, and that the posts of Chairperson and Executive Director were established in the EBA founding Regulation. He also explained that this non-application decision was a consistent approach among the ESAs.
9. The Commission representative noted that by virtue of Article 110 of the Staff Regulation all agencies should apply by analogy Commission Decisions and that exceptions to this principle were rare. Moreover, the non-application of Commission's Decision C (2013) 8979 could have unintended consequences in particular on the assimilation of the post of Executive Director to that of a Director General.

### Conclusion

10. The MB adopted the EBA's decision requesting the Commission non-application of Decision C (2013) 8979 on the type of posts and post titles.

## Agenda item 6.: Decision on EBA Nursery Contribution

11. The EBA Director of Operations tabled a decision (document EBA MB 2016 031) setting out the threshold per child for the EBA Contribution to nursery costs for the school year 2015/2016. This threshold had been set out by extrapolating the average nursery costs in London and in the South East of England.

### Conclusion

12. The MB adopted the decision on nursery contribution for the school year 2015/2016.

## Agenda item 7.: Decision on Reimbursement Policy

13.The EBA Director of Operations introduced a revised version of the EBA's decision on reimbursement of travel and subsistence expenses for external persons (document EBA MB 2016 034rev1). The policy was aligned among the ESAs.

### Conclusion

14.The MB adopted the decision on reimbursement policy.

## Agenda item 8.: Prioritisation of the EBA 2016 Work Programme and Preliminary Discussion on the EBA 2017 Work Programme

15.The Chairperson presented the draft 2017 Work Programme (document EBA MB 2016 042), based on the 2017 Single Programming Document approved by the MB on 19 January 2017, and explained that it would still be subject to changes following the Commission's proposed 2017 budget. He sought the views of the MB on its strategic areas, activities and tasks in view of the present and expected resource constraints. Further, the EBA Director of Regulation presented a new reprioritisation of the 2016 Work Programme (document EBA MB 2016 043) following the receipt of a large number of Commission's calls for advice (CfAs) with very tight deadlines.

16.The Commission representative explained that the CfAs aimed at enabling the Commission to carry out impact assessments and present the forthcoming legislative proposals: by end-2016 to transpose all developments at international level as finalised (LR, NSFR, TLAC, FRTB and possibly governance/remuneration and an appropriate follow-up to the Call for evidence on CRDIV/CRR); in 2017 a possible workstream on macroprudential framework including a review of the ESRB and treatment of macroprudential issues in the CRDIV; and finally, not before 2018, a possible proposal on all remaining issues not yet finalised by the BCBS. He asked the EBA to communicate to the Commission as soon as possible its expected deliverables and submission dates for 2016. With regard to the 2017 Work Programme, he requested an identification of full-time equivalents (FTEs) per activity and priorities. He informed of the Commission's plans on Fintech and invited the EBA to join its work. Finally he asked the EBA to devote more efforts to breach of EU law/enforcement and peer reviews. The Executive Director noted that peer reviews was a very resource-intensive task and that despite the current constraints, the EBA was doing its utmost to e.g. visit all competent authorities (CAs) in the context of the present peer review.

17.There was a request to reduce work on guidelines up for review in 2017; also, to start work on Fintech and to streamline the terminology in the IT/digitalisation field. A few members asked for the FTEs figures so they could provide feedback on priorities in 2017, but noted in any case that work on the single rule book, proportionality, adjustments to the balance sheet and consumer protection and payments should be main priorities in 2017.

18. The Chairperson concluded the discussion by noting that the final version of the Work Programme for approval of the MB and BoS would reflect on the Commission's proposed 2017 budget, namely its impact on the allocation of resources to the EBA and consequently on the EBA's expected deliverables.

## Conclusion

19. The EBA would resubmit to the MB by written procedure a version of the 2017 Work Programme including FTEs figures, associated costs and proposed reprioritisation for further comments and feedback.

## Agenda item 9.: Discussion on the MREL Interim Report

20. EBA staff presented the MREL interim report (document EBA MB 2016 046) based on an analysis of June 2015 data. It included some provisional recommendations for the Commission, to which the report would be submitted in October 2016, concerning: changes to the MREL denominator (to risk-weighted assets (RWAs) with a leverage ratio backstop); stacking order of capital buffers on top of the MREL; involvement of, and cooperation and coordination of CAs and resolution authorities (RAs) where breaches of MREL occur; calibration of the MREL; subordination requirements; and level of compliance with third country recognition requirements.

21. The Chairperson stressed that the language of the report should reflect the importance of identifying the liabilities that would be rolling over in the coming months and that should be replaced with eligible liabilities fulfilling the MREL requirements. He thus suggested that additional information on maturity distribution should be also included in order to assess the cost of compliance with MREL for banks. He then underlined the need to explore the interaction with NSFR to identify potential synergies between the two requirements.

22. Members commented the report and provisional recommendations. They opined that one of the principal goals should be to achieve simplicity of the MREL framework and consistency and comparability with the FSB's total loss-absorbing capacity (TLAC) requirements for global systemically important banks (G-Sibs), including the position of buffers on which a member noted that there was a difference between the MREL framework and the TLAC term sheet.

23. On the reaction to breaches of MREL, members viewed that it would be of utmost importance that both CAs and RAs cooperate effectively and that a policy on coordination would appear necessary, including the possibility that both CAs and RAs be entitled to act.

24. Members underlined that the report should bring clarity on the MREL subordination requirements considering its importance in a resolution process where the bail-in tool would be implemented. They stressed the need to take into account the differences between institutions in terms of business models and access to different forms of capital funding from the market.

25. Some members questioned the appropriateness of publishing the interim report given the sensibility of some of the data contained therein. In this respect, EBA staff noted that the report was intended for the Commission and hence it had to be published; but said that some of the data could still be revisited by the time of submission to the Commission.

### Conclusion

26. The MB took note of the report. It would be discussed by the EBA's Resolution Committee (ResCo) and the Board of Supervisors, as well as circulated to the Standing Committee on Regulation and Policy (SCRePol).

## Agenda item 10.: Discussion on EU Views in Light of the QIS on BCBS Reforms on Internal Models

27. The Chairperson invited the MB to share their views on the main issues regarding the review of internal models (IRB) at BCBS level, in particular the possible increase of capital requirements as well as the level of risk sensitivity of the reviewed framework. The EBA Director of Regulation explained further that the calibration of some of the elements of the BCBS proposal, in particular of the standardised approach (SA) to credit risk for specific asset classes, the threshold for IRB modellability of corporate exposures, the discussions on output floors, and the methodology to calculate the impact of the final reform package, were areas on which it would be desirable to have a common EU stance even before the publication of the QIS results.

28. Members shared their concerns on the issues presented. They considered that it was important to reach a common stance on the points raised by the EBA Director of Regulation in the run-up to the final BCBS negotiations, although they opined that it was rather difficult to form an opinion without QIS data backing it. Also, members added that it would be important to have a common stance on the Fundamental Review of the Trading Book (FRTB), as well as to discuss on the calibration of operational risk.

29. On the impact of the BCBS reforms on a possible increase of capital requirements, members noted that it was hard to agree on an aggregated level at which such increase could be defined as significant since such impact would be dependent on business models. Some noted that institutions with low risk assets could be particularly impacted by drastic changes on the SA to credit risk and limitations brought to the IRB methodology.

30. The Commission representative considered that the issues identified by the EBA were relevant. He commented on the way forward regarding changes to the EU regulatory framework in view of the current state of the QIS.

## Agenda item 11.: Reactivation of the EBA's Work on CRR Equivalence Assessment of Third Countries

31. A member asked the EBA whether it could consider resuming work on regulatory and supervisory equivalence assessment of third countries on which the Commission had requested the EBA's assistance. Her proposal was to leverage on the work already done in 2016 by the BCBS (RCAP exercise) regarding four jurisdictions (Russia, Argentina, South Korea and Indonesia) that would give a positive signal to third countries and would not be very time consuming; she offered to contribute with one FTE from her CA.
32. The Chairperson explained that work in this area, which was very broad and complex, had been put on hold due to the lack of resources with the necessary expertise. He called on CAs to contribute with stable resources of at least 3 seconded national experts (SNEs) to ensure that this work could be reactivated and conducted successfully on selected jurisdictions (on the basis of a prioritisation as agreed with the Commission); further, the network on equivalence should be reinstated and work remotely but with intense interaction with the EBA.
33. The Commission representative supported re-starting this work, not only in relation to new decisions but also to the need to update existing decisions as appropriate. He explained that the Commission had introduced in some areas a system of temporary validity of decisions on equivalence in view of the continuous changes to the regulatory framework as well as to the methodology applied to those assessments. On a question by a member, he opined that the previous system of unlimited grandfathering of national decisions on equivalence did not appear to be the most desirable option.

## Conclusion

34. The MB agreed that the EBA could restart this work on condition that sufficient resources would be made available to the EBA, and noted that the nature of this work justified a stable number of resources on an ongoing basis. It agreed to the EBA publishing a call for at least 3 SNEs to all CAs to contribute to conducting this work. In addition, the network on equivalence would be expected to support the EBA's work. The EBA would inform the MB of the outcome of this call for SNEs as well as of a prioritisation of third countries on which an equivalence assessment could be performed.

## Agenda item 12.: AoB

35. The Chairperson informed the MB of the state-of-play of the pending actions from the latest meeting on 05 April 2016. He informed the MB of his discussions with US authorities on developments at BCBS-level and on the signature of framework cooperation arrangements with US resolution authorities; and of his discussions with Chinese authorities and institutions. He finally updated the MB on the 2016 EU-wide stress tests and on supervisory convergence.

## END OF MEETING

Andrea Enria

Chairperson

## Participants at the Management Board meeting 01 June 2016

<b>Chairperson</b>	Andrea Enria
<b>Alternate Chairperson</b>	Pedro Duarte Neves

<b><u>Country</u></b>	<b><u>Member/Alternate</u></b>
Czech Republic	David Rozumek
France	Édouard Fernández-Bollo
Italy	Andrea Pilati
Poland	Andrzej Reich
Spain	Cristina Iglesias-Sarria
United Kingdom	Sasha Mills

<b><u>EU Institution</u></b>	<b><u>Representative</u></b>
European Commission	Dominique Thienpont

<b><u>EBA Staff</u></b>	
Executive Director	Adam Farkas
Director of Operations	Peter Mihalik
Director of Oversight	Piers Haben
Director of Regulation	Isabelle Vaillant

Slavka Eley; Spyridon Zarkos; Philippe Allard; Santiago Barón Escámez