



EBA BS 2011 137 Final
15 December 2011

EBA
Work Programme 2012

1. Introduction

In accordance with Regulation (EU) No 1093/2010 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 24 November 2010 establishing the European Banking Authority (EBA), the annual work programme describes and summarises the main objectives and deliverables of the EBA in the forthcoming year derived from the tasks specified in the Regulation and from the relevant EU banking sector legislation. Following a discussion of a draft version at the EBA Board of Supervisors in October 2011, it was discussed by the Banking Stakeholder Group, and then reviewed by the Management Board who proposed its adoption. Based on this proposal the Board of Supervisors adopted the 2012 work programme at its meeting held on 6-7 December 2011.

The year of 2012 will be only the second year of operation for the EBA as a fully-fledged EU Authority in the new European System of Financial Supervision (ESFS). Therefore, a strong emphasis still needs to be laid on the overall development and strengthening of the EBA's institutional capabilities. In addition, there are significant new legislative proposals in European banking regulation on the EU's agenda, some of which have already been published but not yet adopted, and some are expected to be published in the near future, but all having a major impact on the amount and priorities of specific tasks of the EBA in 2012 and thereafter. Continued tensions in financial markets, and their adverse effects on the European banking system create an additional burden on the EBA as it accelerates the build-up of an appropriate risk assessment framework and increases the profile of the EBA in coordinating EU-wide supervisory action.

The combination of these factors further underlines the need for the a stronger role of the EBA and other European institutions in banking regulation and harmonising supervision, but on the other hand provides major challenges to the EBA in fulfilling its overall mandate within a short timeframe since its establishment.

The work programme identifies four areas of EBA's activities and aims to define the main objectives and corresponding priorities for 2012. The first three areas, **Regulation**, **Oversight**, and **Consumer Protection** are representing the core functions of the EBA that are laid down in the EBA regulation. For these, a detailed list of tasks including a breakdown of deliverables is also provided. In order to enhance the internal and external policy coordination between the core functions of the EBA and

external stakeholders, as well as to assess the impact of the EBA's policy proposals, a separate organisational unit has been established.

The support functions summarised as **Operations** are playing a critical role in ensuring that the EBA can perform its core functions, and thus, their main working objectives are also summarised.

A detailed list of the EBA's tasks is presented in the Annex with attached priorities. Generally, priority 2 tasks will only be accomplished in as far these do not constrain the priority 1 tasks. Due to the high number of priority 1 tasks in 2012, significant increase in human resources is needed to allow the EBA to fully address priority 2 tasks. Priority 3 tasks will most probably not be accomplished in 2012. Please note that some of the items attributed to EC's legislative proposals might change given these proposals are currently under discussion.

2. Regulatory work

The main objective of the EBA in the regulatory policy area is **to play a leading role in the creation of the single rule book for the EU banking system**. The main focus of the EBA's regulatory work in the coming years will be in two major areas in line with the EU legislative agenda. Tasks that are outside of these three areas have also been identified and listed in detail in the Annex.

- 2.1.** Firstly, and most importantly the recent financial crisis has shown deficiencies in the prudential rules regulating banks which have resulted in adverse consequences to the financial soundness of individual institutions and to the international financial system. An agreement has been reached at global level to repair the regulatory shortcomings leading to the recent new set of prudential rules under the umbrella of the Basel III agreement. The EU is committed to introducing this new prudential framework throughout the Single Market, and has recently published legislative proposals that aim to fully implement Basel III in the EU. The EBA is to play a crucial role in the technical implementation and application of this new set of regulatory rules, and will therefore focus its work in this context on accomplishing the drafting of **binding technical standards under the new CRDIV/CRR framework**. The legislative proposals are expected to be adopted in mid-2012 only, and thus the ambitious timeline for implementation poses the biggest challenge for the EBA's organisation.

On the expected CRDIV related tasks, a detailed analysis has been carried out on the EBA's role. Based upon the current legislative proposal, about 200 deliverables will be expected from the EBA. The majority of these products relate to the development of more detailed technical rules mostly via the development of binding regulatory or implementing technical standards. Other types of deliverables include reports, mandatory consultations, mediation activities, or the receipt of notifications. A summary is shown in the table below, and a detailed breakdown in the Annex.

TYPE OF TASK	EBA
Regulatory Technical Standards	76
Implementing Technical Standards	32
Guidelines	20
Report/Guidelines	1
Report	9
Consultation	17
Publication	5
Monitor	1
Participation	1
Mediation	8
Notification	29
Total	199

In addition to the high number of deliverables in relation to the CRDIV proposals, the timing of these products is very concentrated as the implementation schedule needs to remain consistent. Most products are expected to be finalised by 2013-2014, thus, the concentration of the EBA's regulatory work will be very high in the course of 2012.

The sheer number of tasks as well as the concentration in their timing underlines the importance of prioritisation. Based upon the capacity available at both the EBA and at the national authorities, it is expected that not all activities can be undertaken as currently proposed without additional human resources at the EBA. Given the need for a strict prioritisation, the following policy areas have been identified where the EBA can provide the highest added value via extended technical rule making:

Capital and capital buffers: better quality capital is one of the key characteristics of the new capital framework. The EBA is tasked to develop a number of technical standards in this area. Given its importance, these have top-priority.

Liquidity: the crisis has shown how important it is for banks to have sufficient liquidity available, both for the short and longer term. The basic framework in the form of a Liquidity Coverage Ratio and a Net Stable Funding Ratio has been agreed upon globally, but definitions and impacts need to be studied further and agreed upon, in order to be undertaken by the EBA.

Remuneration: the crisis has shown the adverse personal incentives could lead to risk prone behaviour. Therefore, specific rules on remuneration have been established. In 2011, the EBA agreed on the data to be collected, as input for the design of the technical standards that it will develop in 2012-2013.

Leverage ratio: over time, a leverage ratio is expected to be added to the prudential framework for banks and investment firms in Europe. The specific modalities still need to be agreed upon. For this, adequate EU-wide data-collection has to be organised. This activity will commence in 2012, with deliverables expected in 2014-2015.

- 2.2.** Secondly, the crisis has shown a need for more advanced and coordinated **crisis prevention and crisis resolution arrangements** and tools, so as to be able to detect a crisis event earlier, intervene more adequately and resolve troubled financial institutions more efficiently. The EBA is expected to play a role in this regard, both in setting further technical standards but also in coordinating and where applicable actively participating in the management of cross border crisis events. The legislative proposals from the EU Commission are expected soon, with high priority tasks to be undertaken by the EBA. The EBA has put a placeholder in its work program for these expected tasks, as it foresees the need to undertake in 2012 and beyond significant regulatory work in building the applicable framework. Detailed tasks are expected to be identified as soon as the legislative proposal is published.

3. Oversight work

The main objectives of the EBA's regulatory oversight activities in 2012 will be to (i) deliver **independent and high quality analysis of EU banks and the EU banking sector** in a way that adds value to the work of National Supervisory Authorities, the ESRB and EU policy making bodies, and leads to concerted policy responses, and to (ii) **promote supervisory convergence** and assist National Supervisory Authorities **to ensure that colleges are run consistently and efficiently** with substantive discussions leading to material decisions being taken which strengthen the resilience of EU cross border banks and prepare them better for crises.

- 3.1.** In the area of **risk assessment**, in addition to the regular work on monitoring and assessing risks and vulnerabilities from a micro-prudential perspective, the EBA will follow up its recommendations post

the 2011 EU-wide stress tests and will analyse their implementation, and on its recommendation on banks' recapitalisation (December 2011).

Further regular products will include semi-annual banking sector reports to the Board of Supervisors, to the Economic and Finance Committee (EFC) - Financial Stability Table (FST), and to the ESRB with quarterly updates. A new product in 2012 will be a risk assessment report prepared for the European Parliament. In addition, cross sectoral risk reports will continue to be prepared in collaboration with the Joint Committee, and will be sent to the EFC-FST. Thematic reviews generally are incorporated into risk assessments and specific subjects which will be pursued by EBA staff in 2012 include: (i) the extent of loan modification and restructuring and (ii) Risk Weighted Assets consistency in the EU. Funding structures will also be assessed, particularly the risk of overreliance on covered bonds, through an ESRB work stream.

The EBA will continue its work on key risk indicators and the development of its risk dashboard – the suite of dashboards which would include an EBA internal bank level dashboard, a peer group dashboard to be shared with supervisory colleges/NSAs and a sectoral dashboard for ERSB discussions. Development and maintenance of these dashboards will be a key priority in 2012. Data management improvements will also help to fulfil tasks such as liquidity monitoring.

According to its Regulation, the EBA is expected to perform another EU-wide stress test of the banking sector in 2012, the planning of which has already started and will be reviewed in the context of the ongoing recapitalisation exercise.

3.2. In the area of **reporting and transparency** a key task with the highest priority for the EBA is the drafting of a binding technical standard on reporting for COREP and FINREP which have to be implemented in 2013. This work stream will also involve the IT experts of the operations area as the new European standards will require appropriate IT solutions.

3.3. In order to improve the consistency of **home-host cooperation in supervisory colleges**, a strategic priority in 2012 will be the strengthening of European supervisory colleges of cross-border banking groups, with EBA staff participation, support and monitoring. Higher quality, more detailed feedback and advice on the functioning of colleges will be focused on the priority 44 banking groups. A significant improvement is envisaged in the IT collaboration tool used in conjunction for establishing best practice of information sharing in colleges.

The EBA is planning to establish the procedures for its role in binding mediation as well as building up a small capacity for eventual crisis

management. The extent and nature of EBA's crisis management capacity will depend on the upcoming legislative proposals on the European crisis management framework.

4. Consumer Protection work

The EBA has an EU-wide responsibility for promoting **transparency, simplicity and fairness in the market for consumer financial products.**

- 4.1. The EBA recently created an independent organisational unit for consumer protection, and is expected to establish its strategy and priorities in this field as soon as the required resources are available through staff recruitment. The Banking Stakeholder Group, now established, and consumer organisations, will be the most important providers of input into the EBA's efforts in the Consumer Protection area.
- 4.2. The main tasks of the EBA's Consumer Protection work will be the collection, analysis and reporting on consumer trends; the review and coordination process of financial literacy and education initiatives by the competent authorities; the development of training standards and common disclosure rules for the industry; monitoring of new and existing financial activities and where appropriate prepare guidelines and recommendations with a view to promoting the safety and soundness of markets and convergence of regulatory practice.

5. Policy Analysis and Coordination

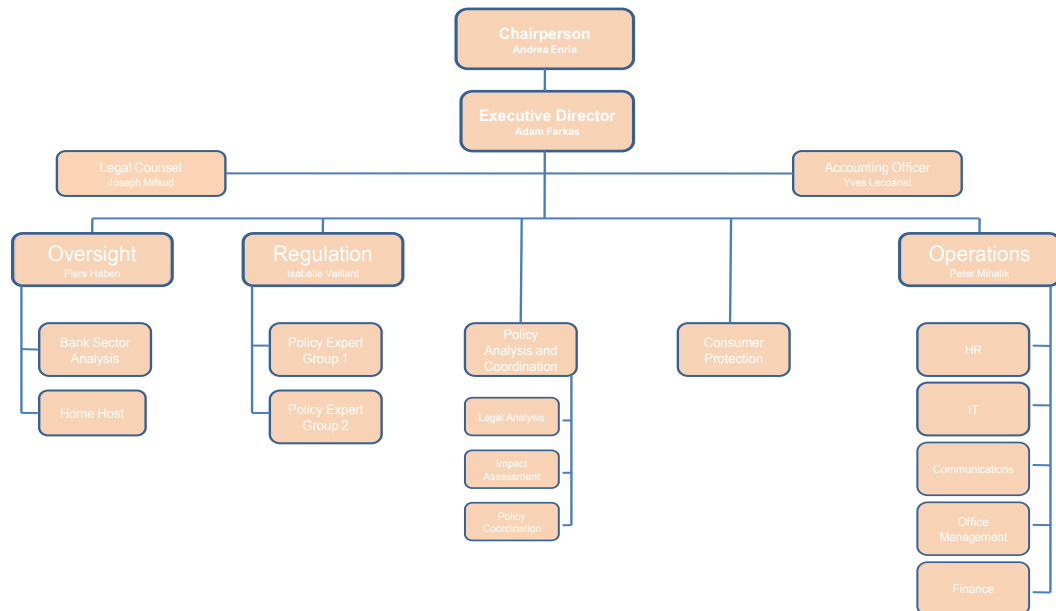
- 5.1. The main objectives of the EBA's Policy Analysis and Coordination Unit will be to provide the legal analysis of the policy and supervisory documents prepared by the regulation and the oversight clusters (technical standards, guidelines, supervisory recommendations, dispute resolution, peer review etc), the impact assessment of the same documents/actions when needed, and the internal and external coordination of the EBA's policy and supervisory work when needed between clusters/units and with external bodies and institutions. This includes the coordination of the EBA's supervisory training activities offered to NSAs.

6. Operations and institutional capabilities

The overall objective of the institutional development of the EBA in 2012 will be the completion and further **enhancement of the internal control environment in a period of intensive build-up and growth** of the recently established EU institution. Internal controls will be improved on the basis of a continuous self-assessment against targets and a timeline, as well as of the findings of the first audit from the Court of Auditors in 2011. Full implementation and standard operation of the **EU Internal Control Standards** has to be completed in 2012.

- 6.1. The EBA has adopted and implemented the most important EU **HR regulations and procedures** and continues to operate under the general EU HR rules. In light of the expanding workload arising from the EBA's core functions, recruitment and integration of new staff will continue to be a key priority in 2012.

A new organisational structure providing a better reflection of the strategic objectives and specific tasks of the EBA was adopted as of 1 October, 2011. The new structure is also well placed to absorb the new staff resources that are required. Detailed staffing plans for 2012 will be finalised as soon as the 2012 annual budget of the EBA is approved. Due to the significantly higher than expected workload resulting from the tasks related to the CRDIV proposals, additional human resources have been requested compared to the establishment plan of the organisation, the approval of which is still pending.



EUROPEAN BANKING AUTHORITY
Organisational structure effective from
1 October 2011

Significant new technical skills will need to be built up in the organisation in 2012 such as impact assessment capabilities and legal drafting. There will also be a demand for broadening and deepening the technical knowledge and experience of EBA's experts. Therefore, in addition to the careful recruitment of new staff, a **staff training program** is to be developed in 2012.

- 6.2. The EBA is in the process of procuring advisory services to assist in finding the most appropriate **medium-term solution for its office needs**. A specific challenge in the office project is the optimisation between the flexibility required by a growing organisation and the cost effectiveness of the chosen office solution. The successful conclusion of the project is expected in 2012.
- 6.3. A key operational priority for 2012 will be the **review of the EBA's medium and long term IT strategy** in line with the expanding IT requirements that are defined by the widened scope and depth of the EBA's core functional tasks. Based on the review, a new IT strategy is to be adopted.
- 6.4. The most critical financial procedures and the system infrastructures have been established in the **Finance area** of the EBA. Key priorities for 2012 are the adoption and implementation of the **remaining detailed financial procedures and internal rules**, the introduction of **process Service Level Agreements** in financial processes which could measure the efficiency of these processes, and the **introduction of a financial**

controlling system that provides regular management information as well as reports to the governing bodies on the financial position of the EBA.