

EBA BS 2020 284 rev. 1

Board of Supervisors

21 April 2020/17:00 – 19:00

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 BoS Members declared any conflict of interest.

Conclusion

3. The BoS approved the agenda of the meeting.

Agenda item 2: Market risk issues in light of Covid-19

4. The Chairperson introduced the item by informing the BoS that in the current context of the COVID19 pandemic, industry associations have requested EBA to consider measures to mitigate elements of procyclicality in the framework in the field of market risk/counterparty credit risk. The associations raised issues related to increase in prudent valuation AVAs, postponement of FRTB-SA reporting originally envisaged for Q1 2021, postponement of final two implementation phases of margin requirements, increase in the Value-at-Risk risk metrics and multiplication factors and flexibility to use SA-CCR in Leverage Ratio instead of CEM.
 5. The EBA Head of Risk-based Metrics Unit (RBM) continued by presenting EBA's proposal addressing the issues raised by the industry. On prudent valuation, he presented a proposal of amending RTS aimed at mitigating the increase in aggregated AVA amounts, expected as a result of the COVID-19 pandemic, through the use of an aggregation factor increased from 50% to 66% until 31 December 2020. With regard to the postponement of FRTB-SA reporting, he informed that the EBA was currently finalising the draft ITS specifying the FRTB-SA reporting templates and was proposing to start the FRTB-SA reporting only in Q3 2021 with first reference date to be set on 30 September 2021. On the postponement of the final two implementation phases of margin requirements for non-centrally cleared derivatives, the
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Head of RBM mentioned that in line with international agreements and together with the other ESAs, the EBA was planning to update the RTS to postpone the requirement to require initial margins for counterparties above 50 bn € (phase V - due to start Sept 2020) and for counterparties above 8bn € (phase VI – due to start Sept 2021) by one year. With regard to the flexibility to use SA-CCR in Leverage Ratio instead of CEM, the Head of RBM explained that the leverage ratio was not Pillar 1 yet and therefore, the discussion was one that primarily took place within Pillar 2. Finally, on the increase in the Value-at-Risk risk metrics and multiplication factors, he referred to a draft statement on market risk in which the EBA was recalling the flexibility existing under the current CRR framework and stating that, in light of the current circumstances, the review of SVaR observation period should not constitute a supervisory priority at the moment.

6. The EC representative supported the publication of the statement on market risk and informed that they would send some drafting suggestions after the conference call. On the amending RTS on prudent valuation, she supported the EBA's proposal and informed that the EC was aiming at having the amending RTS adopted by the end of June 2020.
7. One Member pointed out that the end of the implementation date (end of 2020) should be aligned in the statement and the RTS and suggested to add a reference to the simplified approach. Another Member requested clarification on how backstops would work in practice. The Head of RBM explained that the background section of the amending RTS was encouraging Competent Authorities (CAs) to monitor AVAs amounts pre- and post-diversification available under COREP during the time of application of the 66% factor, including by setting backstops, and that the EBA was also planning to monitor this issue. Another Member supported the proposal not to communicate on additional flexibility related to the leverage ratio calculation, as this would not be in line with the CRR and also given that this issue was especially relevant in the member's jurisdiction.
8. The BoS supported the publication of the statement and approved by consensus the submission of the amending RTS on prudent valuation.
9. The Chairperson concluded by asking the BoS to send their written comments on the statement on market risk by noon on 22 April 2020.

Conclusion

10. The BoS agreed with the publication of the statement on market risk and supported the submission of the amending RTS on prudent valuation to the EC.

Agenda item 3: Supervisory assessment in light of Covid-19: SREP, Recovery, ICT and securitisation

11. The Chairperson reminded the BoS of the recent published statements and indicated that there were further issues that the EBA had to address in regards to the impact of COVID-19 in the supervisory agenda.
12. The EBA Head of Supervisory Review, Recovery and Resolution Unit (SRRR) and the EBA Head of Banking Markets, Innovation and Products Unit (BMIP) presented how principles of effectiveness, flexibility and pragmatism would guide supervisory approaches in relation to the Supervisory review and Evaluation Process (SREP), Recovery Planning, Digital Operational resilience and the application of the Guidelines on payment moratoria to securitisations. They mentioned that these principles were further elaborated in a statement on additional supervisory measures in the Covid1-19 pandemic.
13. With regard to SREP, the EC representative supported the flexibility and agreed that would not be possible to fully apply the SREP GLs as they were in 2020 due to the current circumstances and that the focus of SREP should be on risks that are most impacted by the Covid-19 crisis. Some Members were of the view that the statement should not create expectations of any future work if such work has not been identified yet. Other Members, instead, supported a general reference to possible future work, where it was deemed necessary. One Member criticised the specific reference to the risks stemming from the measures adopted in support of the economy.
14. On the recovery planning, one Member mentioned that it should be made clear in the statement that competent authorities (CAs) should communicate the extent of operational relief measures provided to institutions.
15. In relation to ICT, one Member pointed out that the application of the EBA Guidelines on ICT and security risk management should be as of 30 June 2020 but the statement was already referring to these Guidelines. He suggested to stress several key areas of operational resilience but not to make a direct link with the Guidelines. Other Member questioned whether by prioritizing some parts of the Guidelines, other parts were or should be delayed. One Member stressed the importance of these Guidelines and highlighted that no delays in application should be introduced.
16. On securitisation, Members were very supportive of the proposed draft. One Member made a number of minor drafting suggestions on the implicit support part, namely to more closely align the wording of the statement with the EBA Guidelines on implicit support and, thus, ensure consistency and prevent an overly extensive interpretation of the statement.
17. The BoS supported the publication of the statement.
18. The Chairperson concluded by asking the BoS to send their written comments by 22 April noon. On the possible future EBA work on SREP 2020, the Chairperson concluded that the right way to capture it would be by referring in the statement to an EBA commitment to engage with the CAs to clarify if and when necessary the applicable framework.

Conclusion

19. The BoS agreed with the publication of the statement on additional supervisory measures in the Covid-19 pandemic.

Agenda item 4: Guidelines in the use of moratoria: Further clarifications

20. The Chairperson reminded the BoS of the recent publication of the Guidelines on legislative and non-legislative moratoria on loan repayments applied in the light of the COVID-19 crisis.
21. The EBA Director of Prudential Regulation and Supervisory Policy Department (PRSP) continued by mentioning that the translations of the Guidelines have been published and that three Member States have already indicated their compliance with the Guidelines. She clarified that CAs should submit their compliance notifications at the latest by 3 June 2020, but were encouraged to do so as soon as possible. She also mentioned that the EBA has been finalising a template according to Article 18 of the Guidelines in order to monitor the implementation of the moratoria. She stressed the minimum harmonisation principle and referred to a large number of requests for interpretation of certain provisions submitted to the EBA. In this regard, the Director of PRSP presented two potential approaches how to provide necessary clarity.
22. With regard to the presented approaches, several Members stressed the significance of the moratoria and pointed out at the requirements set out in the Guidelines which should be observed by the CA. They mentioned that any additional criteria/clarifications might have negative impacts on the existing moratoria and might cause uncertainty rather than clarity. For these reasons, some Members did not support a formal Q&A process.
23. The ECB Banking Supervision representative stressed the need to focus on the most relevant questions and that sufficient time should be considered for any Q&A process. He also noted that for each question, a draft answer should be provided.
24. Several Members supported transparent procedures that would provide clear interpretation but pointed out that the focus should be on the relevant and important issues.
25. One Member requested clarification from the EC on the compliance of moratoria with the EU competition rules.
26. Several Members were of the view that practicality and flexibility should be considered with regard to any further clarification of the Guidelines, in particular as their application was time-limited. Some Members also mentioned that flexibility should be considered for the CAs in the application of the Guidelines. One Member was, however of the view, that convergence was crucial and that the publication of the Q&As was a needed complement to the Guidelines.

27. The EC representative stressed a need to find a balanced approach and noted that the Q&As could be helpful but should not undermine the Guidelines. Therefore, she was of the view that only relevant Q&As should be published and supported a strong process with a formal involvement of the EBA internal working structures. With regard to the competition rules, the EC representative said that the Member State had to decide what type of moratoria they would accept and ensure that these were in compliance with competition laws. She concluded by saying that the network dealing with competition rules would be discussing the issue with the CAs.
28. One Member said that the EBA and the CAs should not be too ambitious regarding the level of harmonisation because the Guidelines and the moratoria were complex. While she supported a more informal approach, she was also of the view that the Q&As should be published. Other Member stressed a pragmatic approach, transparency and legal certainty while staying flexible and not including additional criteria that could undermine the Guidelines. He agreed to involve the EBA internal working structures but suggested to retain also a possibility to discuss the Q&As by the BoS in a conference call and not in a written procedure.
29. The Chairperson concluded by highlighting the principles of prioritisation, flexibility and relevance that should be considered and said that the EBA internal working structure should discuss how to communicate and respond to received requests for clarification.

Agenda item 5: AOB

30. The Chairperson informed the BoS that the planned April BoS meeting would be in a form of a Webex teleconference and that the EBA staff was planning to organise a test meeting in order to avoid any technical issues.

Participants of the Board of Supervisors' conference call

21 April 2020

Chairperson: Jose Manuel Campa

<u>Country</u>	<u>Voting Member/High-Level Alternate¹</u>	<u>National/Central Bank</u>
1. Austria	Michael Hysek	Karin Turner-Hrdlicka
2. Belgium	Jo Swyngedouw	
3. Bulgaria	Stoyan Manolov	
4. Croatia	Martina Drvar/Sanja Turkovic Petrinic	
5. Cyprus	Stelios Georgakis	
6. Czech Republic	Zuzana Silberová/Marcela Gronychová	
7. Denmark	Jesper Berg/Thomas W. Andersen	Peter E. Storgaard
8. Estonia	Andres Kurgpold	Timo Kosenko
9. Finland	Anneli Tuominen/Jyri Helenius	Katja Taipalus
10. France	Dominique Laboureix	
11. Germany	Raimund Roeseler	Erich Loeper
12. Greece	Spyridoula Papagiannidou	
13. Hungary	Csaba Kandracs	
14. Ireland	Gerry Cross	
15. Italy	Andrea Pilati	
16. Latvia	Santa Purgaile/Ludmila Vojevoda	Vita Pilsuma
17. Lithuania	Marius Jurgilas/Jekaterina Govina	
18. Luxembourg	Christiane Campill/Martine Wagner	Christian Friedrich
19. Malta	Pierre Paul Gauci	Oliver Bonello
20. Netherlands	Maarten Gelderman/Sandra Wesseling	
21. Poland	Kamil Liberadzki	
22. Portugal	Ana Paula Serra	
23. Romania		
24. Slovakia	Tatiana Dubinova	
25. Slovenia	Primoz Dolenc/Damjana Iglic	
26. Spain	Angel Estrada/Alberto Rios	
27. Sweden	Karin Lundberg	Camilla Ferenius

Ingeborg Stuhlbacher (FMA); Jose Rosas (Banco de Portugal); Phil Evans, Nigel Fray (Bank of England); Ada Ziemytie (SRB); Malte Jahning (ECB); Cecilia Lozano (Bank of Spain)

<u>Country</u>	<u>Member</u>	<u>Representative NCB</u>
1. Iceland	Finnur Sveinbjörnsson	
2. Liechtenstein	Markus Meier	
3. Norway	Morten Baltzersen	Sindre Weme

<u>Observer</u>	<u>Representative</u>
1. SRB	Sebastiano Laviola

<u>Other Non-voting Members</u>	<u>Representative</u>
1. ECB/SSM	Carmelo Salleo, Korbinian Ibel
2. European Commission	Nathalie Berger
3. EIOPA	Petr Jakubik
4. ESMA	Tomas Borovsky
5. EFTA Surveillance Authority	Marco Uccelli
6. ESRB	Tuomas Peltonen

EBA Staff

Acting Executive Director, Director of Operations	Peter Mihalik
Director of Banking Markets, Innovations and Consumers	Piers Haben
Director of Economic Analysis and Statistics	Mario Quagliariello
Director of Prudential Regulation and Supervisory Policy Department	Isabelle Vaillant

Philippe Allard; Lars Overby; Jonathan Overett Somnier; Slavka Eley; Francesco Mauro

Tea Eger; Dorota Siwek; Stephanie Boivin; Carlos Echave-Aboy

For the Board of Supervisors

Done at Paris on 19 May 2020

[signed]

José Manuel Campa

EBA Chairperson