

EBA BS 2025 440 rev. 1

Board of Supervisors

25 June 2025

Location: EBA premises

Board of Supervisors

Minutes of the meeting on 25 June 2025

Agenda item 1: Welcome and approval of the agenda

1. The Chairperson welcomed all Members of the BoS. He reminded them of the conflict-of-interest policy requirements and asked them whether any of them considered themselves as being in a conflict. No Member declared a conflict of interest.
2. The Chairperson welcomed Ms Julita Varanauskienė as a new Voting Member representing Lithuania, Mr Nikolas Speer as a new Voting Member representing BaFin; Mr Markus Schwaiger as a new representative of the Austrian National Bank; and Mr Norbert Izer as a new Alternate representing Hungary.
3. The Chairperson asked the BoS whether there were any comments on the draft agenda. There were no comments on the agenda.
4. Finally, the Chairperson informed the BoS that the Minutes of the BoS conference call on 25 March 2025 were approved by the BoS in written procedure.

Conclusion

5. The BoS approved the agenda of the meeting by consensus.

Agenda item 2: Update from the EBA Chairperson, the Vice-Chair and the Executive Director

6. The Chairperson updated the Members on four items.
7. Firstly, the Chairperson informed the Members that in April 2025, the EBA received a Call for Advice (CfA) from the European Commission (EC) for the purposes of updating the benchmarks of national loan enforcement frameworks (including insolvency frameworks) from a bank creditor perspective. In this regard, he reminded the BoS that in 2020, the EBA published the first Report on benchmarking of national loan

enforcement and insolvency proceedings by providing EU benchmarks and Member States (MS) benchmarks on recovery rates, time to recovery, and judicial costs. The report also identified important best practices that could serve as elements to a new common EU insolvency regime. Unlike the 2020 report, which benefited from dedicated loan level data collection, the present analysis that the EBA has been conducting, was based on data extracted from the AnaCredit, complemented with dedicated data collection, for euro area countries. For non-euro area countries, an ad-hoc data collection was conducted. The usage of AnaCredit for this exercise – a first such exercise carried out by a non-Eurosystem institution – considerably reduced the reporting burden to banks and was an important milestone in the sharing of confidential statistical information across EU institutions. The Chairperson noted that the EBA would submit an interim report to the EC in July 2025, with preliminary analysis and was planning to deliver its Final Report by 31 October 2025, which would include detailed statistical and econometric analysis and updates of the best practices. The EBA Interim Report was not intended for publication and provided only preliminary benchmarks.

8. Secondly, the Chairperson mentioned that on 12 June 2025, the EC adopted a Delegated Act that foresaw postponing the application of the FRTB to 1 January 2027. The Delegated Act was currently under scrutiny by the European Parliament and the Council. Last year, in response to the first EC Delegated Act postponing the FRTB, the EBA published a No Action Letter on the boundary, as well as a communication on technical aspects of the postponement. The Chairperson stressed that both inputs remained valid under the second delegated act and that the EBA was planning to issue a news item to communicate this to the stakeholders.
9. Thirdly, the Chairperson reminded the Members that the 2025 EBA Strategy Day was scheduled to take place in Portoroz, Slovenia on 10 and 11 July 2025. The EBA staff have been liaising with Slovenian colleagues regarding the preparation, and he thanked the Bank of Slovenia and the Slovenian BoS Member for hosting the event. In the coming days, the registered participants would receive the agenda and background documents which would focus on the topic of efficiency and simplification.
10. Finally, the Chairperson informed the Members that over the summer period, the EBA was planning to liaise with all BoS coordinators with an aim of updating the list of BoS coordinators. The list would be published on the Extranet to support efficient exchange of information between the coordinators. Furthermore, as previously on the Extranet, the EBA would also publish the list of contact details of the BoS members and their alternates in a restricted section of the Extranet.
11. The EBA Vice-Chair, as chairperson of the Task Force on the efficiency of the regulatory and supervisory framework (Task Force on efficiency) updated the Members on the activities of the Task Force, the four building blocks in which they were working, and that, with the exception of the methodology for prioritising regulatory products, the rest of the issues will be discussed at the BoS Strategy Day.

12. The Executive Director updated on the outcome of the written procedure on the 2024 Annual Accounts and said that it was approved by the BoS. He highlighted that the European Court of Auditors did not raise any negative feedback on the accounts.
13. Secondly, the Executive Director informed about the EC's Internal Audit Service audit on EBA's IT governance and said that the auditors had found the setup adequate (they did not identify any critical or very important findings).
14. Thirdly, the Executive Director mentioned that he attended the 3rd meeting of AMLA's General Board where he presented an update on the advancement of the EBA's risks assessment related to the designation of subjects for AMLA's direct supervision. He said that the EBA was planning to finalise the agreed plausibility checks testing and deliver the methodology in October.
15. Finally, the Executive Director updated the Members on the progress of the MiCAR reporting platform. The web portal for use by issuers was delivered on time, as previously communicated. It has already been used to collect data of the first quarter of 2025. This data was currently under review by relevant supervisors and should be disseminated shortly to host CAs. The next milestone planned for 31 July 2025 was the delivery of automated dashboards for CAs in the dissemination portal (EDAP).
16. The EC representative informed about the adoption of the second delegated act on FRTB and the subsequent procedure with the European Parliament and Council. He announced that the final text on the NSFR would be published in the Official Journal in the coming days. Finally, he referred to the published proposal on securitisation.
17. The Members did not raise any comments.

Agenda item 3: Risks and vulnerabilities in the EU

18. The Chairperson introduced the item by explaining that the tabled presentation went beyond the common approach in the risk presentation because it reflected the current geopolitical risks and developments and covered also dependencies in different areas as well as emergency measures that countries had in place in the banking and related sectors.
19. The Director of the EBA Economic and Risk Analysis Department (ERA) updated the BoS on the latest developments in the EU related to risks and vulnerabilities. He began by noting that there were no major deteriorations of financial markets which have rather recovered since the April lows with EU/EEA banks performing comparatively well. EU/EEA sovereign yields have contracted, whereas UST yields have remained elevated. Discussion about Eurobonds has gained traction again to create a real alternative to US Treasury markets with reasonable market liquidity. The Director of ERA mentioned that there was no indication of major impact from geopolitical developments on EU/EEA banks' Q1 results. Payouts (dividend + share buybacks) have

risen in parallel to banks' profits, with relatively stable payout ratios, and were assumed to further increase this year. The profit distribution created market expectations which contributed to the banks' stock prices rally. Simultaneously, Significant Risk Transfer (SRT) transactions have been increasingly used. The Director of ERA highlighted that SRT usage should primarily be a means to increase new lending. He noted that on secondary markets, spreads have declined from their April heights. Primary funding market activity has picked up and EU/EEA banks issued higher volumes than in the first months of this year. However, year-to-date debt issuances for several asset classes were still below last years' volumes. He then focused on the impact from tariffs on banks' exposure composition and said that new tariffs were expected to adversely affect primarily those sectors, which exhibited a substantial direct or indirect link to export flows to the US. The impact on individual banks would depend on how their' exposures were affected (i.e. directly or indirectly tariff-affected clients). He explained that EU/EEA banks have used overlays as a means to address geopolitical risks and macroeconomic uncertainty: 90% use overlays, of which around 40% use them to address geopolitical risks. He also mentioned that direct exposures to the US held by EU banks equal roughly EUR 1,4 tn. EU/EEA banks were holding approx. EUR 300bn in USTs, which made about 10% of their total bond portfolio. The Director of ERA continued by focusing on dependencies and mentioned that EU/EEA banks and financial market more broadly were dependent on non-EU/EEA suppliers and other service providers in several areas. Those include for instance dependency in the areas of information and communication technology (ICT) incl. cloud and software services / also crypto market link; (card) payment systems; EU/EEA banks' funding in foreign currency; and products and services – incl. derivatives – provided to EU/EEA customers by foreign banks. There were also dependencies in the areas of financial market infrastructure, such as CCPs. The Iberian blackout episode highlighted another kind of dependency, showing e.g. that banks need to be prepared to remain operationally functional (with reserve fuel, reserve power, solutions for staff, etc.). He summarised dependencies for each of the mentioned areas and said that with regard to ICT related dependencies, increasing digitalisation of financial services over the past decades has allowed institutions to become more efficient in the provision of their services. However, it has also increased exposure to ICT and cyber risks, which were often of global nature. The reliance on suppliers and service providers located outside the EU/EEA was a rising risk amid the increased geopolitical tensions. In relation to card payments, the Director of ERA acknowledged heavy reliance on non-EU/EEA providers but also said that more recent initiatives like Open Banking under PSD2, the digital Euro, and industry-led initiatives aimed at regaining sovereignty, but full implementation and widespread adoption were still significantly off. The increased use of Dollar-backed stablecoins in wholesale markets, often issued by non-European entities, might imply further foreign influence over Europe's payments market and increase reliance on non- EU/EEA financial entities.

20. The EBA Head of Supervisory Review, Recovery and Resolution Unit (SRRR) continued by summarising the main findings of a survey conducted by the EBA to which 21

members responded. The survey focused mainly on supervisors' and regulators preparedness but also considered banks' preparedness and related legislation considerations. It covered emergency laws, definition of emergency situations, measures eventually impacting the financial system. The Head of SRRR said that countries mostly relied on the Supervisory Powers available under the CRD/BRRD but CAs may be granted, in several countries, usually through Government/Minister of finance decree, additional emergency powers of a temporary nature, mainly in the form of moratorium. Several Member States also reported measures in place for banks and central banks to deal with emergency situations. The Head of SRRR concluded by noting that many Member States have been improving their preparedness for emergency situations and the actions planned/taken included incorporation of financial and operational resilience into supervisory priorities, crisis management handbooks, strengthening authorities' own operational resilience, implementing the pan-European systemic cyber incident coordination framework (EU- SCICF) and operational resilience (DORA) conducting cyber and crisis management dry-run exercises among authorities. The question may be if there were areas, such as international coordination, in a need of increased focus.

21. A presentation by the Finnish BoS Member followed. In his presentation, the Member focused on national preparedness provisions, emergency conditions and measures taken by their CA in order to safeguard the operation and continuity of the critical functions including a specific focus on securing daily payments. A lot of focus was on reactions during the first 72 hours of a major crisis event, including considering that communications were cut off and similar.
22. In the following discussion, Members provided an update on their national developments. With regard to dependencies, several Members acknowledged that the dependence in the area of infrastructure on non-EU/EEA providers was a key risk. Few Members asked for further discussion on how to address this dependency and what other solutions could be considered by the Member States. One Member was of the view that decreased dependency would require long-term effort and would have to be considered also from an ICT perspective. The Member pointed out that there was a general change in risks to the banking sector, which tended to move from the "classical areas" like asset quality or funding to new areas, such as infrastructure or cyber threats. The Member also pointed out that general banks' risk management functions have improved and they have made big progress in FX funding, incl. reducing previous maturity gaps. One Member informed about their national initiative of self-assessment of all supervised authorities on compliance with DORA. Another Member mentioned, in addition to IT dependencies, a number of risks that could have impact on global financial stability, such as gradual withdrawals of central banks liquidity; high levels of public debt; market valuations, and complex economic landscape. On emergency measures, Members noted advantages of collective actions and coordination. One Member highlighted the importance of continuous exchange of information and means to support continuous communication even in crisis situations. Other Member

referred to supervisory intelligence that could be shared between the Member States. One Member reflected on the Iberian blackout and business continuity measures activated by the banking sector in response to the blackout, pointing as one example, to low fuel stocks as a key issue at banks. In relation to payouts, Member provided their views on national developments. Some Members noted that they have been expecting contracting NIMs and rising cost of risk, which might negatively affect payouts. One Member questioned why there was no correlation between CET1 headroom and payouts as presented by the EBA and noted that banks continued having high excess of capital and that either payouts would raise or bank would grow organically or inorganically.

23. The EC representative welcomed national preparedness provisions but stressed the need, within the margins of the Single Market, for coordination, exchange of information and cooperation between the Member States and, in case of emergency, a collective action.
24. The ESRB representative reflected on the planned discussion during the ESRB General Board meeting on 26 June 2025 and said that their focus was on a number of risks, as identified in the past.
25. The ECB Banking Supervision representative acknowledged challenges related to various dependencies and mentioned initiatives aimed at analysing ICT sovereignty of significant institutions and digital euro as a potential strategic EU solution addressing payment- related dependencies. The representative stressed the importance of coordination in case of crisis and acknowledged an increase in capital distribution in the recent months.
26. The Chairperson concluded by noting the concerns raised by the Members on the dependencies. He reflected on various types of preparedness measures taken by the countries and stressed the role of coordination, communication and preservation of the single market in the case of crisis.

Agenda Item 4: 2025 EU-wide stress test exercise – aggregated results and communication

27. The Chairperson introduced the item by clarifying that there were two main topics to discuss. The first one was an overview of the results based on the second submission data. The second topic was the focus of the stress test report and the main messages it should convey.
28. The Director of ERA continued by explaining that as in the past stress tests, the first two submissions required a lot of attention in terms of data quality checks and quality assurance. This year, more revisions were expected for the 3rd (last) submission in early July. This also came against the backdrop of banks providing for the first time banks' data under the new CRR3 framework. He said that based on the so far

submitted data, there were already two rounds of Quality Assurance (QA) calls with the CAs to discuss findings and check the process across jurisdictions. These calls were particularly useful to highlight data quality concerns to the CAs. The Director noted that, at this stage of the process compared to the previous exercise, the remaining data quality concerns were larger. These issues, however, were mostly concentrated on a few banks from some jurisdictions.

29. The EBA Head of Risk Analysis and Stress Testing Unit (RAST) summarised the so far received results. He concluded that banks would be, on aggregate, resilient under the envisaged adverse scenario. With regard to the stress test report, the EBA was planning to clarify that this year, banks' starting points were very robust, which would have an influence on the results. Banks have started the exercise with high profitability, higher capital ratios compared to past exercises and still low NPL ratios. Furthermore, the report would highlight that the adverse scenario was still severe, even after considering recent developments in relation to tariffs. Due to the application of CRR3, the report would also include a separate box explaining the interpretation of the stress test results in the context of CRR3 restatement, emphasising that the stress test was a risk exercise rather than a regulatory exercise. Finally, the Head of RAST mentioned industry concerns about the disclosure of fully-loaded CET1 ratios that did not consider transitional arrangements inherent in CRR3. He said that the EBA's proposal was to keep the agreed stance and the already approved transparency templates with no change to the elements to be disclosed without emphasising the fully-loaded numbers in the communication.
30. The Members supported the work and the disclosure of fully loaded numbers. There was consensus on the need for cautious communication regarding the fully loaded figures, to avoid market confusion and misinterpretation of the exercise. On the communication, the Members agreed that considering geopolitical tensions and high level of uncertainty, the communication should acknowledge the good starting point situation of banks but should remain cautious by placing emphasis on assumptions and limitations and maintaining a balanced narrative and avoiding delivering an over-optimistic message. Regarding the scenario, a few Members noted that some dimensions could be considered as less severe compared to 2023.
31. The EC representative pointed out that stakeholders would benefit from simple communication, by referring to the applicable capital ratios including any transitionals in place, while any additional metric with a long-term perspective should not be the focus of the report.
32. The ECB Banking Supervision representative acknowledged excellent cooperation with the EBA in the preparation and execution of the stress test exercise. He supported the current disclosure templates, mentioning that some of the data that were of concern for industry were already publicly available through other data collections (i.e. Pillar III disclosures). Therefore, he supported the EBA's proposal and commented on placing the interpretation of regulatory changes in perspective of the stress test results.

33. The ECB representative supported the EBA's proposal including the disclosure of the fully- loaded CET1 ratios and stressed the severity of the scenario.
34. The Head of RAST informed that the 3rd submission of data was planned for early July and that the BoS would be approached to provide comments on the stress test report afterwards. The publication of results was planned for the beginning of August.
35. The Chairperson concluded by noting the Members' support and said that the majority of the Members reiterated the view that the EBA should be transparent and publish both transitional and fully loaded figures, without emphasising the latter in the report and with a clear message on the risk character of the exercise. The Chairperson mentioned the good starting point conditions of the banking sector but noted the importance of drawing realistic conclusions from the adverse scenario.

Agenda item 5: EBA advice on covered bonds

36. The Chairperson reminded the Members that the EC has given the EBA the mandate to review the performance of the EU CB framework and various other related aspects via a Call of Advice (CfA) in July 2023. The CfA had the objective of assessing the performance and the functioning of the Covered Bond Directive after its introduction and transposition by Member States in 2022.
37. The EBA Senior Policy Expert (Expert) continued by explaining that to obtain the necessary information about the different national frameworks and the use of the discretions provided for by the CBD, as well as on the market sentiment, the EBA prepared two different questionnaires addressed to – respectively – the CAs and to the industry, in the form of a list of open questions. In addition, the EBA conducted a legal review and a quantitative analysis to illustrate the developments of the EU covered bond market. Based on this input, the EBA drafted recommendations on the current EU covered bond framework focusing on strengthening investor protection, improving clarity of legal text, and further harmonisation of EU national legislations. In addition, the EBA identified areas for the possible development of the framework, in particular related to third country equivalence and ESG disclosure and drafted recommendations on the consistency between the covered bond and the credit risk framework which the Expert summarised in detail. She concluded by noting that the EBA's aim was not to propose a thorough overhaul of a framework which has been recently introduced, and it has proved its reliability, but rather to provide the EC with proposals for technical improvements, also having in mind the interest of the industry in smooth functioning of the covered bond market.
38. The Members supported the work and said that the recommendations, when implemented, could strengthen the market of covered bonds. One Member commented on the specific recommendations on the eligibility of real estate for preferential risk treatment purposes and on the valuation method for immovable property and asked for further discussion on these recommendations given that could

lead to re-opening of CRR and were politically sensitive in some regions. Another Member noted that there were many very detailed recommendations and while some were crucial to allow alignment with the CRR, some could be considered as too detailed and therefore, the Member asked for prioritisations of issues and subsequently, the recommendations. Several Members also acknowledged their concerns related to the valuation method for immovable property and some said that flexibility should be maintained.

39. The EC representative welcomed the work stressing its function of input for EC's further work on the topic.
40. The Chairperson concluded by noting the Members' support. On the raised comments, the Chairperson said that the EBA would consider its response, prioritise some of the issues and recommendations and send the updated response to the CfA for fatal flaw to the BoS in written procedure.

Conclusion

41. The BoS approved the EBA's response to the CfA on covered bonds and its list of recommendations by consensus subject to a BoS fatal flaw review of the final version in written procedure.

Agenda item 6: Future work on credit risk simplification and RTS on material model change

42. The Chairperson introduced the item by noting that the credit risk framework has been substantially refined as part of the Basel III process. The EBA has therefore been given a significant number of mandates under the Banking Package, which were typically characterised by having a very technical and specialised nature, but also a good part of these had a high degree of stakeholder interest. At the same time, the current discussions on the regulatory framework have recently shifted its focus to the simplification and improving efficiency of the regulatory framework and had also impact on the technical work on the credit risk mandates under the Banking Package. Although the EBA has been intending to keep working according to the credit risk roadmap and deliver on the mandates, it may be useful to already engage with the industry to tie together the work on these mandates with the new focus on simplification and efficiency. Therefore, the EBA was proposing to draft a discussion paper to engage in an early stage with the industry, highlighting the trade-off between simplicity and risk sensitivity and also the limitations implied by level 1 text.
43. The EBA Director of Prudential Regulation and Supervisory Policy Department (PRSP) continued by noting that there were specific mandates and several consultation papers which have been already in the pipeline or have just been consulted. She reflected on the proposal for the discussion paper on simplifying the credit risk framework and said that considering the ongoing discussions on simplification, the

discussion paper would allow for early identification of any areas where the framework may be overly complex, duplicative, redundant in the specific context of the European regulatory practices, or misaligned with its intended policy objectives—particularly in light of the new requirements introduced through the recent reforms. This could be seen in both the existing stock of EBA work, but also in a broader sense reflecting on existing products that have accumulated over time. The Director of PRSP concluded by clarifying that the discussion paper would focus on four aspects – enhancing readability of the framework; streamlining the framework; reassessing balance between simplicity and risk sensitivity in selected areas, and rebalancing boundaries between regulation and supervision. If supported by the BoS, the EBA would table the discussion paper at the October BoS meeting.

44. The EBA Head of Risk-based Metrics Unit (RBM) added that the EBA was also asking the BoS for guidance on three aspects in addition to the discussion paper, namely guidance on the way forward on material model changes and approval of two consultation papers on respectively changes to guidelines of the definition of default and guidelines on CCF estimation. On the RTS on material model changes, the Head of RBM reminded the Members of the discussion during the BoS meeting in October 2024. He noted that there was a disagreement at the experts' level, which was preventing a further simplification of the RTS. In particular, the ECB Banking supervision, which had around 80% of IRB RWA under their scope, was challenged with the number of material model changes, both due to the sheer number of material model changes, but also probably because the largest banks had more complex internal models. At the same time, many Member States were satisfied with the level of information required from institutions in terms of their model management process. To address these conflicting supervisory processes, the EBA was assessing three ways forward: 1) minimal changes compared to the CP version ("status quo"). This option would not lead to a reduction of the number of material model change. Enhancement in supervision would have to come from updating supervisory processes; 2) technical changes compared to the CP which would reduce marginally the number of material model changes, and 3) fundamental changes in the framework with a clear aim at reducing further the number of model changes and simplifying the overall process. On the two consultation papers, the Head of RBM explained that they both were very different in their nature, one being of a more political nature and another of a more technical nature. He clarified that the request on revision of the definition of default asked EBA to consider whether a change should be made to provide more incentives to restructure loans, as the current 1% materiality threshold on distressed restructuring has been seen as a limiting factor by the financial industry. He added that the consistency of the framework prevented the EBA from making substantial changes and the industry has not provided any concrete evidence of a default being inherently tied to the notion of credit loss. Nevertheless, the EBA has taken an open approach in the consultation paper and asked all of the issues and highlighted potential changes, therefore consulting the industry on potential changes. On the Guidelines on CCF, the Head of RBM said that it was, in many ways, the missing piece in the IRB roadmap. In addition, the proposal

reflected on the simplifications initiatives and the result was the extension of the similar requirements applied on PD and LGD estimation to CCF and simplification and standardization of the requirements to ease the estimation for banks. The Head of RBM also mentioned that the consultation paper contained a survey style list of questions on how to ensure that the rules were proportionate for the fairly low materiality of CCF models, compared to LGD and PD models.

45. The Members raised various concerns and had mixed views. One Member was of the opinion that the EBA should consider changing the way of work, but at the same time, the Member stressed that simplification should not lead to removing mandates but rather be based on supervisory experience. Other Member asked for a steer from the Task Force on Efficiency. On the proposal for a discussion paper, one Member pointed out that the overall process of drafting and consulting would be too long and not consistent with the urgency of the issue. The Member proposed having a dedicated session with the Banking Stakeholder Group instead. Other Members also commented on the DP potentially leading to a lengthy process and questioned other solutions. Few Members supported the work on the discussion paper arguing that it would allow exploring various policy options. One Member acknowledged a need to analyse the framework from a holistic perspective. On the RTS, a few Members supported option 1; one Member supported options 1 and 2 saying that option 3 could result in a risk of implementation of non-compliant models and that the IRB repair programme has advanced significantly and therefore, there would be fewer model changes in the future. One Member supported option 2 and asked for additional flexibility for supervisors, and several Members supported option 3. Regarding the two consultation papers, majority of Members did not raise concerns and supported their publication. With regard to the Guidelines on the definition of default, one Member was of the view that it should introduce changes only if there was relevant material evidence provided by the industry. On the Guidelines on CCF, some Members asked for further discussion which could lead to a more comprehensive document and for a written procedure. One Member questioned whether the EBA should try to simplify the requirements and do not allow CCF modelling anymore.
46. The ECB Banking supervision representative supported option 3 for the RTS, including incorporating the feedback from the industry and said that supervision of internal models was crucial for the model simplification. He noted that only revising the supervisory process was not sufficient and needed to go hand in hand with revision of the regulation. He added that as the EBA was planning to discuss the proposals from the Task Force on Efficiency during the upcoming BoS Strategy Day, any discussions on the prioritisations should be delayed until the discussion during that meeting.
47. The EC representative welcomed the work but questioned why the discussion paper was focusing on IRB only, and not also on the standardised approach (SA), noting that with the Output Floor the SA applies to all banks, and it's where risk sensitivity was more questioned. On the Guidelines on definition of default, he was of the view that the

draft was avoiding more than addressing the demand from co-legislators in the Level 1 mandate.

48. The Chairperson concluded by noting the comments and said that there was a consensus between the Members to publish the two consultations papers. On the discussion paper, he said that following today's meeting, the EBA staff would reflect on the discussion and present updates during the BoS Strategy Day. On the Guidelines on the definition of default, the Chairperson noted communication challenges as the consultation paper may be criticised by the industry and said that the Banking Stakeholder Group was planning to reflect on some aspects of these Guidelines during its next meeting in July. On the material model changes, he noted a majority preference for option 3 and a proposal should be brought back to the BoS, reflecting the majority view.

Conclusion

49. The BoS supported the publication of the Consultation paper on the draft guidelines amending Guidelines on the application of the definition of default and the Consultation paper on the Draft guidelines on Credit Conversion Factor estimation by consensus.

Agenda item 7: Progress note on review of SREP Guidelines

50. The Chairperson introduced the item by noting that the SREP Guidelines (GL) have been the flagship instrument of the EBA's Single Rulebook, aiming to harmonise supervisory review across the EU by providing a unified, risk sensitive framework underpinned by CRD/CRR requirements

51. The Head of SRRR continued by noting that after almost 10 years from the application of SREP GL, the EBA has been progressing with the third revision of the GL. The revision was guided by three key drivers as endorsed by a respective working sub-structure in September 2024: (i) legal/regulatory changes, (ii) lessons learnt and (iii) simplification and structural changes. The latter was quite timely to the current regulatory agenda, and a strong effort has been made to ensure that the upcoming revised SREP GL would strike an appropriate balance between the necessary focus on the core assessment areas and the level of detail/prescription. He stressed this was a quite complex and challenging project both from a scope and organisational perspective. The Head of SRRR summarised the main proposed changes which also reflected the recommendations from the Advisory Committee on Proportionality (ACP) and identified a simplified approach for the inclusion of the ESG aspects. He then noted another important change, which stems from the new CRR-CRD package, and related to the interaction between Pillar 1 and Pillar 2 frameworks. In particular, the Head of SRRR stressed the need for the supervisors to assess whether, in light of the revised P1R coming from the revised BCBS standards, overlaps may exist between elements already addressed under the Pillar 1 framework and those included in the

P2R, in line with the general requirement set out in Article 104(a)(1) of CRD. The Head of SRRR also mentioned the next steps of the SREP GL revision where he explained that the BoS comments would be reflected in the consolidated final draft SREP GL, which were scheduled to be submitted for BoS approval in Q4 2025 followed by the launch of the 3- month public consultation. The final SREP GL were indicatively expected to be published in Q2 2026, with proposed application from 01 January 2027. He invited the Members to validate the overall direction of the proposed revision by sharing their views on key discussion items related to simplification (including the approach to ESG), proportionality and supervisory effectiveness. The Members were also asked to provide guidance on how to address the interaction between the revised CRR3/CRD6 Pillar 1 framework (including the output floor) and the Pillar 2 framework.

52. The Members fully supported the proposed changes on simplification, including ESG approach, proportionality and supervisory effectiveness. On the interaction between P1R (including the OF) and P2R, some Members commented on the importance in assessing on a regular basis any potential P1R-P2R overlaps, including elimination of any unjustified double counting or arithmetic effects. Other Members stressed the need to avoid any automatism on the grounds of the importance that a supervisory assessment takes place considered the proposal going beyond the scope of the Opinion published in January 2025. One Member raised concerns on the incorporation of ESG risks in the credit risk level assessment stressing that data quality and data availability issues would suggest a qualitative approach instead of a quantitative one. empirical evidence).
53. The ECB Banking Supervision representative supported the proposal to avoid potential overlap and said that there should be a further in-depth analysis of overlaps between P1 and P2 requirements.
54. The SRB representative raised attention to the respective impact of this interaction to the MREL calculations.
55. The EC representative supported the proposed changes, reminding the duty of supervisory authorities to assess potential overlaps, the fact that P2R complements P1R hence the expectation for P2R changes following the introduction of the Output Floor.
56. The Chairperson concluded by noting the full support of the BoS to the simplification, including ESG approach, proportionality and supervisory effectiveness proposals included in the note. The Chairperson also noted the duty of supervisors to adjust P2R in case of overlaps with P1R, in line with complementary nature of P2R, highlight the importance of avoiding such overlaps while at the same time leaving appropriate room for supervisory assessment (no automatism). He stressed the importance of clear communication towards the supervised entities.

Agenda item 8: Update on the EBA methodology to assess the materiality of

L2 mandates

57. The Chairperson introduced the item by clarifying that the aim of the tabled note was to anticipate discussion of the Task Force on Efficiency (TFE) outcome planned for a discussion during the BoS Strategy Day in July. As part of its mandate, the Task Force had to look into the possibility of preparing a methodology to assess the materiality of EBA Level 2 and Level 3 mandates, to see whether there are EBA mandates that could be deprioritised. He reminded the Members of the discussion on this issue in February during the BoS meeting and said that since then, the TFE has further developed the methodology. Considering ongoing discussion at other EU levels, and in particular by DG FISMA, which has recently presented its proposal for deprioritisation of Level 2 mandates at the FSC, the Members were invited to comment on the tabled note, in particular the list of mandates that could be deprioritised, discuss the actual meaning of deprioritisation and the impact it could have on the EBA.
58. The EBA Head of Governance and External Affairs Unit (GEA) continued by reflecting on the BoS discussion in February 2025 on the possible contribution of the EBA to the general discussion on simplification and proportionality. He mentioned a note prepared by the EBA staff on the EBA work on simplification and proportionality where a list of EBA L2 and L3 mandates that have not been delivered yet and could be deprioritised was presented to the BoS. He also mentioned an initiative that has developed among the EU institutions on the possibility to deprioritise existing L2 mandates and acknowledged a non-paper from DG FISMA presented to the Financial Services Committee (FSC) in May 2025 which provided an analysis of Level 2 empowerments in financial services Regulations and Directives adopted by the co-legislators between 2019 and 2024. This analysis showed that the EC has been empowered to adopt 430 level 2 acts, of which 122 were considered as not essential for the effective functioning of Level 1 legislation. Among those 122 mandates, 15 were RTS or ITS assigned to the EBA. The Head of GEA then presented the methodology to assess the materiality of L2 and L3 mandates, which was initiated by EBA staff in Q1 2025 and further developed with the TFE during Q2 2025. The methodology ranked L2 and L3 mandates (Technical standards, Guidelines, Report and Advice) on a scale from 1 to 4, taking into account how sensitive they were for stakeholders, the burden their implementation represented for the industry, the type and particularly the size of the firms impacted by the mandate and finally its usefulness for the supervisory community. The Head of GEA explained that an assessment of all current EBA outstanding mandates was included in the tabled attachment and said that following the application of the methodology, there would be a possible deprioritisation of 27 (20 % of the total) mandates. Out of these 27 mandates, there were 15 RTS, 2 ITS, 6 Guidelines and 4 Reports. He added that the 15 RTS and 2 ITS that were candidates for a de-prioritisation were mostly aligned with the ones proposed in the non-paper presented to the FSC, except for 4 RTS that were presented as non-essential in the non-paper but that the EBA would consider useful to the supervisory community. The Head of GEA concluded by inviting the Members to comment on the appropriateness of the

methodology for assessing the current and future mandates assigned to the EBA by the EU co-legislators and its application on the existing list of EBA mandates to be delivered, and on the way forward with an agreed list of L2 and L3 mandates to be deprioritised on two aspects. Firstly, whether there should be a distinction between mandates for which the current legal deadline in L1 would no longer be applicable whilst the mandate itself may remain relevant and eventually could be developed (e.g. current L2 mandates that are FRTB-related) and the mandates that could be proposed to the co-legislators for cancellation. Secondly, whether the most appropriate way forward would be to (1) update the Level 1 legislation to remove some of these mandates, or delete their legal deadlines for those whose future was yet to be assessed or (2) agree with the EU institutions that the EBA would not deliver on these mandates or would deliver at a later stage than the legal deadline of the level 1 text, should the content of these mandates be needed in the future. In this regard, the Head of GEA noted that from an institutional and legal perspective, an update of the level 1 text, similar to the approach recently taken with the Omnibus Directive on ESG matters, appeared more appropriate. However, it may represent an excessive burden and risk for EU institutions to address matters that have been identified as non-material. Finally, the Head of GEA mentioned that subject to the BoS' support, the EBA would use the methodology going forward to assess potential mandates envisaged by the EU co-legislators when prepared L1 texts that would include such mandates to be delivered by the EBA. This assessment could be used to inform the co-legislators on the EBA view on the relevance of such mandates prior to their final approval in the Level 1.

59. The Chairperson invited the Members to comment on the methodology itself as well on how it could be used by the EBA in the future discussions on its mandates.
60. The Members supported the work. Several Members were of the view that legal certainty was the key factor and therefore, preferred the option of updating the Level 1 legislation to remove some of the mandates, or delete their legal deadlines for those whose future was yet to be assessed. However, they noted a need for support at the political level and by the EC. Some Members were sceptical on the changes to Level 1 text without adequate political support. One Member said that the focus should be on cancellation rather than on delaying of the mandates. The Member also noted that the methodology had relevance for the stability of the system and would therefore be crucial to agree on principles that could be used also in the future discussions with the co-legislators. Other Member pointed at that the simplification for institutions would amount to only 7% of the total and asked for more in-depth discussion on how the concept of “usefulness for the regulatory/supervisory community” is applied. Another Member suggested to reconsider the size of banks as one of the criteria in the assessment methodology, on the grounds that supervisory experience shows that even small banks could raise material risks and efforts, including during crisis periods.
61. The EC representative welcomed the discussion on de- and prioritisation and said that the agreed methodology should serve also for future discussions in the BoS. He

questioned the need of opening discussions on Level 1 text on non-priority mandates.

62. The ECB Banking supervision representative stressed the importance of legal certainty and agreement with the co-legislators.
63. The Chairperson concluded by noting the comments raised by the Members and said that the aim of the methodology was not only to be useful for prioritising of the mandates but also to help going forward. He asked the Members to send their written comments on specific listed mandates.

Agenda item 9: Work Programme 2026

64. The Executive Director introduced the item by noting that the EBA now embarked on the finalisation of the final Work Programme (WP) for 2026, to be submitted to EU institutions by end-September 2025. He clarified that the finalisation of the WP by September would benefit from the discussion on: the priorities at this meeting, the ACP letter which would be presented as part of this item as well as the discussion on simplification during the planned BoS Strategy Day in July 2025. This would be reflected in a draft to be submitted for comments during the summer months and then for approval in September. The Executive Director reminded Members that the June BoS meeting also served to discuss the supervisory priorities, with a review of the Union Strategic Supervisory Priorities (USSP), the European Supervisory Examination Programme (ESEP), and the Peer Review (PR) work plan and to inform about the European Resolution Examination Programme (EREP), to be later adopted based on a ResCo proposal, all applicable in the following year. For this meeting the EBA was proposing to simplify the approach with: i) a reduced number of priorities (3 vs 5) and use of the priorities for 2026-2028 also for 2026, with specification of particular areas of focus, ii) the merger of ESEP into the USSP, iii) the submission of WP, supervisory priorities, EREP, PR to the BoS in September as a single batch, iv) the grouping of USSP, EREP and PR work plan into one single document / location covering the EBA's convergence work in 2026, v) a reduction of the number of EBA's generic activities from 19 to 7. The Executive Director continued by inviting the Members to comment on the following: 1) the validity of the draft priorities for 2026 while noting that the EBA priorities adopted in January covered the Rulebook, Risk assessment – including the new oversight and supervision activities - and Innovation, with focus on technological capacities remained fully valid, and highlighted the areas of focus which have been refined since January stressing notably the importance of simplification and efficiency; 2) the approach for the priorities for convergence work, but also the proposed priorities per se. Here he mentioned for the USSP the suggestion to add in priority 1) a reference to geopolitical risks. This would then lead the USSP to read: 1) Monitoring and addressing financial stability and sustainability in the context of evolving interest rates and geopolitical risks; and 2) Developing an oversight and supervisory capacity for DORA and MiCAR. With a view to streamlining the overall approach, the EBA was proposing to only refer to a single set of supervisory priorities, based on the USSP, which could be reviewed annually as necessary, and to identify key topics to be covered by CAs. The

three key topics set out in the document have been identified for CAs to review as part of their supervisory programmes. As regards the priorities for resolution authorities, the process was slightly different to the extent that the proposals were prepared by ResCo and would be approved in July. The topics identified so far for 2026 were a continuation of those in 2025 and consider a natural evolution towards a more holistic and integrated approach, with emphasis on operationalisation elements and testing. The Executive Director then summarised the peer review work plan and invited Members to indicate their views on the topics proposed, which included one peer review on crypto-asset white papers in 2026, although capacity for a second topic was currently being investigated. The Executive Director concluded his presentation by explaining the EBA's proposal to streamline the number of activities described in the planning documents. He said that the number of activities has historically been rather granular, largely focusing on key prudential areas (own funds, liquidity, risk metrics, convergence, stress-tests) or flagship deliverables (e.g. stress-tests). In recent years, efforts were made to reduce them (from 37 in 2021 to 25 in 2022 and, then to 19 since 2023), to facilitate synergies and cross-exchange. In the continuation of internal work carried out throughout 2024 to further integrate work and products, and in line with efficiency and simplification efforts, the EBA's proposal was to organise EBA's work into 7 main areas of activities, which will also support achieving objectives of increasing synergies and improving the organisation. If agreed, the revised activities would be reflected when structuring the WP and measuring resources allocation.

65. The EBA Director of Data Analytics, Reporting and Transparency Department (DART) in her role as a Co-Chairperson of the Advisory Committee on Proportionality (ACP), presented the 2025 ACP Letter of recommendations on the 2025 WP. She explained that the ACP approached its recommendations differently compared to previous years and this was also the first letter where the BSG provided their input into the discussion. Firstly, the ACP has identified two topics for a detailed focus: SREP and reporting and transparency. For these two topics, the ACP was of the view that the EBA's work should focus on the further implementation of proportionality principles in the next review of the SREP Guidelines and on the continuous enhancements in the area of transparency and reporting. Secondly, the ACP members agreed that rather than considering, in addition to SREP and reporting, other topics in great detail, it would be more effective to address particular issues and therefore, draft specific recommendations for a number of EBA activities identified in the 2026 WP.
66. Members supported the work. One Member highlighted the importance of peer reviews and questioned whether the planned number of peer reviews was not reducing the impact of this tool on fostering supervisory convergence and suggested to consider ways to mobilise resources to do more. Another Member, noting resource issues and heavy workload, supported the more focused approach for convergence work proposed by the EBA as well as asked for some degree of flexibility in implementing the identified priorities.

67. The SRB representative reflected on the topic of cyber risk, in particular in the resolution area, and suggested that this could be included in the priorities. He also asked for explanation on the process for adopting EREP (and ResCo's involvement) and whether this changed.
68. In his response, the Executive Director clarified that the peer review workplan covers not only peer reviews as such but also follow up reports of which three are planned next year. In this regard he called on Members to be more involved in these reviews and to provide resources for the work – with considerations to be made to make the involvement more appealing. He also noted that suggestions for topics to be covered as part of EREP could be put forward to the ResCo and stressed that the process for approval of EREP or of resolution-related topics has not changed, i.e. they will be adopted at ResCo prior to submission to the BoS for non-objection. He also noted that CAs would have flexibility in applying the supervisory priorities. He concluded by saying that the EBA was planning to approach the BoS and MB and ask for comments on the updated WP over the summer period, before submission for approval in September.
69. The Chairperson expressed sympathy for the concern expressed about limited resources available for the peer reviews and concluded by noting the overall support of the Members on the proposals and by reiterating the next steps.

Agenda item 10: CTPPs designation process

70. The Chairperson informed the Members that the ESAs have been progressing with taking up active oversight activities under DORA and were in the important phase of the designation of the critical ICT third-party service providers (CTPPs). Teams across the ESAs have been analysing data collected from the CAs and therefore, the main focus of this item was on the CTPP designation process rather than on details on potential CTPPs. He also reminded the Members that from the governance perspective, CTPP oversight matters have been entrusted to the newly established Oversight Forum bringing together all relevant CAs across the sectors.
71. The ESAs' DORA Joint Oversight Director (DORA Oversight) continued by explaining that the CTPP designation process was half-way at this juncture. The ESAs have collected and frozen the data on 31 May and were going through the analysis and criticality assessment process in order to have the first discussion on the list of potential CTPPs and the reasoning for their selection in July. The ESAs have collected registers covering more than 11,000 financial entities, which was above the original expectations considering the first data collection. This represents a coverage over 65 % of the overall number of financial entities and the Director of DORA Joint Oversight summarised coverage per sector. He stressed that despite all the efforts from all parties (financial entities, CAs), the quality of the collected data was still of concern, especially in the critical areas of the identification and grouping of ICT third-party service providers. The Director of DORA Joint Oversight then explained how the ESAs conducted the criticality assessment and said that it followed the requirements of the Commission Delegated

Act, where Step 1 was quantitative with predefined thresholds that were set in the Delegated Act. Step 2, whereas allowed for some supervisory judgement through the expert guided substantiated assessment. The outcomes of the criticality assessment in a form of a proposal for a preliminary list of possible CTPPs that pass the criticality criteria together with the articulation of the reasons for the selection would be presented in July to the various governance bodies so the list of possible CTPPs could be finalised and the potential CTPPs informed through the individual notification letters. The current plan was to carry out this selection process in July, so the potential CTPPs could be notified towards the end of July. The confirmation of the receipt of the notification letters would mark the six-week hearing period with the potential CTPPs as envisaged in DORA. In terms of the actual list, the Director of DORA Joint Oversight indicated that the criticality assessment could lead to identifying a potential sample of around 15-25 TPPs with broad geographic spread (covering EU, US, Japan, UK, Switzerland) and wide type of ICT service categories, including cloud providers, software providers, telecoms, data providers and data centres. He concluded by mentioning that to manage the CTPP designation process with the CAs and in order to ensure their understanding of the list of the potential CTPPs to be proposed in July, the ESAs have been suggesting multi-layered coordination approach, including at the level of the Oversight Forum and the BoS. The Oversight Forum is expected to make a recommendation on 16 July, and a dedicated preparatory workshop for OF members will be held on 10 July. After the Oversight Forum makes its recommendation to the ESAs Joint Committee, the three BoS will be approached through a dedicated written procedure. However, to prepare for that BoS written procedure, the ESAs' proposal was to have a joint BoS workshop on 17 July for the members of the three BoSs to allow to better explain the choice of potential CTPPS and provide rational for their selection.

72. The Chairperson pointed at the new mandate of direct oversight with a joint governance and decisions and invited the Members to comment on these aspects which were new for the EBA.
73. The Members welcomed the update. One Member questioned differences between critical assessment and designation criteria. The Member asked if resources constraints would be considered for the purpose of the designation and whether all CTPPs would be designated from the beginning or whether it would be progressive development. Other Member, while noting that the process as presented was fully consistent with DORA, queried whether the quality of provided data was sufficiently high and whether further discussions with providers were necessary. The Member also supported the proposal for workshops with an aim to exchange information and knowledge and questioned how those providers who could be critical would be treated. Other Members also supported the proposed workshop, and one Member noted that CTPPs could be identified progressively, which would allow the ESAs to further prepare for their direct oversight tasks. Finally, one Member asked whether individual countries' specific critical providers were considered in the designation process.

74. In his response, the Director of DORA Joint Oversight further explained the 2-Step process, that the data provided was sufficient quality to have identified potential candidates under the first step and said that the ESAs were planning to analyse how the entities met the criteria for CTPPs designation at the beginning of July. The list of CTPPs designated needed to reflect providers identified as critical through the data, rather than starting with a more limited set, even if the list could adapt in the future based on changes on the market and actual CTPPs. He noted the interest in the BoS workshop on the 17/7 and informed that the ESAs have already planned another workshop with the CAs on the 15/7 for discussing the JET staffing. Finally, the Director of DORA Joint Oversight added that while the designation was a Pan-European initiative, it could be complemented by national provisions.
75. The Chairperson concluded by noting the Members' support for the workshop and said that the ESAs would consider organising a joint workshop for all three BoS.

Agenda item 11: AOB

76. The Members did not raise any other business concerns.

2025¹

Chairperson: Jose Manuel Campa

<u>Country</u>	<u>Voting Member/High-Level Alternate</u>	<u>National/Central Bank</u>
1. Austria	Helmut Ettl	Markus Schwaiger
2. Belgium	Jo Swyngedouw/Kurt Van Raemdonck	
3. Bulgaria	Stoyan Manolov	
4. Croatia	Sanja Petrinic Turkovic	
5. Cyprus	Mariza Platritou	
6. Czech Republic	Marcela Gronychova	
7. Denmark	Louise Mogensen	Morten Rasmussen
8. Estonia	Andres Kurgpold	Timo Kosenko
9. Finland	Marko Myller	Paivi Tissari
10. France	Nathalie Aufauvre/Francois Haas	
11. Germany	Nikolas Speer	Karlheinz Walch
12. Greece	Heather Gibson/Anna Tsounia	
13. Hungary	Norbert Izer	
14. Ireland	Yvonne Madden	
15. Italy	Guiseppe Siani/Andrea Pilati	
16. Latvia	Kristine Cernaja-Mezmale	
17. Lithuania	Erika Balaikienė ²	
18. Luxembourg	Claude Wampach	Christian Friedrich
19. Malta	Anabel Armeni Cauchi	Oliver Bonello
20. Netherlands	Jan Willem Slingenberg ²	
21. Poland	Artur Ratasiewicz	Pawel Gasiorowski
22. Portugal	Rui Pinto/Jose Rosas	
23. Romania	Catalin Davidescu	
24. Slovakia	Tatiana Dubinova/Linda Simkovicova	
25. Slovenia	Meta Ahtik	
26. Spain	Daniel Perez Cid	
27. Sweden	Magnus Eriksson	David Forsman

¹ Pascal Hartmann (FMA); Morgan Allen (Central Bank of Ireland); Marek Sokol (CNB); Marco Giornetti (Bank of Italy); Magdalena Jarosz (KNF); Christoph Roos (BaFin)

² Expert without voting rights

EFTA Countries

- | | |
|------------------|-----------------|
| 1. Iceland | Gisli Ottarsson |
| 2. Liechtenstein | Elena Seiser |
| 3. Norway | Bjorn Andersen |

Sindre Weme

Observer

1. SRB

Representative

Javier Dominguez

Other Non-voting Members

- | | |
|--------------------------------|--------------------------------------|
| 1. ECB Banking Supervision/ECB | Thijs Van Woerden/Katrin Assenmacher |
| 2. ESRB | Emily Beau |
| 3. European Commission | Almoro Rubin de Cervin |
| 4. EIOPA | Kai Kosik |
| 5. ESMA | Louise Waller |
| 6. EFTA Surveillance Authority | Marta Runarsdottir |

Representative**EBA**

Executive Director

Francois-Louis Michaud

Directors

Marc Andries
Kamil Liberadzki
Meri Rimmanen
Isabelle Vaillant

Heads of Unit

Philippe Allard
Angel Monzon
Jonathan Overett-Somnier
Lars Overby

Experts

Tea Eger
Guy Haas
Lot Anne
Andreas Papaetis

For the Board of Supervisors

Done at Paris on 8 August 2025

[signed]

José Manuel Campa

EBA Chairperson