



EBA BS 2020 358 rev. 1

Board of Supervisors

19 May 2020/09:30 – 11:30

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: Decision on notification on engagement in occupational activity – Adam Farkas [restricted]

4. The Chairperson informed that Adam Farkas notified the EBA about his intention to take up a position as a non-executive director of TheCityUK, a lobby group for the City's financial services industry with a significant European work plan seeking to input to the UK government on the EU/UK future relationship negotiations, as well as the EU's financial services policy more generally. The EBA has followed the Staff Regulations process in assessing the notification, seeking an opinion of the EBA's Joint Committee which recommended forbidding the taking up of the position. The Management Board also held a discussion and supported prohibition. In a related issue, the Chairperson referred to the European Ombudsman's findings of maladministration relating to the decision taken in relation to Mr Farkas' AFME CEO position and her recommendations to which the EBA will need to respond by the end of August.
 5. The EBA Head of Legal Services (Legal) briefly summarised the content of the draft decision. He mentioned that the conclusions of the Joint Committee were addressed in the draft decision, in particular the conflicts of interest arising from Mr Farkas's involvement in Brexit-related and other work and the role of non-executive director of a representative organisation lobbying on EU financial services policy matters on behalf of the UK financial services sector.
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He also referred to the reputational risk and potential conflicts of interests given that the future employer was a private, non-profit company representing the UK financial services industry, and to the different balance between the EBA's interests and those of Mr Farkas compared with the situation relating to Mr Farkas's previous AFME CEO notification. He concluded by highlighting the link between the restrictions imposed in the previous BoS decision from September 2019 and the proposal to forbid the new activity in the tabled draft decision and noting that, taking into account input from the Commission services, the proposal was to set a time limit for the prohibition which would be linked to the duration of the restrictions in the previous decision; i.e. 24 months after leaving the service. He also mentioned that in order to grant Mr Farkas a right to be heard, the EBA would send him the draft decision for comments before bring the matter back to the BoS for decision before the end of May.

6. The BoS supported the draft decision. Two Members suggested to include a reference to the impact on confidence in the EBA and the system of supervision more generally. Several Members raised concerns related to a more general issue of so called revolving doors and the potential detrimental impact for obtaining and retaining talent of restrictions being imposed on movement between private and public sector. In this regard, one Member suggest further discussions with the European Parliament in order to address some of the related issues raised by several MEPs.
7. The EC representative supported the proposed decision, noting a need for a time limit on the prohibition and supporting the proposal of 24 months after leaving the service.
8. The Chairperson concluded by noting the agreement of the BoS Members on the draft decision, including the limit of 24 months. He informed that the EBA would send the draft decision to Mr Farkas for comments. Finally, he mentioned that in order to address the findings of the European Ombudsman as well as more general concerns of the BoS related to this issue, there would be a separate discussion planned for the next BoS meeting on 17 June.

Conclusion

9. The BoS agreed with the draft decision being sent to Mr Farkas for his comments, followed by finalisation in a short 2-3 day written procedure.

Agenda item 3: Guidelines on reporting and disclosure of exposures subject to measures applied in response to Covid-19 crisis – Final report

10. The Chairperson reminded the BoS that following the publication of the EBA Guidelines on legislative and non-legislative moratoria on loan repayments applied in the light of the COVID-19 crisis on 2 April, the EBA has committed and announced to introduce short-term reporting and disclosure solutions to address the lack of specific information on the utilization of measures applied in response to COVID-19 crisis.

11. The EBA Head of Reporting, Loans Management, and Transparency Unit (RLMT) continued by explaining that moratoria compliant with the EBA guidelines did not trigger forbearance therefore, the existing reporting framework did not capture these exposures and their credit quality explicitly. Furthermore, the existing reporting requirements did not provide all the details necessary for the supervision and risk analysis of the exposures linked to forbearance measures and public guarantees used in Member States to address negative economic consequences of Covid-19 crisis. To that end, the EBA prepared a set of guidelines to address short term reporting in close cooperation with the ECB to ensure that a coordinated and harmonised reporting was in place.
12. The ECB Banking supervision representative highlighted an excellent cooperation between the ECB and EBA on the preparation of the guidelines. While he acknowledged that the proposed templates were aligned, he suggested to include additional data points related to, in particular moratoria overview and state guarantees in order to collect all necessary supervisory data. With regard to the format of the reporting, he noted the challenge of technical implementation of an XBRL taxonomy in a short timeframe, the temporary nature of this report and operational risk involved and suggested to accept the reporting in Excel, for the first reference date of the proposed guidelines, if not for the entire period of the data collection. Finally, on the proportionality, he stressed that in order to ensure consistent coverage of both the SIs and LSIs population at their respective highest level of reporting, it was important to mandatorily extend the scope of the guidelines to consolidated and individual entities.
13. One Member questioned a need for the proposed reporting. She also highlighted that any new reporting requirements were usually published at least six months in advance and therefore, she suggested to postpone the application date to the end of September having in mind also the current challenging situation both on the side of banks as well as competent authorities (CAs). Other Member supported the delay. One Member pointed out that was necessary to differentiate between reporting requirements and the reporting format and reminded of the well established sequential approach (e.g. CA submitted data to the ECB, ECB submitted data to EBA; it was up to the CAs to decide how to collect the data, only thereafter the transmission to EBA was done via XBRL or Excel). With respect to the scope (proportionality aspect) of the reporting requirement this Member stressed that if the Guidelines were to cover also LSIs it is of utmost importance that more flexibility was granted than currently proposed and that CAs may waive additional templates/columns (that is the 2nd level “of-which columns”).
14. Majority of Members were of the view that there should be a single, homogeneous reporting across the EU. Several Members supported the proposal to add additional data points as requested by the ECB. One Member was of the view that existing FINREP templates included most of the relevant data and therefore, these should be used as implementing any new reporting was challenging under current circumstances and within the tight timelines. Other Member suggested to avoid distinction between legislative and non-legislative moratoria for the data collection. This Member also requested to clarify and highlight in the guidelines that they cover only temporary reporting.

15. On the format, several Members asked for flexibility to allow the reporting in Excel, at least for the first reference date of the proposed guidelines. Other Members were of the view that the XBRL format should be imposed because different formats might create operational challenges. One Member noted that there should be a distinction between reporting from banks to CAs and from CAs to the EBA and that the guidelines were referring to the reporting from the CAs to the EBA only.
16. Some Members acknowledged the flexibility of the guidelines, in particular mentioning also national reporting requirements.
17. With regard to the proportionality, some Members supported extending the scope of the guidelines to consolidated and individual entities.
18. One Member pointed out that the reporting templates did not include data points related to moratoria that were not in line with the guidelines. This Member also mentioned that disclosure templates were not fully aligned with conclusions reached at technical level.
19. One Member noted that in Member States where no relevant measures in response to COVID-19 such as moratoria applied on new loans have been implemented, credit institutions in these jurisdictions did not have to report or disclose such information in the respective templates of the guidelines.
20. The EBA Director of Banking Markets, Innovations and Consumers Division (BMIC) reminded the BoS of the ongoing Cost of compliance study and stressed that any new data points would have to be carefully considered, in particular assessing their incremental benefits. He also explained that while as the starting point, the EBA considered using FINREP templates, after discussions at the technical level, these templates were not further used for the purpose of moratoria reporting as they did not include relevant data points. On the format, the Director of BMIC confirmed that the guidelines covered reporting format by the CAs to the EBA only. With regard to the timelines, he mentioned that some CAs have been already collecting some of the data in question. Finally, he noted a request to stress the temporary nature of the reporting.
21. The Chairperson concluded by acknowledging the BoS preference for harmonised and aligned templates with additional data points as well as the need for some flexibility regarding the submission format in the starting phase of the short term reporting. He asked the BoS to send their technical comments by cob on 19 May 2020.

Agenda item 4: Guidelines on loan origination and monitoring – Amendment

22. The Chairperson introduced the item by reminding the Members that the BoS approved the Guidelines on loan origination and monitoring at its February meeting just before COVID-19 outbreak in Europe with a one-year implementation period.

23. The Director of BMIC continued by clarifying that given the COVID-19 crisis and the need for the banks to focus on immediate operational priorities addressing the crisis, the EBA decided to postpone the publication of these Guidelines to avoid any potential misunderstanding even if the need for these GL for future loans was more imperative now than ever. In this regard, he explained that whilst the need for robust lending standards on future lending remains, the EBA was acutely aware of the need to minimise any new burdens during the current pandemic and also to be sensitive to the treatment of loans in moratoria. The revised GL already contained substantive proportionality amendments from the draft guidelines published for consultation, including reducing prescriptiveness, and extending the transition period for monitoring data related to all loans out a further three years. Nonetheless, having had further discussions with the industry and BSG, the transition arrangements had been reviewed and provided a two year transition for the implementation of the guidelines on the treatment of renegotiated loans. To this end he proposed to the BoS for approval the publication of the Guidelines with one additional amendment allowing the delay of one further year for the application of the Guidelines to the renegotiated loans.
24. The BoS supported the amendment and publication of the amended Guidelines.
25. The ECB Banking Supervision representative suggested to emphasise in communications the need for continuous credit risk management and oversight within institutions. One Member supported this proposal. Another Member suggested to include a reference to customers (including consumer and corporates) in any communication to avoid the misunderstanding that these Guidelines focused only on consumers.
26. The Chairperson concluded by noting the support of the BoS for the amendment of the Guidelines and their publication.

Conclusion

27. The BoS agreed with a proposed amendment of the Guidelines on loan origination and monitoring and their publication.

Agenda item 5: SREP 2020 Assessment

28. The Chairperson introduced the item by stressing the need for a pragmatic and effective supervisory review and evaluation process (SREP) in 2020 due to the various implications of the Covid-19 crisis on credit institutions as well as on CAs.
29. The EBA Head of Supervisory Review, Recovery and Resolution Unit (SRRR) continued by explaining that discussions with the CAs showed that while there were some common characteristics in the considered approaches to SREP processes for 2020, there were also divergences to some extent. Therefore, the EBA was of the view that it was important to ensure that the basic principles and features of a pragmatic SREP approach were commonly shared and understood and should be implemented across Europe as a minimum, while

safeguarding and preserving convergent supervisory approaches and outcomes enabled by the SREP guidelines.

30. The ECB Banking Supervision representative supported the publication of the 2020 Pragmatic SREP. The EC representative supported the substance of the document in principle, but noted that a simplified SREP could already be performed on the basis of the existing SREP GL. Some Members were of the view that any amendments to the SREP guidelines as well as publication of the Pragmatic SREP might not bring value under current circumstances and proposed to keep the document as internal for the use by the CAs. Other Members supported the publication in a form of a high-level principles.
31. One Member stressed the consequences of the capital relief measures and pointed that the banking sector should be prepared for the losses resulting from the Covid-19 crisis.
32. Two Members informed that they were planning to conduct a full SREP in 2020 in line with the SREP guidelines. While one of them noted that they could accept the current document, the other Member expressed concerns on the possibility that the proposed changes to the SREP could hamper their planned SREP.
33. The Chairperson concluded by noting the agreement in BoS on the content of the 2020 pragmatic SREP. He also took note of the mixed views received on the way forward regarding publication and proposed to table to BoS possible options for decision.

Participants of the Board of Supervisors' conference call

19 May 2020

Chairperson: Jose Manuel Campa

<u>Country</u>	<u>Voting Member/High-Level Alternate¹</u>	<u>National/Central Bank</u>
1. Austria	Micheal Hysek	Karin Turner-Hrdlicka
2. Belgium	Jo Swyngedouw	
3. Bulgaria	Radoslav Milenkov	
4. Croatia	Martina Drvar/Sanja Turkovic Petrinic	
5. Cyprus	Stelios Georgakis	
6. Czech Republic	Zuzana Silberová	
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	Peter Lutz	Erich Loeper
12. Greece	Spyridoula Papagiannidou	
13. Hungary	Gergely Gabler	
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	Christopher Buttigieg/Pierre Paul Gauci	Oliver Bonello
20. Netherlands	Maarten Gelderman/Sandra Wesseling	
21. Poland	Kamil Liberadzki	Maciej Brzozowski
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); Julia Blunck (BaFin); Rafal Chylinski; Petroula Georgarakis (SRB); Malte Jahning (ECB); Michał Kierzkowski; Izabella Szaniawska (KNF)

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

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

<u>Other Non-voting Members</u>	<u>Representative</u>
1. ECB/SSM	Korbinian Ibel, Carmelo Salleo
2. European Commission	Martin Merlin
3. EIOPA	Kai Kosik
4. ESMA	Tomas Borovsky
5. EFTA Surveillance Authority	Marco Uccelli
6. ESRB	Toumas 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; Jonathan Overett Somnier; Meri Rimmanen; Francesco Mauro

Tea Eger; Ali Erbilgic; Oleg Shmeljov; Anita Szekely

For the Board of Supervisors

Done at Paris on 19 June 2020

[signed]

José Manuel Campa

EBA Chairperson