



EBA BS 2020 775 rev. 1

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Board of Supervisors

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26 November 2020/16:30 – 18:00

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Location: teleconference

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EBA-Regular Use

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# Board of Supervisors meeting – Final Minutes

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## 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 Members declared any conflict of interest regarding the agenda items.

### Conclusion

3. The BoS approved the agenda of the meeting.

## Agenda item 2 A): EBA Covid-19 measures – Guidelines on payment moratoria

4. The Chairperson reminded the Members that the Guidelines on payment moratoria (GL), published in the early phases of the COVID-19 pandemic, provided significant flexibility in the application of the regulatory framework to various forms of payment moratoria taken by banks in EU to support their obligors. The EBA communicated in September its decision not to extend GLs further, after previously having extended the GLs once until 30 September. That implied that any rescheduling of loans should follow the normal regulatory framework.
  5. The EBA Director of Prudential Regulation and Supervisory Policy Department (PRSP) continued by referring to the BoS discussion at its meeting on 28 and 29 October during which some Members asked the EBA to reconsider the decision not to extend the GL. After discussions at working group levels, the EBA prepared a proposal for a constrained re-activation of the GL with an aim to achieve the objective of addressing short-term liquidity needs of obligors, while minimising the risk of not recognising the obligor's (long-term) insolvency. The proposal was built on a balance between extending the deadline to 31 March 2021, in order to address payment difficulties, and including also a cap of 9 months on the total period by which the payment schedule of a certain loan contract was changed (including
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any payment holidays taken prior to 30 September). The constraint would apply only to new or additional payment extensions granted under the proposed re-activation of the GL but based on the total length across the general payment moratoria applied. Any payment extension longer than 9 months but granted before the 30 September under general payment moratoria, therefore, would still benefit from the treatment set out in the GL.

6. The views of the BoS were mixed. Many Members stressed the uncertainty on the market, continuous lockdowns and national specificities.
7. The ECB Banking Supervision representative questioned the rationale behind the re-activation of the GL. He acknowledged the benefits of the GL during the first Covid-19 wave but stressed that the banking sector and regulators had more information and experience in the second wave, including from the period once the moratoria were lifted and therefore, he was of the view that there was no need to extend the application of the GL any further. He also claimed that a re-activation may create regulatory uncertainty for banks.
8. The EC representative was of the view that the GL should be re-activated with the deadline not longer than 30 March and the option of further extension should be kept open.
9. Some Members supported the proposal to re-activate the GL. A number of Members suggested to extend the deadline to June 2021 with an aim to align this deadline with the state aid help provided by the EC. Others were of the view that the 9 month cap could be extended to 12 months and some suggested to avoid any caps. One Member proposed to leave the decision on the cap for competent authorities (CAs) based on their national developments. One Member said that, while during the first wave their banks did not use the moratoria, in the second wave they were of significant importance. One Member pointed out that it would be possible under the proposal at hand that payment moratoria may still be granted in March 2021 for a period up to December 2021 which should be avoided by stating that payment moratoria should not go beyond June 2021.
10. Several Members questioned if the re-activation of the GL would be in the interest of individual borrowers and mentioned that individuals might benefit more from tailor-made solutions rather than general payment moratoria. They also noted a need for more transparency on the situation of banks and how they assess creditworthiness and any additional capital risks.
11. Many Members stressed that communication at the EBA but also national level was crucial regardless of the outcome of the discussion.
12. The ESRB representative noted that if the deadline was to be extended until March 2021, it would have impact also on the balance sheets of the banks as it would cover the end year and subsequently, would be mirrored in the upcoming stress test exercise.
13. One Member was of the view that the discussion was closely connected to the discussion on distributions policies and could be decided only in December when the decision on dividends

was to be taken. Other Member and the EC representative disagreed and stressed that the market was expecting decisions on the payment moratoria in the coming days.

14. One Member was of the view that the additional notification requirement on unlikeness to pay should hold for both legislative and non-legislative moratoria. The Director of PRSP confirmed that this will be reflected in the final version of the Guidelines.
15. The Chairperson concluded by noting that although there seem to be a majority in support of a reactivation of the Guidelines, diverging views also existed on several aspects. He said that the EBA staff would address these views in the amended GL which were to be circulated to the BoS for approval in written procedure. He also confirmed that the EBA would prepare a communication for the case the BoS approved the reactivation of the Guidelines.

## Agenda item 2 B): EBA Covid-19 measures – Distributions policies

16. The Chairperson reminded the BoS that at the last BoS meeting held on 29 October, Members agreed on the need of developing an EBA stance on distribution policies, including dividends and other distribution policies, like share buybacks and variable remuneration. Members also stressed the need to coordinate with the ESRB.
17. The EBA Director Economic Analysis and Statistics Department (EAS) summarised discussions at the working level and said that there was a view to continue a conservative approach in 2021, urging banks to refrain from distributing capital outside of the banking system when deciding on 2020 dividends and other distributions policies (incl. share buy backs) and to keep the variable remuneration of identified staff at conservative level and asking competent authorities to exercise supervisory scrutiny in those areas. He also mentioned that, following discussions at the experts' level, the EBA was considering, having in mind that exceptions might be possible, a set of criteria with focus on forward looking aspects to be set up to ensure the identification of exceptional situations, in which distributions may happen, as well as mitigating elements to keep the capital within the banking system. This would presumably include a reference to banks' performance in next year's stress test.
18. The ECB Banking Supervision representative questioned the added value of EBA's communication on distributions policies given that the SSM and ESRB were intensively preparing their opinion which should be known after the ESRB General Board meeting on 15 December. If the EBA would want to communicate nevertheless, he suggested to avoid setting up any criteria. Finally, he highlighted a need for coordination at the EU level and asked the EBA to refrain from any communication before 15 December.
19. Majority of Members were in favour of maintaining the current conservative approach and welcomed the idea of an EBA statement, e.g. stressing that this would strengthen the message to the outside world. Many of them stressed that any stigma effect on banks that could not or did not want to pay dividends should be avoided. Any relaxation should be prudent and with an aim to support the economy. On the criteria and exemptions, few Members asked for

further considerations and many Members said that there should not be any and pointed to a principal based approach. One Member suggested to introduce national criteria that could address local specificities. Other Member was cautious to introduce any specific and detailed criteria which might give a wrong impression that they were substituting regulation in this area.

20. Some Members were of the view that there was a time for a slow case-by-case relaxation of the policies and to allow banks with capital buffers that were sufficiently high, to start paying dividends. One Member noted that there should be a fair distribution within banking groups.
21. On the coordination issue, the BoS supported close liaison with the SSM and ESRB. Several Members noted that the EBA should form its opinion before the discussion at the ESRB level, so that it can be reflected in the ESRB GB meeting on 15 December. However, external communication should presumably be harmonised with the ESRB.
22. The EC representative supported the conservative approach and highlighted a prudent stance on capital distribution. She also asked to prevent stigmatisation of banks and to ensure that any criteria and deviations were carefully considered. Finally, she supported the coordinated communication.
23. The ESRB representative summarised discussion at the ESRB level and mentioned that the ESRB was planning to publish its opinion on 18 December.
24. The Chairperson noted the comments on the need for close cooperation with the SSM and ESRB as well as prevailing support for the current conservative/prudent approach. At the same time, he noted a non-supportive stance regarding diverging views on possible detailed criteria, but also support from some for a potential principal based case-by-case relaxation. He concluded by saying that the EBA would further discuss the issue internally and come up with a revised draft statement for the next BoS meeting.

### Agenda item 3: AOB

25. One Member suggested to include a discussion on the call for advice on Basel III on the December BoS agenda rather than having only written procedures on this item.
26. The Director of EAS explained that given the tight deadlines, there would not be enough time for a written procedure if the item would be discussed during the meeting.
27. The EC representative stressed a need to respect the already postponed deadline for submission.
28. The Chairperson concluded by confirming that the EBA would precede with a written procedure and that the Director of EAS would provide an update of the comments received at the BoS meeting in December.

## Participants of the Board of Supervisors' conference call

26 November 2020

Chairperson: Jose Manuel Campa

<u>Country</u>	<u>Voting Member/High-Level Alternate</u> <sup>1</sup>	<u>National/Central Bank</u>
1. Austria	Michael Hysek	Karin Turner-Hrdlicka
2. Belgium	Jo Swyngedouw	
3. Bulgaria	Radoslav Milenkov	
4. Croatia	Martina Drvar/Sanja Turkovic Petrinic	
5. Cyprus	Constantinos Trikoupis	
6. Czech Republic	Zuzana Silberová	
7. Denmark	Thomas W. Andersen	Peter E. Storgaard
8. Estonia	Andres Kurgpold	Timo Kosenko
9. Finland	Jyri Helenius	Katja Taipalus
10. France	Dominique Laboueix	
11. Germany	Raimund Roseler	Erich Loeper
12. Greece	Spyridoula Papagiannidou	
13. Hungary	Csaba Kandrac	
14. Ireland	Gerry Cross/ Mary Elizabeth McMunn	
15. Italy	Andrea Pilati	
16. Latvia	Santa Purgaile/Ludmila Vojevoda	
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	Adrian Cosmescu	
24. Slovakia	Vladimir Dvoracek/Tatiana Dubinova	
25. Slovenia	Primoz Dolenc/Damjana Iglic	
26. Spain	Angel Estrada/Alberto Rios	
27. Sweden Forsman	Karin Lundberg	Camilla Ferenius/David

  

<u>Country</u>	<u>Member</u>	<u>Representative NCB</u>
1. Iceland	Unnur Gunnarsdottir/Finnur Sveinbjornsson	

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Pascal Hartmann (FMA); Matthias Hagen (OENB); Kurt Van Raemdonck (NBB); Eida Mullins (CBI); Jose Rosas (Banco de Portugal); Michele Lanotte (Bank of Italy); Eida Mullins (CBI); Izabella Szaniawska (PFSA); Pawel Gasiorowski, (NBP); Petroula Georgaraki, (SRB); Vincent Woyames Dreher (ECB);

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|------------------|----------------------------------|
| 2. Liechtenstein | Markus Meier                     |
| 3. Norway        | Morten Baltzersen/Ann Viljugrein |

**Observer**

1. SRB

**Representative**

Sebastiano Laviola

**Other Non-voting Members**

1. ECB/SSM
2. European Commission
3. EIOPA
4. ESMA
5. EFTA Surveillance Authority
6. ESRB

**Representative**

Korbinian Ibel  
Nathalie Berger  
Kai Kosik  
Tomas Borovsky  
Marta Margrét Ö. Rúnarsdóttir  
Tuomas Peltonen

**EBA Staff**

Executive Director  
Director of Banking Markets, Innovations and Consumers  
Director of Economic Analysis and Statistics  
Director of Prudential Regulation and Supervisory Policy  
Department

Francois-Louis Michaud  
Piers Haben  
Mario Quagliariello  
Isabelle Vaillant

Philippe Allard; Lars Overby; Jonathan Overett Somnier; Francesco Mauro; Angel Monzon;

Tea Eger; Bernd Rummel; Andreas Pfeil; Djamel Bouzemaene; Roberta De Filippis; Valerie de Bruyckere

For the Board of Supervisors

Done at Paris on 11 January 2021

[signed]

José Manuel Campa

EBA Chairperson