



Hearing of the Chairpersons of the
European Supervisory Authorities,
Committee on Economic and
Monetary Affairs (ECON) of the
European Parliament

14/09/2015

Initial Statement of Andrea Enria, Chairperson of the EBA

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Check Against Delivery
Seul le texte prononcé fait foi
Es gilt das gesprochene Wort

Honourable Chair and Members of this Committee,

Major progress has been made towards the finalisation of the technical details of the banking reforms embodied in the Capital Requirements Directive and Regulation (CRDIV-CRR) and in the Bank Recovery and Resolution Directive (BRRD). Although there is a feeling of fatigue, both in the supervisory community and in the banking industry, the finishing line is now close. The EBA has endorsed 158 technical standards and guidelines; and a good share of the remaining 117 products that the EBA is due to deliver have already been submitted for public consultation and should be closed in the coming year, or at the beginning of 2017.

The focus of the EBA should soon gradually shift from the design of the technical prudential rules to their effective and consistent implementation by EU supervisors and to monitoring their impact on markets structures, business practices and on the availability, quality and pricing of the services that EU banks provide to their customers. Other regulatory issues, such as those linked to consumer protection, integrity and retail services - in particular payments services - are progressively rising in relevance within our agenda.

I am convinced that we have put in place a balanced and fit for purpose Single Rulebook. But the banks' response to the new rules could depart from our expectations, give rise to potentially harmful market developments, or lead to an outright circumvention of the requirements via financial innovation or migration of business to unregulated players. Our efforts to monitor the effects of the new regulatory framework could contribute to the comprehensive review that the Commission has recently announced. This review could also be an opportunity for reconsidering the flexibility of the Single Rulebook. My personal view is that too much detail is still embodied in Level 1 legislation and that following the rulings of the European Court of Justice it would be appropriate, in some very technical areas, to delegate further responsibilities to the EBA. A typical example would be in the area of supervisory reporting, where adjustments are frequently needed and hence templates are rather ill-suited for publication on the Official Journal. Such delegations could still require consultation and impact assessment processes in order to maintain the kind of transparent process we already run on our reporting technical standards.

Since my last annual hearing before this Committee much of the EBA's work has covered the development of the technical standards and guidelines required for the implementation of the new framework for bank recovery and resolution and deposit guarantees. The EBA has completed the bulk of its technical standards and guidelines in this area, including those addressing difficult issues such as the minimum requirements for own funds and eligible liabilities (MREL) and the valuation of derivatives. I also wish to mention that our cooperation with the Single Resolution Mechanism has started on a strong footing. However, delays in the national implementation of the BRRD are hindering the smooth set-up of the new framework; not all Member States have formally appointed National Resolution Authorities (NRAs) and this is having an adverse impact on the establishment of resolution colleges and, therefore, on resolution planning.

The EBA has also completed an important contribution to the Capital Market Union's project: our work on simple standard and transparent (SST) securitisation provided an in-depth review of the current regulatory framework, which led to the conclusion that the one-size-fits-all approach unduly damages the market for those relatively safe, plain vanilla securitisation products, which do not have those features that led to spectacular failures during the crisis. In its recent advice to the Commission the EBA recommended that a distinction is made in the regulatory framework between SST and other products and that the prudential requirements are better calibrated, to reflect the lower risk of simpler securitisation structures with good quality underlying assets.

The tightening of the prudential framework designed in the G20 agreements is close to completion. The EBA is working intensely on the reports on the net stable funding ratio and the leverage ratio. These reports are based on a factual analysis of wide sets of data to gauge the effect on different business models and lending behaviour. The recent global discussions on requirements for Total Loss-Absorbing Capacity (TLAC) for global systemic banks might also lead to adjustments, but the proposed changes are to a large extent compatible with the EBA standards on MREL. The major effort going forward will be to ensure consistency of risk sensitive capital requirements across the Single Market. The EBA issued a discussion paper which identifies possible solutions to address the issues that emerged in our analysis of Risk-Weighted Assets (RWAs) and suggests a sequence of regulatory fixes, aimed at enhancing consistency. We received constructive feedback during the public consultation and will soon be able to define a roadmap for our work. We also intensified our efforts on benchmarking of RWAs, with a view to help supervisors identify potential outliers and take appropriate actions where needed.

The EBA is dedicating much attention to an appropriate application of the principle of proportionality. We have been sharpening our approach, for instance in the work on recovery and resolution, and have also engaged in a wide-ranging dialogue with the industry that culminated in a very useful workshop on this subject. The application of the proportionality principle in the area of remuneration raises delicate legal issues and in our view will require changes to the Level 1 text.

We are also driving forward our supervisory convergence agenda, which is essential to ensuring the integrity of the Single Market in the new institutional set up created with the Banking Union. The EBA staff stepped up its participation in and feedback to supervisory colleges, where an

increasing number of joint decision processes and coordinated actions are taking place. Also, our focus moved to practical convergence tools, such as the supervisory handbook and training programmes for competent authorities' staff. We provided assistance to enhance supervisory cooperation in times of crisis, facilitating coordination to deal with spill-over effects across borders.

As you know, this year the EBA decided not to carry out the stress test exercise, as banks were still implementing the actions triggered by the 2014 exercise. However, our unique capacity to capture and analyse data across the EU banking sector will remain key for thematic risk assessments. And we have maintained our commitment to disclosure of relevant data: an extensive transparency exercise is under way and the relevant information will be published on our website towards the end of the year. In the meanwhile, we are designing the draft methodology for next year's stress test exercise, which will soon be submitted to an informal consultation with participating banks.

We continued our monitoring of trends potentially affecting consumers of banking services, with a particular focus on innovative products and practices. Following our Opinion on virtual currencies, we have issued a similar Opinion on crowd-funding and own initiative guidelines on the security of internet payments, which will apply until the requirements of the second Payment Services Directive (PSD2) come into effect. We also issued own-initiative guidelines on product oversight and governance, which apply to all products under the EBA's remit, and on creditworthiness assessment, arrears and foreclosure, and passporting of credit intermediaries under the Mortgage Credit Directive.

I hope this brief overview illustrates the work and achievements of the EBA over the past year. I look forward to addressing any questions that you may have for me.