



EBA MB 2017 059rev1

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EBA Staff

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04 April 2017

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Location: London

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## Management Board – Final Minutes

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### Agenda item 1.: Welcome, Approval of Agenda and Minutes

1. The Management Board (MB) approved the provisional agenda and the minutes of the MB meeting of 24 January 2017 (document EBA MB 2017 034).
2. The Chairperson informed of the state-of-play of the actions agreed at the latest meeting. He noted that, further to the publication of a call for candidates to the MB, three applications had been received. The new member would be elected at the meeting of the Board of Supervisors (BoS) of 3-4 May 2017.

### Agenda item 2.: Administrative and Operational Status Report

3. The EBA Director of Operations presented the report (document EBA MB 2017 041). He gave some detailed information on the status of the 2017 budget execution. He noted that, during the ongoing process for the European Parliament's discharge of the EBA 2015 budget, MEPs had called for greater transparency of EBA meetings, in particular a speedier publication of minutes of BoS meetings.
4. Moreover, he informed members on HR and IT matters, in particular, the delivery of both the e-Gate and Data Analytics projects, which were both on track and within budget.
5. The Commission representative clarified the Commission's procedure for the adoption of the EBA 2018 budget. He said that an Opinion by the College of Commissioners on the EBA 2018 Single Programming Document should be adopted within two months of the adoption (normally by end May) of the draft EU 2018 budget.
6. The MB took note of the administrative and operation status report.

### Agenda item 3.: EBA Whistleblowing Policy

7. The Executive Director submitted for approval the whistleblowing policy applicable to EBA staff (document EBA MB 2017 046). The policy had been reviewed by the European Data

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Protection Supervisor (EDPS), following which some adjustments to strengthen the privacy of communications by the whistleblower had been incorporated. The Ethics Officer and members of the EBA's internal anti-fraud team provided some further details on the scope of application of the policy and ways of reporting of which staff could avail themselves. He clarified that reports by staff who wished to remain anonymous would be considered by the EBA, and that the policy served to provide protection to those staff members who identified themselves when reporting fraud.

### Conclusion

8. The MB adopted the whistleblowing policy.

## Agenda item 4.: Decisions on HR Implementing Rules

9. The Executive Director presented three decisions for adoption: on protecting the dignity of the person and preventing psychological harassment and sexual harassment (document EBA MB 2017 052); on part-time (document EBA MB 2017 053); and on assessment of managerial performance (document EBA MB 2017 054).

### Conclusion

10. The MB adopted the decisions on protecting the dignity of the person and preventing psychological harassment and sexual harassment; on part-time; and on assessment of managerial performance.

## Agenda item 5.: EBA Relocation – High-level Plans

11. Further to the request by the MB at the 24 January 2017 meeting, EBA had prepared high-level plans detailing the impact of the relocation of the EBA offices following the UK's departure from the EU (document EBA MB 2017 055).

12. The Executive Director presented the plan, which contained a host of mitigating actions, based on two assumptions: a) the EBA would remain as a separate legal entity and, b) the move of EBA staff would take place during the school summer holidays. The impact assessment considered the following elements: budgetary impact of staff-related costs, office space (with a lower impact if the new hosting city provided the offices to the EBA), procurement needed to deliver services and supplies to the EBA (here, he explained the situation of the IT data centres) and the impact on the budgetary process given the uncertainty of the move. The EBA Head of Finance and Procurement Unit gave details on staff-related costs based on a model developed internally by the EBA which considered, among other things, various EU locations and possible timings for the relocation. It was explained that the location was an important factor given the diverging weighting coefficients applicable to staff salaries. An amending budget to address any financial shortcomings caused by the relocation would be needed where necessary.

13. Members discussed various aspects of the relocation. Their main concern related to staff losses.
14. As a mitigating measure to address possible staff losses, the EBA Director of Operations explained that the EBA could issue vacancy notices for various positions with a view to building up reserve lists. This could be done once the new location had been announced. The Executive Director said that, under the current rules, measures to compensate for a salary cut in case of moving to a location with a lower weighting coefficient than London's did not seem possible, although he acknowledged that a lower salary could be an important factor in deciding whether or not to continue working for the EBA. But he said that support to find accommodation, schools, language training, employment for spouses, etc. would be provided to staff to facilitate their and their families' integration in the new location.
15. The Commission representative clarified that the Commission did not have a say on the seat of agencies and that it was a matter for the Heads of State and Government. Moreover, no more information on the situation of UK nationals once the UK had left the EU was yet available at this stage.

## Conclusion

16. The MB took note of the report. The mitigating measures would be revisited once a decision on the new seat had been adopted.

## Agenda item 6.: Discussion on the Consultation on the ESAs Review

17. The Chairperson invited members to express their views on the Commission's public consultation on the operations of the ESAs (document EBA MB 2017 040), in particular whether the EBA should submit a response to the consultation. He noted that ESMA BoS had decided to submit a response, whereas EIOPA BoS would decide during its strategic meeting end of April.
18. Members agreed that the EBA should submit a response, and discussed at length its scope. Some members viewed that it should in principle cover all aspects of the consultation; whereas others considered that it should include only areas on which the EBA had some experience to share.
19. On the architecture of the ESAs, some members questioned the rationales for moving towards a twin peaks model which would imply a merger of EBA and EIOPA, whereas others remained open to the different options considered in the paper. One member opined that a change of architecture should be dictated by the need to address failures in the current architecture, which the consultation failed to identify. The Commission representative saw merit in the EBA making its views known given the relevance of the discussion, and invited the EBA to support the Commission services responsible for preparing the Commission's impact assessment of a draft proposal. One member suggested that the EBA opinion should be technical and based on broad BoS support. He saw it as inappropriate for the EBA to state its views on strategic

matters based on narrow majorities. The Chairperson concluded that the EBA's response should stay rather neutral on the institutional setup of the ESAs by just detailing the main aspects to consider for each of the options included in the consultation.

20. On ESAs governance, it was noted that the proposal of independent members in the Board seemed to address the issue of national bias in the regulatory-making process. Some members said that while there was a strong argument to break national links in supervisory activities, there was not such a strong case in regulatory activities; in particular, one member noted that the possible lack of exposure to local practices by independent members might be detrimental to the prudential objectives of regulation. They viewed that the number and nature of the tasks allocated to the authority should dictate the governance model. The Chairperson said that, for some tasks, e.g. breach of Union law or mediation, the inclusion of independent members could be well justified, an idea with which other members agreed. One member also considered that independent members would be more suitable for the MB rather than the BoS, and that the scope of the MB could be extended.
21. On the financing aspects, some members expressed their concerns with a market funding formula. They said that a fourth fee payable to the EBA, on top of those paid at national level, SSM and SRB, might not be welcomed. They, however, agreed that this was an opportunity to raise again the issue of an independent budget line in EBA's budget.
22. On delegation of powers to the ESAs, members shared their views on the topics covered by the consultation paper. They agreed that it was a good opportunity to reopen the discussion and ensure the granting of such powers to the EBA.

### Conclusion

23. The MB agreed with an EBA contribution to the Commission's public consultation. A draft contribution would be circulated to the MB before tabling it at the BoS meeting on 3-4 May.

### Agenda item 7.: Process Note on ECAI Monitoring and Mapping

24. The EBA Director of Regulation presented a paper (EBA MB 2017 048) setting out a prioritisation plan for the EBA's forthcoming work on External Credit Assessment Institutions (ECAIs) mandated under Articles 136 and 138 of the CRR. She explained some elements of that planned work, e.g. priority would be given to producing mappings for newly established ECAIs; furthermore, a strategy would be adopted to monitor existing mappings.
25. On a question by the Commission representative, it was explained that the update of mapping of existing ECAIs would be justifiable and on the basis of a reference to objective benchmarks.

### Conclusion

26. The MB agreed with the EBA's planned work on monitoring and mapping of ECAIs.

## Agenda item 8.: Data Infrastructure Project: Report of Workstream 1

27. EBA staff presented the final report of Workstream 1 of the data infrastructure project (document EBA MB 2017 050). He explained the main findings and outcomes of the Report, amongst other: a) the Report did not expand the scope of the project but would delimit and clarify the boundaries of the new system; b) there would not be any additional reporting obligations for institutions, and the EBA would only collect information already available at national level, automatising the process of reporting; c) the quality assurance process would remain unchanged for larger institutions, whereas for smaller ones, during a phase-in period the EBA would set the highest possible tolerance level for quality assurance and it would not reject any data submitted, with the only requirement that the files should comply with XBRL standards; and d) the sequential approach would be a fundamental aspect of the project, whilst clarifying the role of the ECB.
28. Members discussed the sequential approach in the submission of reporting data. It was recalled an exchange of letters with the ECB in which the ECB suggested considering an option where national competent authorities (NCAs) would provide the information to the EBA and thereafter the EBA would make the information available to the ECB (reverse sequential approach). Several members saw the sequential approach as the more natural. One member asked that, whatever the option (sequential approach or its reversal), the EBA should prevent incompatibility issues with the IT systems of NCAs. It was also asked to extend the sequential approach to master data. EBA staff confirmed that EBA's opinion was that any solution regarding the data workflow for SSM countries (sequential approach or its reversal) should be consistently applied to all institutions and to all data workflows.
29. The maintaining of the quality and completeness of data was deemed crucial for some members, who demanded clarity on the implications for CAs. EBA staff confirmed that, to ensure the quality of data, the EBA would check that institutions would not be failing to meet official and binding validation rules embedded in the ITS on supervisory reporting. But in any case, to avoid additional workload for NCAs, the EBA would apply these rules at database level, once data would be accepted by the system and integrated in the datawarehouse. As soon as LSIs' data would be validated, the EBA would report back to NCAs. Members expressed appreciation for the reference in the report to the need to avoid discrepancies in published data between EBA and NCAs.
30. Another concern by members was the possible disruption that could be caused to the project by a future relocation of the EBA, or even its merge with EIOPA. The Executive Director took note of it, and he said that, in that case, the MB would be informed and the EBA would take action. Should the EBA merge with EIOPA, the IT risk should be minimised since the IT infrastructure was procured jointly for both organisations, with the same IT provider, thus migrating the EBA's IT infrastructure to a different IT data centre would follow a common protocol.

## Conclusion

31. The MB endorsed the report, that would be tabled at the BoS meeting on 3-4 May for endorsement.

## Agenda item 9.: Discussion on Valuation Issues: NPLs Write Down, Transfer Pricing for AMC and Valuation under Resolution

32. The Chairperson presented a note asking the MB whether the EBA should work towards a policy framework providing for a holistic view on valuation issues (document EBA MB 2017 058). He noted that, while the RTS on valuation for the purposes of resolution should be finally adopted by the EBA in the coming weeks, a number of other areas concerning the valuation of impaired assets had been identified. In this light, EBA staff had considered that it might be worth adopting a consistent policy approach on valuation matters arising in both the supervisory and resolution phases of credit institutions.

33. Members took note of the arguments for the case of a holistic policy approach. However, they failed to see the specific problem that such an approach would aim to solve. While many different aspects under supervision and resolution could be tackled, it should be decided whether it should be extended to other specific areas not mentioned in the staff note. In view of this, members agreed that, for the time being, this discussion should be postponed.

## Conclusion

34. The MB agreed to not proceed with the EBA staff proposal.

## Agenda item 10.: Consistency of P2G/P2R with Stress Test Results

35. The EBA Director of Oversight presented a note (EBA MB 2017 057) in furtherance of the discussion held at the BoS meeting of December 2016, where the views of members were sought on using a TSCR (Total SREP Capital Requirements) or a fixed threshold for the calibration of Pillar 2 Guidance (P2G). The topic of P2G was being discussed at different policy tables and the MB's views would be welcomed on whether additional discussion, e.g. June BoS, would be needed. He said that this discussion would not impinge on the ongoing EBA's work on drafting of the revised SREP Guidelines, where a quantitative assessment of P2G was being performed. He then presented the different arguments for and against using TSCR or a flat threshold. He explained that it was necessary to adopt a conceptually correct approach, consistent with the SREP guidelines while facilitating comparable approaches and allowing consistent outcomes across the EU. He thus sought the views of members, in particular, whether there would be other policy considerations to take into account, how to consider different approaches to arrive at a net P2 when determining the stress impact for the determination of P2G, and whether EBA's work should focus on a microprudential perspective when establishing P2G.

36. Members shared their views on the matter. They viewed that it would be necessary to retain a certain degree of flexibility without committing once and for all to either of the approaches. One member opined that while the TSCR was conceptually the right thinking, there were many types of stress tests used by supervisors, thus a way of arriving at a net P2G would be by adding an additional adjustment to the maximum stress impact considering types of stress test (e.g. static balance sheet, severity of macro hypotheses, methodologies, types of risks considered, etc.). Two members expressed their preference for considering the TSCR as a conceptual approach. Another member said that two things should be born in mind, first, the adoption of P2G was not meant to be a fixed solution but a pragmatic way of solving the MDA issue and bringing together different approaches to P2; and second, P2G should not be binding, thus its breach should be treated in a precautionary manner. The Chairperson confirmed indeed that P2G was meant to be stress test-related and to be used where necessary.

37. The Commission representative said that, from a Commission services' perspective, the TSCR would be the preferred option as they had always viewed P2 as idiosyncratic and of a microprudential nature. He however recalled the need to ensure that the final EBA approach should remain fully compatible with any related future developments in the ongoing negotiations on the CRD/CRR November package.

## Conclusion

38. A discussion would be held at the BoS 27-28 June meeting, for which the document tabled at the MB would be further elaborated with the results of the empirical analysis and consulted with the Standing Committee on Oversight and Practices (SCOP) and the ECB.

## Agenda item 11.: Provisional Agenda for BoS 3-4 May Meeting

39. The Chairperson invited members to provide their comments on the draft provisional agenda for the BoS meeting of 3-4 May 2017 (document EBA MB 2017 049).

40. Members asked to include an update on the EBA's work on FinTech, and on the prudential regime of investment firms.

## Agenda item 12.: AoB

### – IAS Annual Audit Plan

41. The MB took note of the communication by the Commission's Internal Audit Service (document EBA MB 2017 047) informing the EBA that the new topic selected for auditing was Information Security, due to start in the last quarter of 2017.

– **NPLs data standardisation**

42. The Chairperson informed the MB of a letter by Vice-President Dombrovskis requesting the EBA to investigate the possibility of issuing guidelines on NPLs data standardisation for the purpose of valuation and due diligence in order to facilitate non-performing loan sales.

– **BoS Away Day Agenda**

43. The Chairperson invited members to suggest topics for the BoS Away day, to be held in Tallinn, Estonia, on 13-14 July 2017, in order to draft an agenda and invite speakers.

– **Administrative issue**

44. The MB agreed to a proposal by the Executive Director on the maintaining the position and grade of an EBA staff member who opted out of her managerial role.

**END OF MEETING**

**Andrea Enria**

**Chairperson**



## Participants at the Management Board meeting

04 April 2017

**Chairperson** Andrea Enria  
**Alternate Chairperson** Pedro Duarte Neves

<b><u>Country</u></b>	<b><u>Member/Alternate</u></b>
Denmark	Jesper Berg
France	Édouard Fernández-Bollo
Italy	Luigi Federico Signorini
Poland	Andrzej Reich
Spain	Fernando Vargas Bahamonde

<b><u>EU Institution</u></b>	<b><u>Representative</u></b>
European Commission	Dominique Thienpont

<b><u>EBA Staff</u></b>	
Executive Director	Adam Farkas
Director of Operations	Peter Mihalik
Director of Oversight	Piers Haben
Director of Regulation	Isabelle Vaillant

Fergus Power; Lars Overby; Spyros Zarkos; Philippe Allard; Gaetano Chionsini; Santiago Barón Escámez