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EBA Staff

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03-04 May 2017

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Location: London

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# EBA Board of Supervisors – Final Minutes

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

1. The Board of Supervisors (BoS) approved the agenda of the meeting. The Chairperson noted that the minutes of the meeting of 14-15 February, approved by written procedure on 3 April, were published already. In order to accelerate their publication, as requested in the Opinions of the European Parliament’s Committees on Economic and Monetary Affairs (ECON) and on Budgetary Control (CONT) on the discharge of the EBA 2015 budget, the minutes of BoS meetings would be approved by written procedure rather than at subsequent meetings of the BoS.
2. The Chairperson informed of the appointment of new voting members and high-level alternates from the Czech National Bank (Ms Zuzana Silberová and Ms Marcela Gronychová, respectively) and the Central Bank of Ireland (Mr Gerry Cross and Ms Mary Burke, respectively), and of a new voting member from the Bank of Slovenia (Mr Marko Bošnjak).
3. He invited members to suggest topics for the agenda of the Away day meeting in Tallinn on 13-14 July.

## Agenda item 2.: Election of one Member of the Management Board

4. In order to fill a vacancy in the Management Board (MB) and further to a call for nominations launched on 15 March, three voting members applied for the position. An election took place according to the relevant provisions of the BoS Rules of Procedure.

### Conclusion

5. The BoS elected Jo Swyngedouw as member of the MB for a first term of 2.5 years with immediate effect.

## Agenda item 3.: Election of Substitute Members of the Mediation Panel

6. Following a call for nominations on 13 March to fill three vacancies for substitute members of the Mediation/Breach of Union Law Panel (the Panel), two applications were received. An election took place in accordance with the EBA founding Regulation and the BoS Rules of Procedure.

### Conclusion

7. The BoS elected Csaba Kandrács and Raimund Roeseler as substitute members of the Panel. Another call for nominations would be launched to fill one vacant position for substitute member.

## Agenda item 4.: Amendment of the Rules of Procedure of the Mediation Panel

8. The Chairperson presented a number of amendments to the Rules of Procedure for the settlement of disagreements between competent authorities ('binding mediation') and the Rules of Procedure for non-binding mediation. Some of the amendments reflected the incorporation of some acts of EU financial law into the EEA Agreement, whereas other amendments aimed at facilitating the appointment of alternate members from the EBA's Standing Committee on Resolution (ResCo) for mediation cases involving resolution authorities in matters under the BRRD.
9. There was a request to fine-tune the wording of Article 9.1 f) and h) to avoid giving the impression that the EFTA Surveillance Authority would be under the obligation to adopt EBA acts.
10. Some members requested further clarification of the wording on the nomination of alternate members from ResCo. One member asked that alternate members should be appointed from among resolution authorities of Member States. Another member asked EBA to think about the possibility to have a mixed mediation panel, in case of conflicts between a supervisor and a resolution authority. Others questioned the observance of the provisions on the mediation panel in the EBA founding Regulation. In view of these comments, the Chairperson noted that the EBA was in dialogue with the Commission in order to highlight the need to assess and adjust the relevant provisions of the EBA founding Regulation to ensure that members of ResCo could be directly appointed as members of the Panel for cases involving disagreements between Resolution authorities. Such change would provide for a legally sound long-term solution of the existing problem.

## Conclusion

11. The BoS approved the amendments to the Rules of Procedure of both binding and non-binding mediation, including a slight rewording of Article 9.1 f) and h) of the RoP for binding mediation. The possibility of a legislative change to provide for the direct appointment of ResCo members in the Panel would be raised with the European Commission, Council and European Parliament.

## Agenda item 5.: Update on Risks and Vulnerabilities

12. The EBA Director of Oversight presented the latest update on risks and vulnerabilities of the European banking sector. He explained the evolution of CET1 ratios in the sector, and noted that asset quality remained a concern, with a large variability across EU jurisdictions. With regard to profitability, he said that the weighted average return on equity (RoE) in 2016 was below the 2014 and 2015 year end levels, and noted that countries with negative RoEs were also affected by increased impairments for loan losses. The floor then was given to the Chair of the Standing Committee on Oversight and Practices (SCOP), who presented a note on banks' RoE and cost of equity (CoE). He discussed whether CoE could be a valid measure to identify banks' sustainability; and explained why, contrary to RoE, CoE had not fallen over the past years.

13. One member explained to BoS the state of play of the so-called 'Russian Laundromat' case involving banks under the group supervision of his authority. The members of supervisory authorities where the branches of banks had been established in those activities explained the actions they had taken.

14. Some members mentioned the situation concerning impaired assets and profitability issues in their jurisdictions. One member noted that low profitability levels should be expected for the future; but added that while in general RoE remained too low, in more than 10 countries the RoE levels were above 10%, which was a very positive sign. Other members also noted that the improving macro and interest rate prospects could support profitability. Members also welcomed the EBA's suggestion to conduct deeper bank-by-bank analyses.

## Conclusion

15. The Chairperson invited members to use the BoS setting to share experiences and cooperate in matters of cross-border operations, such as the 'Russian Laundromat'. He welcomed the analysis on banks' RoE and CoE presented by the SCOP Chair and invited the drafting team to add some further granularity and comparison with other jurisdictions, e.g. US and Japan, following which the paper could be circulated to external supervisory bodies.

## Agenda item 6.: Discussion on 2017 EU-wide Transparency Exercise

16. The EBA Head of the Risk Analysis Unit presented the key elements of the 2017 EU-wide transparency exercise. The exercise would focus only on COREP/FINREP reporting data

covering the period 2016 Q4-2017 Q2 and, similarly to 2016, it would be published at the same time as the Risk Assessment Report (RAR). In terms of sample, only banks at the highest level of consolidation in the EU would feature in the exercise, even if some could be exempted in case of exceptional circumstances. He asked the BoS to approve the disclosure templates (same as in 2016 but including leverage ratio), the sample and references dates for 2017, as well as the timelines and next steps in the process, in particular the communication envisaged with banks and competent authorities (CAs).

17. Members agreed with the transparency package. Some members raised a few minor technical issues with regard to some specific banks, that would be discussed bilaterally with EBA staff.

### Conclusion

18. The BoS approved the EBA staff proposal for the 2017 EU-wide transparency exercise. Individual cases of the sample of banks would be discussed bilaterally between EBA staff and the concerned CAs.

## Agenda item 7.: Discussion on 2018 EU-wide Stress Tests

19. The Chairperson introduced a discussion on the methodology for the 2018 EU-wide stress test. This first input from the BoS would allow the EBA to start engaging with banks and get some feedback before the approval of the final methodology by the BoS in September. He appreciated the EBA staff's and STTF's efforts but expressed his concern that, despite recurrent calls to simplify it, the methodology remained too complex, with some elements appearing to reduce the stress test impact.

20. The EBA Director of Oversight presented the main elements of the methodology, as well as the changes with respect to the 2016 exercise concerning credit risk (including the needed assumptions for IFRS9 implementation), market risk (e.g. one adverse scenario instead of three), net interest income (NII), conduct risk and other operational risk, and other income and expenses. He explained that the process to determine the sample of banks for the 2018 exercise would follow the same principles as in 2016. He then sought the BoS views on two specific issues that were proposed by the ECB, a) treatment of zero rate deposits, and b) treatment of extraordinary adjustments of starting point balance sheet data for events occurring after the starting point date.

21. Members agreed with the approach suggested for the sample of banks.

22. On the treatment of zero rate deposits, some members supported the option of waiving banks from the requirement to stress them if they could provide historical evidence for the stickiness of deposit rates and for the share of zero share deposits for which such evidence would be provided. But others did not support this option, and argued that, if accepted, a clear methodology and conditions should be put in place. As the methodology hadn't been finalised, another option raised was to consult industry on this specific point.

- 23.Regarding the treatment of extraordinary ex-post adjustments, members expressed different views. Some argued in favour of this option, noting that they should be included if such adjustments were based on correct and completed data, and if they would occur during the stress-test period. Others viewed that the matter had been discussed at length for some time, and even if applied only in a few, exceptional cases, it would run counter the static balance sheet approach, since experience told them that no clear delineation would be possible and ex-ante clarity on decision-making would be essential.
- 24.On the possibility of introducing an overlay or cap on the impact of NII, members asked the EBA's Stress Test Taskforce (STTF) to conduct further work and come up with a proposal or even ask for industry input on its viability.
- 25.Members also discussed conduct risk and the operational risk elements of the proposed methodology. On the potential to include a floor for material conduct risk events, on which industry would be consulted, the STTF was asked to do more internal work before suggesting a proposal, such as to determine the size of the floor and conditions for its application including its possible use for quality assurance purposes. A few members viewed that it would be difficult to justify the inclusion of a floor, with one member noting the difficulty in correlating past events and future losses, thus supporting the need to have some discretion in the assessment.

### Conclusion

- 26.The BoS agreed to publish a methodology for consultation which would include a question on the evidence required for a differentiated treatment of zero rate deposits. Regarding the treatment of extraordinary ex-post adjustments and conduct risk, more internal work would be done before including a proposal in the methodology.
- 27.In terms of process, the draft methodology would be finalised by end-May and submitted to the BoS by written procedure for the informal consultation with industry in June/July. A final decision by the BoS on the methodology and templates would be due in September/October 2017.

## Agenda item 8.: Final Guidelines on ICT Risk Assessment under SREP

- 28.The EBA Director of Oversight introduced the final Guidelines on ICT Risk Assessment under the SREP. He underlined that they would complement the existing EBA SREP Guidelines on the assessment of ICT risk under the operational risk assessment, and would apply as of 01 January 2018. Although initially published as a standalone document, the Guidelines would in the future be integrated into the SREP Guidelines to enable easier reference for CAs.

### Conclusion

- 29.The BoS approved the final Guidelines on ICT Risk Assessment under the SREP.

## Agenda item 9.: Consultation Paper on Draft Recommendations on Outsourcing to Cloud Service Providers

30. The EBA Head of Supervisory Convergence Unit presented a consultation paper on recommendations on outsourcing to cloud service providers which provided a common guidance for the use of services of cloud service providers by institutions. She explained the main features. Regarding the right to audit, it was explained that outsourcing institutions should ensure that they have in place an agreement in writing with cloud service providers whereby the latter would grant to the CA supervising the outsourcing institution, or any third party appointed for that purpose by that authority, unrestricted rights of inspection and auditing of the outsourcing institution's data (recommendation 10.b)).
31. Members asked why the recommendations were not addressed to payment institutions. It was explained that the idea would be to cover them at a later stage, even if PSD2 also included provisions on outsourcing. It was agreed to make a reference to this in the communication accompanying the publication of the consultation paper.

### Conclusion

32. The BoS endorsed for publication the consultation paper.

## Agenda item 10.: Consultation Paper on draft RTS on Criteria for Applying Simplified Obligations

33. The Chairperson presented a consultation paper on draft RTS on the criteria under which CAs and resolution authorities could apply simplified obligations for recovery and resolution planning to institutions under their jurisdictions. He explained that these RTS would replace the Guidelines adopted by the EBA in 2015 on the same subject. The Head of Supervisory Convergence Unit noted that the RTS proposed that institutions should not be eligible for simplified obligations where their total quantitative score would be equal to or higher than 25 bps, a threshold that had been calibrated based on a data collection exercise. However, CAs were left with the discretion to raise or lower this threshold and set it within the range of 0 and 105 bps based on the specificities of their banking sector.
34. Members supported the consultation paper. Some expressed concerns with the calibration of the quantitative score and opined that it did not seem suitable to their jurisdictions given the characteristics of their banking sector. They warned against the unintended consequences of the calibration, and asked for the inclusion of a question in the consultation paper to gauge the views of stakeholders.
35. On the assessment of international banking groups, the RTS provided that the assessment of institutions should be made at the level of the parent undertaking in the Member State where the institution had been authorised or an individual institution in case of a single entity presence, and the eligibility criteria should be met in each Member State for a group to qualify

as eligible. On a request to better clarify this in the draft, the Head of Supervisory Convergence Unit suggested that this would be addressed after the consultation. One member stressed the need for a clear definition of ‘small institutions’ to avoid unclear situations. Other members asked for a clarification regarding the possibility to combine the use of resolution tools and simplified obligations in the resolution planning process. It was explained that resolution authorities may grant simplified obligations even where the preferred resolution strategy of the simplified resolution plan would involve the application of resolution tools (formerly included in recital 2). Some members requested that this should be clarified in a Q&A simultaneously with the RTS.

### Conclusion

36. The BoS endorsed the consultation paper for publication, including a question on the possible unintended consequences of the calibration.

## Agenda item 11.: Discussion on the Way Forward on the Treatment of CVA under SREP

### Agenda item 12.: Issues Note on CVA Monitoring

37. The Chairperson explained the situation regarding the guidelines on treatment of CVA risk under SREP, which would provide a common approach to the identification and assessment of material CVA risk, while introducing a series of quantitative threshold. He noted the uncertainty concerning the BCBS’s work on the CVA framework, and the questions on the proposal to include additional Pillar 2 capital requirements. That, together with some signs that the CRDV may continue to include exemptions for CVA risk, led the Chairperson to propose to BoS two options: either finalising the guidelines with some adjustments, or stopping the work on the guidelines and instead carry out a yearly monitoring of CVA risk, starting with the 2016 exercise. He also sought the BoS views on the publication of the 2015 CVA monitoring exercise.

38. Some members expressed their concern with putting on hold the finalisation of the guidelines. They noted the importance of having certainty around CVA risk, and said that the guidelines would facilitate the convergence of supervisory practices in this area. Some members suggested that the EBA could do some work, less prescriptive than previously envisaged in the guidelines but to ensure greater consistency in addressing CVA risk. With regard to the EBA’s suggestion to continue monitoring CVA risk, members supported the start of a 2016 monitoring exercise, which in their view sent a positive message to market participants on the EBA’s intentions.

### Conclusion

39. The BoS agreed to publish a report on the 2015 CVA monitoring exercise, which would be accompanied by a piece of communication. The BoS agreed to start the 2016 CVA monitoring

exercise. The work on guidelines would be put on hold; the EBA would follow up the BCBS developments on CVA risk treatment and based on that, the BoS would hold another discussion on proposals for greater consistency and convergence.

### Agenda item 13.: Discussion on Brexit

40. The BoS approved the Brexit-related work programme. Members were invited to provide their comments on the EBA's work programme and governance such as to finalise it and start off with the work. Another discussion, including on the governance of the work, would be held at the BoS 27-28 June meeting.

### Agenda item 14.: Discussion on the Commission's Consultation on the ESAs Review

41. The Chairperson introduced a draft EBA Opinion in response to the Commission's public consultation on the operations of the European Supervisory Authorities (ESAs). The EBA Head of Policy Analysis and Coordination Unit provided details of the content of the draft Opinion, and explained that the ESAs had held discussions with a view to coordinating their views on some areas, e.g. on supervisory convergence.

42. Members exchanged their views on the different areas covered by the consultation, namely tasks and powers, governance, supervisory architecture and funding. A majority of members disagreed with the proposal of independent members in the Management Board (MB), with some alleging that the MB had worked smoothly so far and there was no case to change its governance. Since governance was a sensible matter touching upon the balance of powers between CAs and EU institutions, one member invited the EBA to keep a low profile on any such proposals. With regard to the ESA's joint committee, one member noted that its working arrangements should be made less cumbersome than at present. Another member said that the participation of EBA in discussions at Council-level should be proposed.

43. On funding, a majority of members agreed that there was a case for changing the current arrangements for they were not sustainable. Some members did not agree with an industry funding model given the current pressure on banks to fund CAs at national and EU-level. Other members said that the ESAs funding should come entirely from the EU's budget, and others argued in favour of maintaining the current financing formula. The option of various funding systems for the ESAs in view of their different competences was also mentioned.

44. Regarding the ESAs' supervisory architecture, some members expressed their disagreement with the consultation's proposal to merge EIOPA and EBA, amongst other things for the difficulty to reconcile issues across the two sectors – e.g., it was mentioned that there did not exist a common framework for resolution in the insurance area -, and argued in favour of using this consultation to reconsider the overall supervisory and resolution setting at EU-level.



45. Members exchanged their views on the EBA's proposals on own funds, which called for a mandatory prior consultation for all new types of capital instruments. Some members viewed that such proposal was not proportional for it could slow down the process for approval of capital instruments. Concerning consumer protection, one member said that there was a need for a clear, express mandate in level 1 legislation.
46. With regard to the EBA's participation in international bodies, some members said that EU institutions should have an important role to play; but disagreed that they should replace CAs in such fora.
47. A few members opined that, given the variety of issues at stake and the diverging views held by CAs, this should be articulated as an EBA staff opinion or similar rather than as an EBA Opinion. The Chairperson however viewed that an EBA staff opinion would probably have a different tone and content than the one tabled at the BoS, which tried to provide a balanced opinion of the different issues at stake and reflected a prior discussion at the MB.

## Conclusion

48. The Chairperson noted that the governance discussion was controversial and opined that, for different EBA mandates, it might be appropriate to have different arrangements. On the Joint Committee, he favoured changes to its governance since it was a key body to articulate the ESAs cooperation, however its decision-making was not fit for purpose. Regarding funding, he recalled that in the past the EBA had advocated for a budget independent line as a means to alleviate the constraints in the EBA financing arrangements; he thus viewed that any formula that could achieve such alleviation would be welcomed. On own funds, he suggested to align the text with the main points of the Opinion discussed later in the meeting.
49. The draft Opinion would be amended and re-submitted to the BoS for approval via a written procedure.

## Agenda item 15.: Update on the EBA's Work on the Prudential Regime of Investment Firms

50. The EBA Director of Regulation updated the BoS on the EBA's work on the prudential regime of investment firms. She explained that a new framework with three classes of investment firms, with different criteria for their identification, would be recommended. She referred to the proposals to calculate capital requirements, based on capital proxies or K-factors for two broad types of risks - risk to customer and risk to market access, as well as to liquidity requirements and governance. She noted that a first calibration had been carried out already although a second one would be launched to detail and confirm the outcomes of the revised design. She invited members to share their views on the proposals such that a final report could be tabled and approved at the BoS 27-28 June meeting.

51. While members supported in general the proposed categorisation as well as the K-factor approach to calculate capital requirements, several mentioned that firms included in Class 3 were now too many, and the new criteria for classification between Class 2 and Class 3 should be reviewed. Some others mentioned that still many details had to be finalised, e.g. on governance and remuneration; also to ensure that the calibration of the K-factors worked well. One member noted that the issue of capital requirements for firms trading on own account had to be properly addressed given the market impact in case of failure. A request was made to clarify the treatment of Pillar 2.
52. The Commission representative alerted the EBA of the tight timelines to approve this work, in view of the planned launch by end year of a Commission's proposal on investment firms, for which EBA's input and data would be necessary to support the recommendations in the EBA's report for approval at BoS 27-28 June.

### Conclusion

53. The Chairperson thanked members for their support to the classification options and the capital and liquidity requirement approaches. It was confirmed that indeed more work had to be conducted on the calibration of the K-factors, in particular for firms trading on own account, as well as on governance and remuneration.

### Agenda item 16.: Data Infrastructure Project: Report of Workstream 1

54. The Executive Director presented the final report of workstream 1 of the data infrastructure project, during which an assessment of the functioning of the EBA's system for the collection of bank data from CAs had been conducted. He explained how the three conditions that BoS had considered necessary for the project had been addressed; and informed of the discussion held at the MB meeting of 4 April, where members had approved the report although had expressed their concerns regarding the budget and the potential coincidence of the implementation of the project with the EBA's relocation in view of Brexit. The Project Manager gave more details of the report.
55. Members endorsed the report. They noted again that the sequential approach was crucial for the success of the project and asked the EBA to stick to this approach and to check with the ECB the feasibility of its extension also for the provision of master data. In this regard, the ECB Supervisory Board representative expressed some concerns on the impact the project would have on the ECB resources. Some members expressed also their concerns with the timelines envisaged for the roll-out of the project, and drew the EBA's attention to the workload and costs that the reporting of data from CAs to EBA could cause. They also asked for the standing committees and expert groups to be properly involved. For these reasons, a few of them asked the EBA to postpone the project. The Executive Director however noted that while recognising some implementation issues at both EBA and national level, the project was progressing

according to schedule and there was not yet a case for such delay, but agreed that in case adjustments were deemed necessary, the BoS would be consulted.

56. The Chairperson showed his readiness to engage with the ECB to address the issues raised, but reminded again that the quality check of data from less significant institutions (outside the remit of the SSM) would not be the ECB's responsibility. He reassured the BoS that from the EBA's perspective the sequential approach was key for the implementation of the project. In terms of costs, he noted that the burden sharing appeared to be an internal issue for the ECB Supervisory Board to be discussed and agreed with relevant national CAs.

57. On a request to provide further information on the integration of data from the credit institutions register (CIR) with the master data, the Executive Director informed that this would be performed during workstream 2, a report of which would be discussed by BoS once completed.

58. The EIOPA representative offered to share with the EBA EIOPA's experience on the reporting of data from more than 5,000 institutions, which had required some legal agreements.

## Conclusion

59. The BoS approved the report of workstream 1. EBA staff would continue engaging with CAs to clarify the issues raised and would liaise with the ECB to finalise an agreement on the sequential approach.

## Agenda item 17.: Update of the CET1 List 2017 and CET1 Report and EBA Opinion on Own Funds in the Context of the CRR Review

60. The Head of Capital, and Assets and Liabilities Management Unit presented an update of the CET1 list of instruments, which was accompanied by a report providing details on the work done to establish the list. The report contained the main results of the monitoring and assessment of some types of CET1 instruments, mainly new types issued after the CRR entry into force, highlighting areas where the EBA deemed it necessary to amend the terms and conditions or the national laws to ensure compliance with CRR and RTS requirements. In particular, she sought the BoS's views on the addition of a new type of instrument in the CET1 list. Likewise, she sought the BoS's views on the issue of the reinstatement of voting rights in the absence of dividends and the issue of 'loyalty shares' for which several legal opinions had been submitted to the EBA by one institution.

61. Members supported the publication of the CET1 report. Regarding the reinstatement of voting rights in the absence of dividends, all members except one agreed with SCRePol's conclusion as reflected in the draft report presented to the BoS, and some members stressed that the EBA should be careful not to open the door to the introduction of new features on flexibility of payments for CET1 instruments. On 'loyalty shares', the BoS supported the conclusions and the way forward recommended by SCRePol.

62. The EBA Director of Regulation introduced a draft EBA Opinion on Own Funds, addressed to the Commission and EU co-legislators in the context of the review of CRR/CRD. The draft proposed, amongst other things, the strengthening or, in places, the clarification of powers of the EBA with regard to the CET1 list. In particular, it was proposed to make explicit that the EBA could either not include or remove all forms of instruments from the list and not only instruments issued after the CRR entry into force. The draft also included, inter alia, proposals relating to the restriction on distributions for MDA purposes and to the reduction, redemption and repurchase of capital instruments.

63. Members supported the Opinion. Various comments referred to extending the grandfathering clause with regard to the point of non-viability to more general cases, and including some changes to the definition of MDA, as discussed by SCRePol at its meeting of 27-28 March 2017.

### Conclusion

64. The BoS adopted the Report on CET1, the updated CET1 list and the EBA Opinion on Own Funds for publication.

## Agenda item 18.: Update on IFRS 9 Second IA Report

65. The Head of Capital, and Assets and Liabilities Management Unit gave an update on the second exercise on the impact of IFRS9, launched in November 2016. This second exercise was more focused than the first exercise on own funds, interaction between IFRS9 and other prudential requirements, and implementation issues. She explained some of the current observations of the exercise, and informed BoS that a final report would be tabled for approval at the June 2017 meeting.

66. Members welcomed the update. The Chair of SCARA added that the SSM was conducting a thematic review on this subject, and based on that SCARA would look further into the subject and propose actions if needed, e.g. guidance for banks. He also said that the ESRB was looking into the macroprudential dimension and procyclicality, and would be expected to have some results by June. The SSM representative indicated that the impacts found under its thematic review were comparable to the EBA findings. Finally, it was noted that the area of interaction IFRS9 and output floors would also be looked into, in particular with regard to capital requirements.

### Conclusion

67. The BoS took note of the update.

## Agenda item 19.: Update on EU RCAP on the LCR and EU Grading

68. EBA staff gave an update on the state of play of the Regulatory Consistency Assessment Programme (RCAP) of the Liquidity Coverage Ratio (LCR) in the EU, and explained the situation

with regard to the preliminary findings of the Assessment Team as well as the preliminary and tentative grading, both general and for each of the LCR sub-components.

69. On a few questions by members, it was explained that the compliance determination would be based on the quantitative thresholds and deviations set for the banks in the sample (20) as well as on some supervisory judgement as permitted by the RCAP methodology. Furthermore, such determination would take into account not only the average of the sample but also the situation of each individual bank.

### **Conclusion**

70. The BoS took note of the update.

## **Agenda item 20.: Final Report on final draft ITS on Standardised Format of Document and Symbol under PAD; on draft final ITS on Fee Statement and Symbol under PAD; and on draft final RTS on Terminology for Banking Services under PAD**

71. EBA staff presented the final report on three technical standards that would complete the EBA's work under the Payment Account Directive (PAD). She explained the main features of the technical standards, and noted that the final draft RTS on terminology for banking services contained itself a translation in all EU official languages of a standardised list of terms and definitions.

72. One member asked for a small correction in the Latvian translation.

### **Conclusion**

73. The BoS approved the three final draft technical standards for publication and transmission to the Commission for endorsement; the annex containing the translations would be submitted to the Commission at a later stage.

## **Agenda item 21.: Election of the Chair of SSConFin**

74. Following the resignation of the Chair of the EBA's Standing Committee on Consumer Protection and Financial Innovation (SCConFin), Bernard O'Sheridan of the Central Bank of Ireland (CBI), a call for nominations was launched to the BoS. One application was received.

### **Conclusion**

75. The BoS elected Pedro Duarte Neves as Chair of SCConFin for a first term of two years.

## Agenda item 22.: Consultation Paper on Guidelines on Operational and Security Risks under PSD2

76. The EBA Head of Consumer Protection, Financial Innovation and Payments Unit presented a consultation paper, developed together with the European Central Bank, on guidelines on the security measures for operational and security risks of payment services. He noted that it was a PSD2 requirement that payment service providers (PSPs) should establish a framework with appropriate mitigation security measures and control mechanisms to manage operational and security risks, relating to the payment services they provide.

### Conclusion

77. The BoS endorsed the consultation paper for publication.

## Agenda item 23.: Update on the EBA's Work on FinTech

78. The alternate Chairperson provided an update on the EBA's work on Fintech. In particular, he presented the outline of the EBA's Discussion Paper on FinTech, intended to be presented at the 27-28 June BoS meeting, and a proposal for the EBA to respond, and some ideas on how to respond, to the Commission's consultation on FinTech. Moreover, he announced the launch via the SSConFin of the EBA's comprehensive mapping exercise, and underscored the need for timely responses. He asked the BoS to endorse the proposed content of the Discussion Paper and the proposal for the EBA to respond to the Commission's consultation.

79. Members agreed with the proposed content of the Discussion Paper, although some expressed their concern for the tight timings envisaged for responding to the mapping exercise and developing the said work. There was a request to include profitability issues in the Discussion Paper, and the alternate Chairperson explained that it would be dealt with under business models.

80. Likewise, members agreed to provide a response to the Commission's consultation, as long as the EBA's response would be targeted at a small subset of questions and would not prejudice the substance and conclusions at which the EBA's own publication may arrive later in the summer.

81. Some members raised concerns about the number of EBA groups and committees involved and suggested the establishment of a new group specifically dealing with FinTech issues. Others noted the need for all relevant EBA groups and committees to have sight of the draft Discussion Paper. Another requested the involvement of ResCo on relevant aspects. The Chairperson responded that the inputs were being well-coordinated and that, by using existing groups, it was possible to leverage on the particular expertise of those groups bearing in mind the range of issues involved.

## Conclusion

82.The BoS took note of the progress update, and endorsed the proposed content of the Discussion Paper as well as the drafting of a targeted response to the Commission's consultation on FinTech.

## Agenda item 24.: Reports from Standing Committees

83.The BoS took note of the progress reports of the EBA Standing Committees.

**END OF MEETING**

**Andrea Enria**

**Chairperson**



## Participants at the Board of Supervisors' meeting

03-04 May 2017, London

Chairperson: Andrea Enria

<u>Country</u>	<u>Voting Member/Alternate</u> <sup>1</sup>	<u>Representative NCB</u>
1. Austria	Michael Hysek	Michael Boss
2. Belgium	Jo Swyngedouw/David Guillaume	
3. Bulgaria	Dimitar Kostov	
4. Croatia	- <sup>2</sup>	
5. Cyprus	Stelios Georgakis	
6. Czech Republic	Zuzana Silberová	
7. Denmark	Jesper Berg/Sean Hove	Peter E. Storgaard
8. Estonia	Andres Kurgpõld	Jana Kask
9. Finland	Anneli Tuominen	Jouni Timonen
10. France	Frédéric Visnovsky	
11. Germany	Peter Lutz	Karlheinz Walch
12. Greece	Spyridoula Papagiannidou	
13. Hungary	Csaba Kandrács	
14. Ireland	Gerry Cross/Mary Burke	
15. Italy	Luigi F. Signorini/Andrea Pilati	
16. Latvia	Gunta Razāne	Vita Pilsuma
17. Lithuania	Renata Bagdoniene	
18. Luxembourg	Martine Wagner	Norbert Goffinet
19. Malta	Marianne Sciclunna	Alexander Demarco
20. Netherlands	Jan Sijbrand	
21. Poland	Andrzej Reich	
22. Portugal	Pedro Duarte Neves/José Rosas	
23. Romania	- <sup>3</sup>	
24. Slovakia	Vladimír Dvořáček/Tatiana Dubinová	
25. Slovenia	Damjana Igljč	
26. Spain	Fernando Vargas/Cristina Iglesias-Sarria	
27. Sweden	Martin Noréus	Olof Sandstedt
28. UK	Sam Woods/Sasha Mills	Nigel Fray

<sup>1</sup> Accompanying experts: Ingeborg Stuhlbacher (Austrian Finanzmarktaufsicht); Dries Cools (National Bank of Belgium); Marek Sokol (Czech National Bank); Sophie Natascha Vasbo (Danish Financial Supervisory Authority); Julia Blunck (BaFin); Maurizio Trapanese (Banca d'Italia); Mascha van der Marel and Joost Passenier (De Nederlandsche Bank); Jakub Zakrzewski (Polish Financial Supervisory Authority); Miha Kristl (Bank of Slovenia)

<sup>2</sup> Represented by Sanja Petrinić Turković

<sup>3</sup> Represented by Lorina Duta



<b><u>Country</u></b>	<b><u>Member</u></b>	<b><u>Representative NCB</u></b>
1. Iceland	Sigurður Freyr Jónatansson	Jonas Thordarson
2. Liechtenstein	Patrick Bont	
3. Norway	Morten Baltzersen	Sindre Weme

<b><u>Observer</u></b>	<b><u>Representative</u></b>
1. SRB	Dominique Laboureix

<b><u>Other Non-voting Members</u></b>	<b><u>Representative</u></b>
1. SSM	Korbinian Ibel <sup>4</sup>
2. European Commission	Dominique Thienpont <sup>5</sup>
3. EIOPA	- <sup>6</sup>
4. ESMA	Verena Ross
5. ESRB	- <sup>7</sup>
6. EFTA Surveillance Authority	Frank Buechel <sup>8</sup>

#### **EBA Staff**

Executive Director	Adam Farkas
Director of Oversight	Piers Haben
Director of Regulation	Isabelle Vaillant

Slavka Eley, Delphine Reymondon, Mario Quagliariello, Lars Overby, Jonathan Overett Somnier, Dirk Haubrich, Philippe Allard, Chris Mills, Jenny Giotaki, Gaetano Chionsini, Luis del Olmo, Tea Turcaniova, Santiago Barón Escámez

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<sup>4</sup> Accompanied by Jérôme Henry (ECB)

<sup>5</sup> Accompanied by Elleonora Soares

<sup>6</sup> Represented by Patrick Hoedjes

<sup>7</sup> Represented by Tuomas Peltonen

<sup>8</sup> Accompanied by Marco Uccelli