



FINAL EBA Staff

EBA BS 2011 150

19 October 2011

Minutes of the fifth EBA Board of Supervisors meeting

5-6 October 2011 (14:00-19:00hrs; 9:00-16:20hrs)

Location: Tower 42, London

Agenda item 1: Opening, welcome and approval of the agenda and minutes

1. The Chair welcomed new participants on the Board: Raimondis Kuodis (absent) from Lithuania; Matthew Elderfield from Ireland; Hector Sants (absent) from the UK; Patrinoa-Maria Adamopoulou from Greece; and Morten Baltzersen as the observer from Norway.
2. The Chair opened the meeting and the Agenda and Minutes, including those of the telephone conference of 29 September 2011, were approved.

Agenda item 2: Election of the EBA Alternate Chairperson

3. An election took place for the vacant position of Alternate Chair following the resignation of Thomas Huertas. The Executive Director explained that there was only one nomination from Matthew Elderfield of the Central Bank of Ireland.

Conclusion

4. Matthew Elderfield was elected by majority (24 votes in favour; 2 abstentions).

Agenda item 3: Update by the EBA Chairperson on EFC Financial Stability & informal ECOFIN meetings and ESRB developments

5. The Chair gave a high-level summary of these confidential meetings. For further details see summary at confidential Annex A.*

**Please note that the Annex contains information which the EBA cannot disclose under its Access to Documents regime due to the need to protect (i) the commercial interests of financial institutions; (ii) professional secrecy; (iii) the public interest as regards the financial, monetary or economic policy of the EU; and (iv) its own, and the Council's, internal consultations and deliberations in order to safeguard their ability to carry out their tasks.*

Agenda item 4: Discussion on risks and vulnerabilities in the EU Banking Sector and appropriate policy responses

6. The Chair presented some EBA Staff proposals and led a discussion on possible funding guarantee scheme and recapitalisation plans. For further details see summary at confidential Annex A.
7. Non-voting members and observers were requested to leave the room whilst the Board discussed, in confidence, events relating to an individual financial institution. For further details see summary at confidential Annex A.
8. When the full Board reconvened, the Chair noted the understanding of EBA Staff that under Article 18(1) of the founding Regulation the EBA should, even before the declaration of any emergency situation by the Council, be fully informed of developments and invited to participate as an observer in any relevant gathering by national supervisory authorities as appropriate in order to perform its facilitation role. The Commission's representative has confirmed his agreement with this interpretation.
9. The Chair of SCOP, Fernando Vargas, referred the Board to his letter of 28 September 2011 and noted that its contents remain relevant.
10. The Director Oversight gave a brief update on communication in colleges in the context of the current crisis where concerns have been voiced about the extent of information flows. It was noted that bilateral discussions are not a substitute, but a complement, to exchange of information in colleges and national authorities were urged to improve communication flows. EBA Staff had drafted a letter, available in draft, to be sent to national authorities to spell out the concerns and suggest more detailed actions.
11. The Director Oversight also updated the Board on the key findings from the EBA Risk Assessment Report, drawing the Board's attention to the follow-up actions planned. In particular the EBA will undertake further work on loan restructuring and modifications, taking this up in colleges and also looking at the convergence of definitions and stock of FX loans and their impact on banks' viability. The EBA will also continue to work with the ERSB on structural changes to banks' funding, namely the use of covered bonds and associated asset encumbrance.

Conclusion

12. There was widespread agreement about the need for improvement in colleges. It was proposed that comments on the draft letter on the need for effective information should be submitted within the week. *Letter subsequently circulated on 7 October 2011 for comments by 12 October 2011.*

Agenda item 5: Report of the follow-up review of banks' transparency in their 2010 P3 reports

13. The Director Oversight presented the Report of 27 September 2011 assessing banks' Pillar 3 disclosures and possible publication of individual bank scores. He noted the resistance to publication of individual scores but underlined the need for a revised and enhanced approach to Pillar 3 and to transparency more generally.

Conclusion

14. The Board endorsed the Report without supporting the publication of individual scores and accepted the Director Oversight's recommendations for a revised and enhanced Pillar 3 strategy which would be communicated in 2012.

Agenda item 6: Implementation of the regulatory reform

15. The Chair noted that it is disappointing that the EBA has, to date, not been allowed to attend Council working groups on CRD IV/CRR as an observer in order to assist its development of BTS. The representative from the Commission noted that there is a legal concern about creating a precedent here but that he would support the EBA's attendance at these meetings on an *ad hoc* basis.
16. David Rozumek led a discussion of EBA processes and transparency, where it was accepted that there has to be a distinction between the EBA's formulation of strategic policy and technical positions. He explained that he was motivated by a desire to contribute to a smoother-functioning EBA, which would result in increased opportunities for Members to present their opinions on strategic issues. David also suggested that the CRD IV proposal is crucial for EBA and should therefore be discussed and opined on at Board level. The Chair explained his reluctance to seek to involve the EBA in high-profile political issues for the Council - such as the maximum harmonisation of CRDIV/CRR - and the need to focus on the technical challenges in its legislative role.

Agenda item 7: Monitoring of capital issuances

17. EBA Staff led a discussion of the Report of 28 September 2011 on the panorama of EU CET1 capital instruments. The Board considered the scope for, and merits of, capital instruments other than so-called 'plain vanilla' common equity to qualify as CET1. It was noted that it is disappointing that the CEBS guidelines in this area are non-binding.
18. The Chair led a discussion about the binding nature of the list of CET1 instruments to be established and published by EBA under the draft CRR, emphasising the need to keep control of the definition of capital in the future and to avoid financial engineering.

Conclusions

19. The Board agreed that the co-Chairs of SCRePoL should investigate the scope for making CEBS guidelines on core capital binding for the purpose of grandfathering of existing CET1 instruments.
20. The Chair proposed to circulate a short statement setting out the EBA's position on the quality of CET1 instruments for approval. *Chair's proposed speaking note for the European Parliament on 11 October 2011 subsequently circulated on 10 October 2011.*

Agenda item 8: EU-wide stress testing exercise 2011 – lessons learned

21. The Director Oversight presented the lessons learned paper, explaining his intention to call on the Board's support to establish a small task force of national experts to work on methodology and quality assurance for the 2012 stress-tests to take back to the wider Expert Group and then up to the Board of Supervisors.
22. The Director Oversight presented the follow-up paper, explaining that the EBA wants to be in a position to report back to the Board in December on the steps taken by NSAs follow-up its recommendations.

Conclusions

23. The Board agreed the suggestions for improving the stress test in 2012. It also agreed that a template should be circulated by EBA Staff as soon as possible for the collection of recent data on the capital positions and sovereign exposures of banks which participated in the 2011 stress-test. It was noted that the objective is to provide approximate figures to ECOFIN if required and that there will be an opportunity to further revise and update the data. *Templates subsequently circulated on 7 October 2011 for completion by 12 October 2011.*
24. The Board noted the options for following-up on the confidential liquidity recommendation. It suggested that the primary focus of action should be the existing weekly updates on funding and liquidity. If any additional data was collected the template should be commented on by national authorities first and then a one-off only collection of data would suffice.

Agenda item 9: ITS on supervisory reporting – application date and scope of financial information

25. The Chair explained that this item would have to be covered by written procedure due to lack of time. He stressed the need for Board support to give the go-ahead for development of these ITSs following some pushback at the June meeting.

Conclusion

26. The Chair proposed that item 9 be dealt with by written procedure. *The Board was subsequently asked on 7 October 2011 to approve the proposed timing of ITS development and scope of financial information by 12 October 2011.*

Agenda item 10: EBA Work Programme

27. The Chair noted that the programme for 2012 is extremely heavy and will need to be discussed with the Commission.

Conclusion

28. Due to lack of time, it was agreed to deal with the work programme for 2012 by written procedure, with comments requested by 14 October 2011.

Agenda item 11: ESMA endorsement regime under CRA Regulation

29. ESMA's Executive Director summarised the reasons for the request for EBA's help to assess the impact on CRD institutions of the endorsement regime in order to try to verify whether the conditions needed to prolong the 'grace period' for financial institutions' use of non-endorsable external credit ratings are met.

Conclusion

30. It was agreed that the EBA would conduct a limited data collection exercise on ESMA's behalf by circulating a questionnaire on the securitisation exposures of EU banks for completion within the next 4 weeks. *Questionnaire subsequently circulated for completion by 8 November 2011.*

Agenda item 12: Update by Executive Director on administrative and operational issues

31. This item was postponed due to lack of time.

Agenda item 13: Appointment of SCARA Chairperson and Review Panel Chairperson and progress reports from expert groups

32. The Chair noted that Frédéric Visnovsky of the Autorité de Contrôle Prudentiel is the only candidate for SCARA chair and proposed that Matthew Elderfield, as Alternate Chair, take over Thomas Huertas' Chair of the Review Panel.

33. There was a short discussion of the proposed approach to work on third country equivalence. The Chair and Director Oversight noted that committees are already overburdened and that the most practical and efficient way to get this done is to treat it as a package under EBA Staff

leadership collaborating with the Network on Equivalence of national experts.

Conclusions

34. The Board approved the election of Frédéric Visnovsky and Matthew Elderfield as SCARA Chair and Review Panel Chair respectively.
35. The Chair proposed to circulate the proposal for work on third country equivalence to Members for approval by written procedure. *Proposal subsequently circulated for comments by 12 October.*

Agenda item 14: AOB

36. The Chair advised the Board that two complaints have been made to the EU Ombudsman about the composition of the Banking Stakeholder Group. More generally, he noted the need to move consumer issues up the EBA's list of priorities.

Andrea Enria
Chair



Participants at the sixth meeting of the Board of Supervisors
London, 5-6 October 2011

Chair Andrea Enria

Alternate Chair Matthew Elderfield (elected 5 October)

| <u>Country</u> | <u>Voting member/alternate Representative NCB</u> | | <u>Accompanying Person</u> |
|-----------------------|--|-----------------------|-----------------------------------|
| Austria | Helmut Ettl | Andreas Ittner | Ingeborg Stuhlbacher |
| Belgium | Mathias Dewatripont | Rudi Bonte | |
| Bulgaria | Rumen Simeonov | | |
| Cyprus | Agyro Procopiou | | |
| Czech Republic | David Rozumek | | |
| Denmark | Ulrik Nodgaard (5 October) | Birgitte Sogaard Holm | Jesper Meyer (6 October) |
| Estonia | Andres Kurgpõld | Timo Kosenko | |
| Finland | Jukka Vesala | Kimmo Virolainen | Anneli Tuominen |

| | | | |
|-------------|-----------------------------|----------------------|---------------------|
| France | Danièle Nouy | Frédéric Visnovsky | |
| Germany | Peter Lutz | Erich Loeper | Frank Pierschel |
| Greece | Patrinia-Maria Adamopoulou | | |
| Hungary | Károly Szász | Márton Nagy | Laszlo Seregdi |
| Ireland | Matthew Elderfield | Jonathan McMahon | Mary Burke |
| Italy | Giovanni Carosio | Roberto Rinaldi | Maurizio Trapanese |
| Latvia | Irena Krumane | Vita Pilsuma | |
| Lithuania | absent | absent | |
| Luxembourg | Claude Simon | Norbert Goffinet | |
| Malta | André Camilleri | Anthony Cortis | |
| Netherlands | Jan Sijbrand | Mascha Van der Marel | |
| Poland | Andrzej Stopczyński | Olga Szczepanska | Isabella Szaniawska |
| Portugal | Pedro Duarte Neves | Adelaide Cavaleiro | |
| Romania | Nicolae Cinteza | | |
| Slovakia | Vladimir Dvoracek | Tatiana Dubinova | |
| Slovenia | Stanislava Zadavec Capriolo | | |

| | | | |
|--------|----------------------------|---------------------------|--------------------------|
| Spain | Francisco Javier Ariztegui | Fernando Vargas Bahamonde | Cristina Iglesias-Sarria |
| Sweden | Uldis Cerps | Olof Sandstedt | |
| UK | Andrew Bailey | Fiona Mann/Martin Brooke | Cassandra Kenny |

Country

Observers

| | | |
|--------------|-------------------|-----------------|
| Norway | Morten Baltzersen | Arild Lund |
| Iceland | Gunnar Andersen | Jonas Thodarson |
| Lichtenstein | Rolf Brüggeman | |

Institutions

Representatives

| | | |
|-----------------------|----------------------|----------------|
| European Commission | Mario Nava | |
| European Central Bank | Fatima Pires | |
| ESRB | Francesco Mazzaferro | Silvia Pezzini |
| EIOPA | Carlos Montalvo | |
| ESMA | Verena Ross | |

Others

| | |
|------------------------|-------------|
| EBA Executive Director | Adam Farkas |
|------------------------|-------------|

EBA Director Oversight Piers Haben

EBA Director Regulation Isabelle Vaillant

EBA Legal Michelle Ewing