

EUROPEAN BANKING AUTHORITY  
**SUMMARY** OF THE  
ANNUAL REPORT 2019

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PDF	ISBN 978-92-9245-661-0	ISSN 1977-9011	doi:10.2853/438026	DZ-AA-20-001-EN-N
print	ISBN 978-92-9245-663-4	ISSN 1977-8783	doi:10.2853/03824	DZ-AA-20-001-EN-C

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Luxembourg: Publications Office of the European Union, 2020

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**SUMMARY** OF THE  
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# Enhancing regulation and supervision

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## Preparing for the implementation of Basel III in the EU

### The European Commission's call for advice on the implementation of the Basel III post-crisis reforms

Global prudential standards are key to ensuring a level playing field for internationally active banks. Their implementation in the EU must be faithful, proportionate and mindful of the specificities of the EU banking market.

On 4 May 2018, the EBA received from the European Commission a call for advice on the implementation of the Basel III post-crisis reforms, the main aim of which is to reduce excessive variability of risk-weighted assets (RWAs) and improve the comparability of banks' capital ratios across jurisdictions. In addition,

further advice was requested from the EBA on the implementation of the revised framework for market risk – i.e. the Fundamental Review of the Trading Book (FRTB) – in the EU.

As a response to the Commission's call, the EBA prepared an Opinion, which included a specific policy assessment of the revised Basel framework in the areas of credit risk, securities financing transactions (SFTs), operational risk and the output floor; a policy assessment of the revised frameworks for credit valuation adjustment (CVA) risk and market risk; and a macroeconomic impact assessment of the Basel III reforms. Both assessments are intended to be fed into the Commission's legislative proposal for implementing Basel III in the EU.



## Assessing the impact of Basel III on banks and the economy

To fulfil the request from the European Commission, the EBA launched a data collection exercise and a qualitative survey to gather all the relevant data and information from a total of 189 banks from 19 EU countries.

The EBA's analysis showed that by 2027 – the date for full implementation of the reform <sup>(1)</sup> – EU banks will be required to hold 23.6% more Tier 1 capital than in June 2018.

In cooperation with the European Central Bank (ECB), the EBA also conducted an assessment of the costs and benefits of the reforms for the wider economy. According to simulations carried out using an ECB macroeconomic model, the implementation of the reforms will result in moderate transitional costs. On the other hand, Basel III will generate substantial long-term benefits as a result of the lower probability of severe economic recessions. These benefits clearly outweigh the costs.

## Advising on the implementation of Basel III in the EU

When delivering its Opinion on the implementation of the final Basel III framework for **credit risk**, the EBA considered carefully both the implications of individual reforms and the impact of full implementation on EU banks. The EBA found that, overall, the Basel III credit risk framework is suitable for implementation in the EU, especially as many of the changes in the framework take into consideration several existing EU practices. Overall, the report makes 94 policy recommendations relating to credit risk: 39 policy recommendations specifically relevant to the standardised approach (SA); 48 policy recommendations on the internal ratings-based (IRB) approach; and 7 policy recommendations applicable to both the SA and the IRB approach.

In the area of **counterparty credit risk**, the EBA provided advice on the implementation of the Basel III post-crisis reforms on SFTs; these reforms are intended to introduce new rules for the calculation of the exposure values of these transactions.

The **output floor** requires that the capital requirements for institutions that apply an internal modelling approach do not fall below 72.5% of the capital requirements that would be calculated under the SA. The EBA, with the help of the analysis of its quantitative impact study, observed that the output floor calibrated by the BCBS appears to be effective in meeting its objectives for EU banks. Nevertheless, the EBA evaluated the mechanics of the output floor and considered different implementation approaches.

The EBA also assessed, and put forward policy recommendations on, the revised **CVA risk** and **market risk** frameworks.

The advice on CVA risk covered most notably the definition of the scope of transactions to be subject to capital requirements for CVA risk, the specification of the simplified approaches for CVA risk and the eligibility of institutions with limited exposures to CVA risk to use them for proportionality purposes.

With regard to market risk, the EBA's advice supported the use of the recalibrated Basel II SA to market risk as a simplified SA for institutions with limited exposures to market risk. The advice on market risk was informed by a data collection exercise and a qualitative questionnaire completed by banks in the first half of 2019, which were based on the FRTB standards as finalised by the BCBS in January 2019.

<sup>(1)</sup> On 27 March 2020, the Basel Committee on Banking Supervision (BCBS) announced the deferral of Basel III implementation to 1 January 2023. It also announced the extension by 1 year of the accompanying transitional arrangements for the output floor.

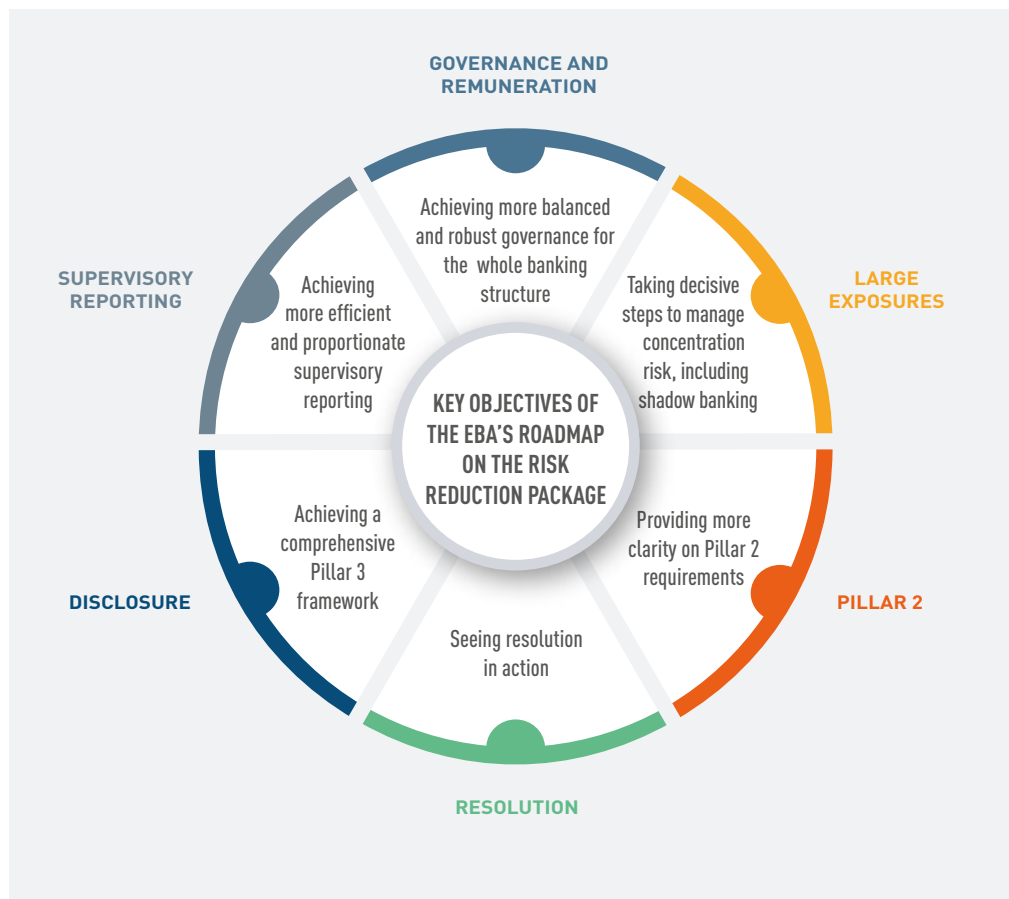
## Preparing for the application of major new items of EU legislation

### Roadmaps on the risk reduction measures package

The risk reduction package – which comprises amendments to the Capital Requirements Directive (CRD), Capital Requirements Regulation (CRR), Bank Recovery and Resolution Directive (BRRD) and Single Resolution Mechanism Regulation (SRMR) – allocates more than 100 new mandates to the EBA. These mandates update and complete the Single Rulebook and the monitoring of regulatory practices. The EBA decided to cover the

areas of **governance** and **remuneration**, **large exposures**, **Pillar 2 requirements**, **resolution**, and **prudential reporting and disclosures** in a package of roadmaps that completes other individual roadmaps, such as those on **market risk** and **sustainable finance**. The rationale for issuing this set of roadmaps was to provide information about the sequence and prioritisation of mandates. In the roadmaps, the EBA provided a preliminary account of its understanding of the mandates combined with some policy guidance.

Figure 1: EBA Roadmap on Risk Reduction Package - mandates



### Strengthening the common EU framework for securitisation with an emphasis on simplicity, transparency and standardisation

In January 2019, the three European Supervisory Authorities (ESAs), namely the EBA, the European Securities and Markets Authority (ESMA) and the European Insurance and Occupational Pensions Authority (EIOPA), established a Securitisation Committee under the Joint Committee to ensure cross-sectoral supervisory consistency on the application of the EU securitisation framework. Composed of representatives of the ESAs, the national competent authorities, the European Commission and the ECB, the Securitisation Committee has worked on a number of important topics including (i) the interpretation of the jurisdictional scope of application of the Securitisation Regulation (2017/2402), (ii) due diligence requirements for institutional investors in the EU and (iii) clarification of the scope of application of the framework with respect to third countries.

### Implementing the prudential framework for investment firms and upcoming EBA regulatory products

The EBA provided high-level assistance and advice to the European Commission for the development of the new prudential framework for investment firms through a response to its call for advice published in 2017.

The aim of the new framework is to create prudential requirements for investment firms that are simpler and more proportionate than those currently applicable under CRD 4 and the CRR and that take into account the size, nature and complexity of investment firms' activities.

The new framework sets out a significant number of mandates for the EBA on the following areas: thresholds and criteria for investment firms to be subject to the CRR, capital requirements and capital composition, reporting and disclosure, remuneration and governance, supervisory convergence and the supervisory review process, and environmental, social and governance (ESG) risks.

The EBA plans to submit the regulatory products related to these mandates in four phases.

### Continuing the IRB repair programme and the benchmarking of internal models

In 2019, the EBA conducted its regular annual supervisory benchmarking exercises, aimed at identifying outliers in the calculations of RWAs using internal models. Each of these exercises is concluded by the publication of two horizontal reports summarising the main findings for credit risk and for market risk. The most challenging aspect of comparative RWA studies is distinguishing the influence of risk-based drivers from that of practice-based drivers. Therefore, the benchmarking methods differ for credit risk and market risk.

In March 2019, the EBA published the Guidelines on downturn loss given default (LGD) estimation, and in this way finalised the regulatory review of the IRB approach, as initially set out in a report published in February 2016. Achievements to date and planned next steps were described in a progress report on the IRB roadmap published in July 2019, which also set a revised timeline for the implementation of the regulatory revisions.

The main objective of the IRB roadmap is to restore the trust of market participants in the outcomes of internal models and to ensure a level playing field and own funds requirements that appropriately reflect the level of risk taken on by institutions. It is expected that the implementation of the IRB roadmap will lead to a substantial improvement in the comparability of risk estimates and RWAs across institutions.

### Adjusting governance and remuneration policies

Directive (EU) 2019/878 (CRD V), adopted on 20 May 2019, amends Directive 2013/36/EU (the CRD) as regards, inter alia, governance and remuneration provisions, to ensure a more harmonised and proportionate approach within the EU.

In particular, following the recommendations of the European Commission's report of 28 July 2016, the new provisions clarify that the small institutions and staff with low levels of variable remuneration are exempted from the principles on deferral and payout in instruments and pension policy set out in Di-

rective 2013/36/EU. In line with the mandate given to it in CRD 5, in 2019 the EBA started to amend its guidelines on sound remuneration policies to specify the conditions for the application of proportionality as well as other aspects regarding application to groups, the use of share-linked instruments and the deferral period. In addition, as CRD 5 introduces a new provision requiring that remuneration should be gender neutral, the EBA started developing guidelines in this respect.

The EBA also started to review the guidelines on the fit and proper assessment of the suitability of members of the management body and key function holders to reflect CRD 5 amendments aimed at improving risk management, increasing board involvement in risk management oversight and clarifying that money laundering/terrorist financing (ML/TF) risk is part of the Supervisory Review and Evaluation Process (SREP) and therefore of sound governance arrangements.

## Monitoring the implementation and supervisory convergence of resolution, prudential, consumer, payments and anti-money laundering requirements across the EU

### Promoting efficient and coordinated crisis management of credit institutions, investment firms and financial market infrastructures in the EU

In February 2019, the EBA published a handbook on valuation for the purposes of resolution, with the aim of fostering the convergence and consistency of valuation practices and interaction with independent valuers across the EU. The EBA added to the handbook a chapter relating to institutions' management information systems (MISs) for valuation for resolution.

### Assessing convergence of supervisory practices

The EBA established a convergence plan for 2019 with the aim of fostering supervisory convergence across the EU. The plan, which identified key topics for heightened prudential supervisory attention, was intended to inform competent authorities' processes for selecting supervisory priorities for 2019, as well as to draw their attention to the consistent implementation of certain policy products.

Competent authorities are expected to ensure that their supervision of institutions' internal governance arrangements takes into account the revised EBA guidelines on internal governance and the EBA-ESMA joint guidelines on the assessment of the suitability of members of the management bodies and key function holders, both of which entered into force on 30 June 2018. In addition, competent authorities reviewed institutions' approaches to and processes for assessing and mitigating information and communications technology (ICT) risks.





Finally, assessment and monitoring of the reduction of non-performing loans (NPLs) in institutions' balance sheets was introduced among the key topics for supervisory attention in 2019 to monitor the preparation of supervisors for the implementation of the guidelines on the management of non-performing exposures (NPEs) and forborne exposures (FBEs).<sup>[2]</sup>

### Reducing variability in models and expanding benchmarking to International Financial Reporting Standard 9

A comprehensive understanding of the practices followed by banks regarding modelling under International Financial Reporting Standard (IFRS) 9 was a key area on which the EBA focused in 2019, and it will continue to do so in the years to come. In July 2019, the EBA published the IFRS 9 roadmap and launched the IFRS 9 benchmarking exercise<sup>[3]</sup>. The exercise, which is ongoing, is essential from a supervisory perspective, as the measurement of expected credit losses directly affects the level of own funds and regulatory ratios. This initiative is the first step in the in-depth work to be carried out on the identification of inconsistencies that may lead to excessive/undue variability in the prudential figures. Owing to its complexity, this is a medium- to long-term objective to be achieved following a staggered approach.

### Operationalising prudential policies on outsourcing needs, structural foreign exchange coverage and resolution

In the context of digitalisation and the increasing importance of IT and financial technology, **outsourcing** is a way to access new technologies relatively easily and to achieve economy of scale. The EBA updated its outsourcing guidelines to provide a clear framework and legal certainty when institutions make use of service providers to outsource functions, in particular in technically innovative areas such as cloud computing and other information technology (IT) services.

The concept and specific application of the **structural foreign exchange (FX) provision** appear to be subject to several interpretations among both supervisory authorities and institutions, which has led to inconsistent implementation of the provision across the EU. To ensure harmonised interpretation and implementation in the EU, in October 2019 the EBA published a consultation paper on draft guidelines on the treatment by competent authorities of structural FX positions.

In the area of **resolution**, the EBA devoted attention to the operationalisation of the bail-in process work in order to enhance its efficiency. One significant area of work has been an examination of the interface between the bail-in process and European securities law. A second significant area of work was the interaction of bail-in with EU regulations on mergers and state aid approvals.

### Convergence in the supervision of payment services and consumer protection requirements

Throughout 2019, the EBA continued its work in the area of payment services to help achieve the objectives of the revised Payment Services Directive (PSD 2) and to ensure that the requirements of the directive and the related EBA technical standards and guidelines are applied in a sound, efficient and consistent manner across the EU. In this context, the EBA provided clarifications in response to queries from the industry on the implementation of the access interfaces required by PSD 2. In addition, the EBA dealt with queries regarding practical challenges faced by the industry in the run-up to the application date of Commission Delegated Regulation (EU) 2018/389 on strong customer authentication and common and secure communication (the Regulatory Technical Standards on Strong Customer Authentication and common and secure communication) on 14 September 2019. To better understand the challenges faced by the industry, in January 2019 the EBA also set up a working group on application programming interfaces under PSD 2, composed of 30 industry participants and the national competent authorities, ensuring balanced and equal representation of the main stakeholders involved across the EU.

<sup>[2]</sup> These were applicable from 30 June 2019.

<sup>3</sup> <https://eba.europa.eu/eba-publishes-its-roadmap-on-ifrs-9-deliverables-and-launches-ifrs-9-benchmarking-exercise>

In the area of consumer protection, in July 2019 the EBA published a report on the implementation of the guidelines on product oversight and governance arrangements that it had published in 2015 and that have applied since 2017. The report identified a number of good and bad practices and outlined the next steps that the EBA will take to fulfil its supervisory convergence mandate.

### Ensuring the consideration of ML/TF risks in the prudential context

The EBA published an Opinion on communications to supervised entities in July 2019, following the European Council action plan issued at the end of 2018, which emphasised the need to improve the effectiveness of anti-money laundering and countering the financing of terrorism (AML/CFT) supervision and of the exchange of information and collaboration between the relevant authorities and prudential supervisors, especially cross-border. In the Opinion, the EBA highlighted the importance of ML/TF risks in the prudential context and across the single market.

The EBA started work on integrating AML/CFT considerations into prudential supervision to make sure that ML/TF risks are taken into account throughout the supervisory processes, including authorisation and ongoing supervision, and specifically in the context of the SREP, as part of the review of risks, business models, credit operations, governance and internal risk management. This work continues into 2020 and beyond.

Finally, the EBA implemented phase 1 of a multi-annual programme of reviews of competent authorities' approaches to the AML/CFT supervision of banks with the aims of assessing the effectiveness of national competent authorities' approaches to the AML/CFT supervision of banks and of supporting individual competent authorities' AML/CFT efforts. The EBA will continue its series of AML/CFT implementation reviews throughout 2020.



# Horizontal priorities affecting the EU financial sector

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## Ensuring technological neutrality in regulatory and supervisory approaches

### Assessing trends in the roll-out of big data and advanced analytics

The EBA has identified the use of big data and of artificial intelligence and machine learning (AI/ML) as promising and growing technological innovations for financial services. The EBA conducted a deep-dive review on the use of big data and advanced analytics (BD&AA) in the banking sector and in January 2020 published the Report on Big Data and Advanced Analytics. The aim of the report is to share knowledge among stakeholders on current practices and to present the key pillars and elements of trust that should accompany the use of BD&AA.

### Assessing the applicability and suitability of EU law to crypto-assets

In 2019, the EBA published a report on the applicability and suitability of EU law with regard to crypto-asset activities. The EBA identified a relatively low level of crypto-asset activity in the EU and observed that activities involving crypto-assets fall outside the scope of EU banking, payments and electronic money (e-money) regulation, resulting in uncovered risks.

The EBA highlighted the need for a comprehensive cost-benefit analysis, taking account of issues inside and outside the financial sector, to determine what action is required at the EU level to address the identified risks to consumers, operational resilience and the level playing field.

### Monitoring innovations and managing risks

The EBA monitors technology-based financial innovations, and assesses the opportunities they provide and the ICT, cybersecurity or operational resilience risks they might represent, in order to be ready to provide an appropriate policy response when needed.

In 2019, the EBA redesigned the innovation monitoring process by setting up an online innovation screening tool, which helps it keep track of the latest developments on innovations and assess their importance, thereby identifying top-priority areas and helping to guide the work of the Sub-Group on Innovative Products.



On the risk management side, in 2019 the EBA published important guidelines on ICT and security risk management that aim to increase the resilience of the EU banking and payments sectors.

### **Assessing the impact of FinTech on payment institutions' and e-money institutions' business models**

In 2019, the EBA conducted an analysis of the impact of FinTech on payment institutions (PIs) and e-money institutions (EMIs) to enhance knowledge-sharing among regulators and supervisors.

The findings suggest a relationship between the growth of the payments industry and disintermediation in banking, as incumbent credit institutions reported a negative impact on their revenues from payment business lines. The current strategy of most institutions appears to be the expansion of their products and services and entry into new markets.

Cloud computing and digital/mobile wallets have been the most prominent innovations in use, with an increasing interest in AI/ML, BD&AA and biometrics.

### **Monitoring the emergence of innovation facilitators and setting out best practices**

In January 2019, the ESAs published a report on innovation facilitators providing an overview of existing schemes and putting forward a set of best practices for their design and operation.

The report sets out a comparative analysis of the innovation facilitators and, based on this analysis, a set of best practices intended to (i) promote consistency across the single market in the design and operation of innovation facilitators; (ii) promote transparency of regulatory and supervisory policy outcomes arising from interactions in the context of innovation facilitators; and (iii) facilitate cooperation between national authorities, including consumer and data protection authorities.

### **Identifying obstacles to the cross-border provision of financial services**

In October 2019, the EBA published a report that reflected on the potential of digital solutions to support the provision of financial services cross-border and identified potential impediments to the cross-border provision of banking and payment services stemming from divergences in consumer protection, conduct of business and AML/CFT requirements. The report recommended that the European Commission take action to address these issues to support the provision of cross-border services.

### **Analysing the perimeter and licensing approaches of FinTech activities**

In July 2019, the EBA published a report on regulatory perimeter, regulatory status and authorisation approaches relating to FinTech activities. The report found that FinTech firms that are not subject to any regulatory regime do not need to be regulated since they provide activities and services that are of an ancillary/non-financial nature. With regard to authorisation approaches, the EBA found that proportionality and flexibility principles are applied in the same way by competent authorities irrespective of whether the applicant presents a traditional or innovative business model and/or delivery mechanism.

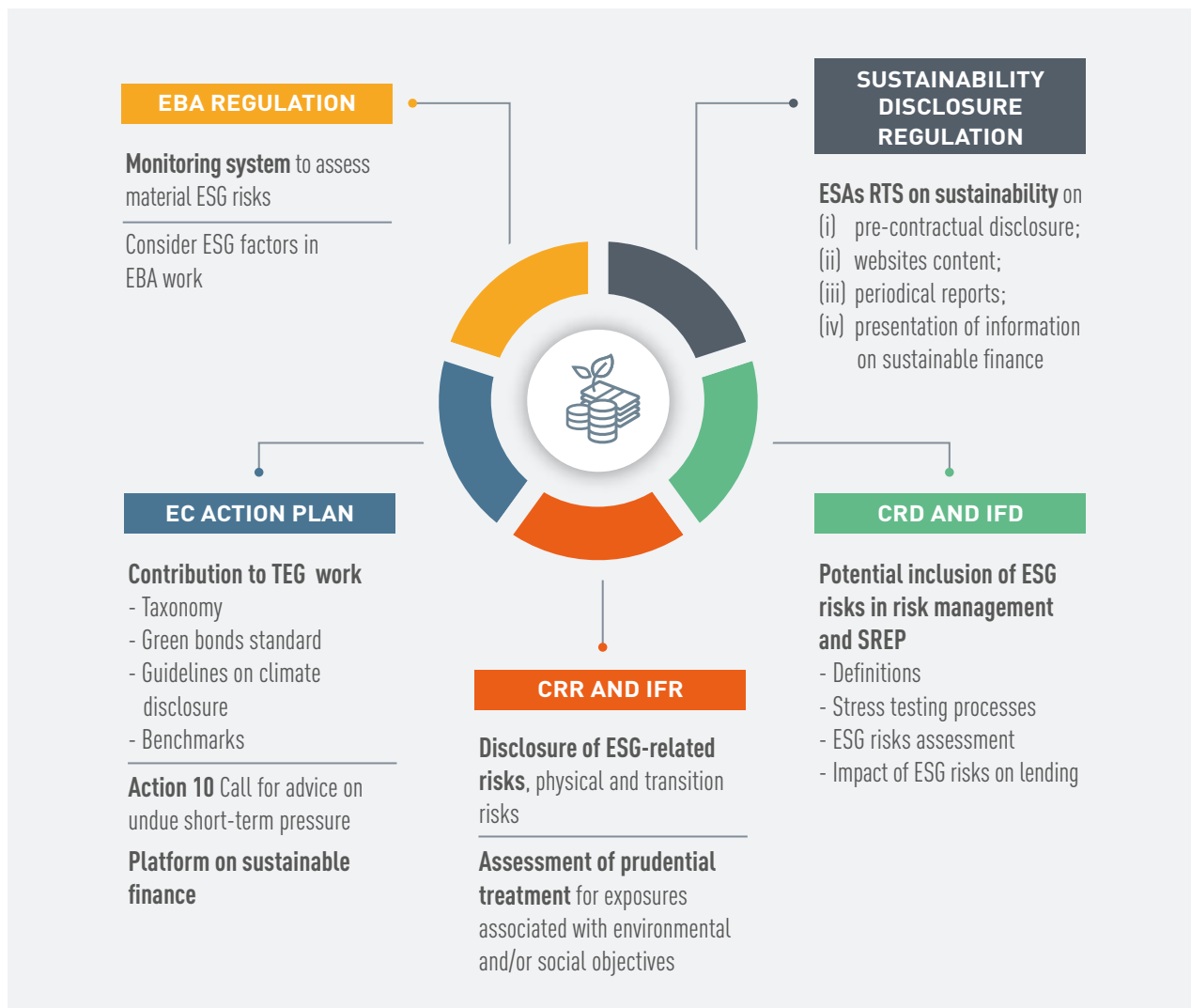
## Building ESG factors into the EBA's work

### Setting out an ESG action plan for the banking sector

In 2019, the EBA published its action plan on sustainable finance, thereby defining its mandates on sustainable finance and identifying technical preparatory work on market analysis and engagement with stakeholders. It established the EBA Network on Sustainable Finance with EU competent authorities to set up a collaboration channel and organised three technical workshops with EU banks, competent authorities and researchers.

These EBA activities respond to the European Commission's action plan on financing sustainable growth, which calls on the ESAs to provide direct support for the plan's implementation by performing specific tasks. The ESAs should provide guidance on how sustainability considerations can be effectively taken into account in relevant EU financial services legislation and help to identify existing gaps.

Figure 2: EBA mandates on sustainable finance



### Analysing market practices and drivers of short-termism in the banking sector

In response to a call for advice from the European Commission, the EBA conducted relevant analysis and presented its findings in its report on undue short-term pressure from the financial sector on corporations. The report takes into consideration three perspectives that relate to short-termism: the banks' perspective, the corporates' perspective and the sustainable finance perspective. The report provides policy recommendations advocating that policy action should aim to provide relevant information and incentives to encourage banks to extend the time horizons in their strategies and governance.

an institution's financial position, taking into account risks stemming from adverse environmental developments.

The revised CRD 5 calls on the EBA to develop criteria for understanding the impact of ESG risks on the financial stability of institutions, to identify strategies and processes to manage these risks and to assess the potential inclusion of ESG risks in the SREP performed by competent authorities. The revised CRR 2 introduces a requirement for large institutions to disclose information on ESG risks and for the EBA to include specifics of these disclosures in the technical standard on Pillar 3, protecting consumers and depositors and contributing to secure and convenient retail payments in the EU.

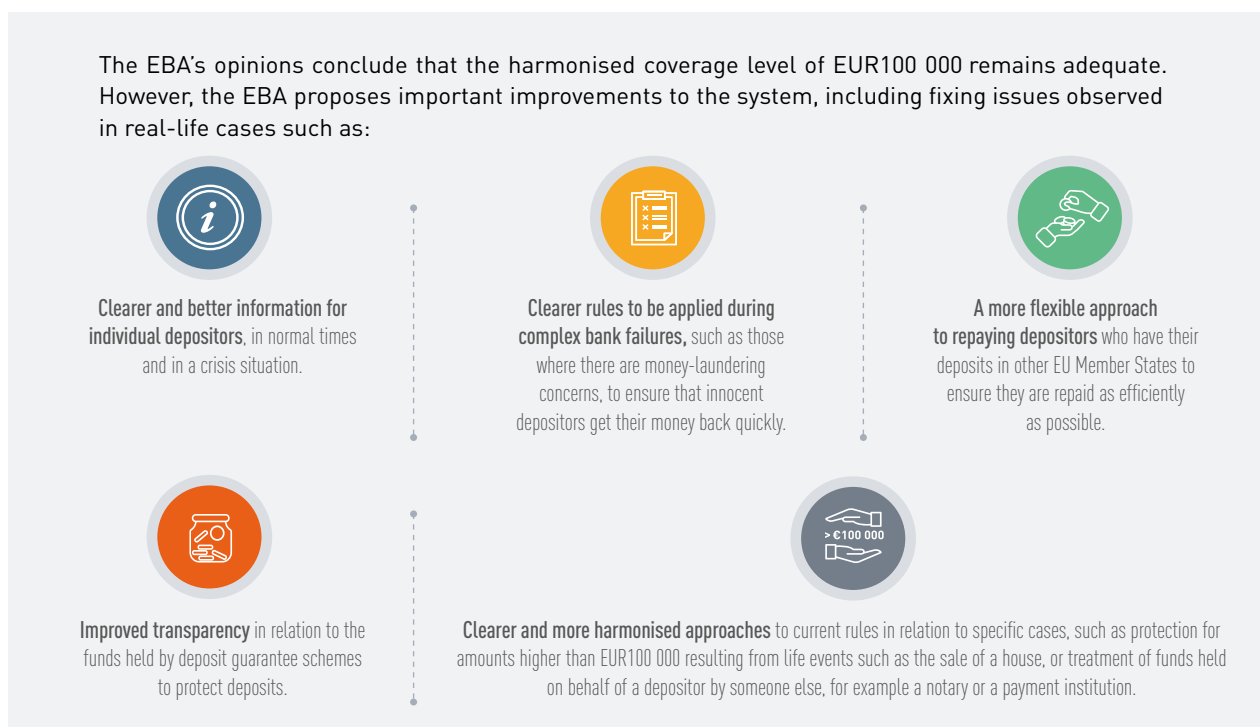
### Building ESG considerations into the EBA's overall work

In line with its founding regulation, the EBA has to take into account sustainable business models and the integration of ESG factors when acting within its powers and when carrying out its tasks. The EBA should also develop a monitoring system to assess material ESG risks and common methodologies for assessing the effect of economic scenarios on

### Protecting consumers across the EU

The EBA's work on consumer protection is aimed at reducing the extent of detriment that can arise when consumers purchase retail banking products and services. The EBA consumer trends report for 2018/19 outlined the related issues and the applicable legislative and regulatory framework, including the measures that the EBA has undertaken to address them.

Figure 3: Benefits of deposit protection for EU citizens



### Improving depositor protection across the EU

In 2019, the EBA performed an assessment of the progress made in the implementation of the Deposit Guarantee Schemes Directive in EU Member States. The EBA analysed how the current deposit protection rules are applied across the EU, identified challenges in real-life cases and put forward specific proposals to improve the framework.

In 2019, the EBA also published an Opinion on deposit protection issues stemming from the withdrawal of the UK from the EU, in which it called on the designated authorities for deposit guarantee schemes (DGSs) to ensure that, in the event of a no-deal withdrawal, depositors at branches of UK credit institutions in the EU are adequately protected by EU DGSs.

### Contributing to the single EU retail payments market

In March 2019, the EBA launched its central register under PSD 2, which provides aggregated information on all PIs and EMIs authorised or registered in the European Economic Area (EEA), their agents and the services provided across borders. The register is free of charge and available in a machine-readable format.

In April 2019, the EBA published an Opinion on the nature of passport notifications of PIs and EMIs using agents and distributors located in another Member State. This Opinion set out the criteria that competent authorities should use to determine if the appointment of agents or distributors in another Member State's territory amounts to an 'establishment'.

## The ESAs' cross-sectoral work under the Joint Committee

In 2019, the Joint Committee, under the chairmanship of EIOPA, continued to have a central role in the coordination and exchange of information between the ESAs, the European Commission and the European Systemic Risk Board. The Joint Committee continued its work on important cross-sectoral areas such as improving consumer protection, monitoring financial innovation and cybersecurity, and combating ML/TF. The ESAs continued their preparation for the withdrawal of the UK from the EU.

### Safeguarding consumer protection across financial services and monitoring financial innovation

Consumer protection and financial innovation figured prominently once again on the Joint Committee's agenda. The ESAs published their final recommendations following a consultation on targeted amendments to the delegated regulation covering the rules for the key information document on packaged retail and insurance-based investment products (PRIIPs). The ESAs decided not to propose targeted amendments yet and instead to initiate a more comprehensive revision of the PRIIP Delegated Regulation. To this end, the ESAs contributed

to a consumer testing exercise conducted by the European Commission, and a public consultation on the key information document on PRIIPs was launched in October 2019.

Furthermore, the ESAs issued a supervisory statement regarding the performance scenarios set out in the key information document on PRIIPs to promote consistent approaches and to improve the protection of retail investors prior to the conclusion of the ongoing PRIIP review.

The Joint Committee also published a report on the cross-border supervision of retail financial services. In this report, the ESAs identified the main issues that national competent authorities face when supervising financial institutions that provide cross-border retail financial services within the EU and made recommendations to both national competent authorities and EU institutions on how to address them.

The 7th Joint ESAs Consumer Protection Day 2019 took place at the end of June in Dublin. The focus of the well-attended event was on (i) the ESAs and their financial education mandate – which way forward?; (ii) the 2019 PRIIP

review – challenges and opportunities ahead; and (iii) the integration of consumers' sustainability preferences into the distribution of financial products.

### ESAs commence work on enhancing sustainable finance disclosures

The Sustainable Finance Disclosure Regulation (SFDR) sets out ESG disclosure requirements for a broad range of financial market participants, financial advisers and financial products. The SFDR empowers the ESAs to deliver technical standards which will cover both adverse impact reporting at entity level and precontractual, website and periodic product disclosure.

### Cross-sectoral risks and overseeing market developments and vulnerabilities

The Joint Committee continued to act as an important forum for discussions on market developments and in-depth analysis of emerging risks, identifying the main areas of supervisory concern across the EU in its biannual cross-sectoral risk reports.

The Joint Committee's spring risk report highlighted several risks as potential sources of instability, namely a sudden repricing of risk premia, as witnessed following a spike in volatility and associated market corrections; continued uncertainty around the terms of the UK's withdrawal from the EU; and cyberattacks. The report also reiterated the ESAs' warning to retail investors investing in virtual

currencies and raised awareness of risks related to climate change and the transition to a lower-carbon economy.

In its autumn risk report, the Joint Committee highlighted the risk of persistently low interest rates, which continue to put pressure on the profitability and returns of financial institutions, resulting in the return of search-for-yield behaviour. The report also highlighted the need for a transition to a more sustainable economy and the need to consider ESG-related risks, leading to possible challenges to the viability of business models with high exposure to climate-sensitive sectors. Finally, the report once again encouraged institutions to prepare contingency plans for Brexit.

### Anti-money laundering/countering the financing of terrorism

The Joint Committee's work in the area of AML/CFT focused on the implementation of the Council's AML action plan. The plan put an emphasis on improved supervisory cooperation among AML/CFT supervisors and also between AML/CFT supervisors and prudential supervisors. As a result, the Joint Committee published guidelines on supervisory cooperation, which established a formal framework for supervisors to cooperate and exchange information in respect of firms operating on a cross-border basis within AML/CFT colleges.

The Joint Committee also issued its second joint Opinion on the ML/TF risks affecting the EU financial sector. Drawing on data and information provided by national AML/CFT competent authorities, the ESAs found that





the monitoring of transactions and suspicious transaction reporting still raise concerns, particularly in sectors where financial institutions' business models are based on frequent transactions. The Opinion aimed to develop a better understanding of ML/TF risks within the EU, thus strengthening the EU's defences against these risks.

The ESAs continued their review of the risk factors guidelines, to ensure their alignment with the 5th AML Directive and to address risk factors in sectors not yet covered by the guidelines.

Following the review of the ESAs and changes introduced to the ESA regulations, as of January 2020 the EBA became the ESA responsible for AML/CFT matters. While work related to AML/CFT is no longer within the remit of the Joint Committee, EIOPA and ESMA will remain closely involved in AML/CFT work related to their respective sectors.

### Monitoring of financial conglomerates

The Joint Committee published its annual list of financial conglomerates; this showed that the head of group of 77 financial conglomerates is in the EU/ EEA, with one head of group to be found in each of Switzerland, Bermuda and the United States. In addition, the Joint Committee published a consultation paper on proposed draft technical standards for reporting templates for conglomerates on intra-group transactions and risk concentration.

### Innovation and FinTech

Following the publication in January 2019 of the joint ESA report on regulatory sandboxes and innovation hubs, the Joint Committee set up the European Forum for Innovation Facilitators (EFIF). The report identified a need for action to promote greater coordination and cooperation between innovation facilitators to support the scaling-up of FinTech across the single market. EFIF provides a platform for supervisors to meet regularly to share experiences and to reach common views on the regulatory treatment of innovative products, services and business models, thus boosting bilateral and multilateral coordination.



Furthermore, in April 2019, the ESAs published two pieces of joint advice in response to requests made by the European Commission in its FinTech action plan, one on legislative improvements relating to ICT risk management requirements and another on a coherent cyber-resilience testing framework. The ESAs' objective is that every relevant entity should be subject to clear general requirements on governance of ICT, including cybersecurity, to ensure the safe provision of regulated services.

### Coordination on securitisation

In 2019, the new Securitisation Committee under the Joint Committee began its work on aiding EU competent authorities to coordinate their duties under the Securitisation Regulation by serving as a forum to discuss practical/operational issues related to their supervision and enforcement duties, thus ensuring cross-sectoral consistency and promoting supervisory best practices.

### Other relevant cross-sectoral Joint Committee work

In May 2019, the Joint Committee published a second amendment to the technical standards on the mapping of credit assessments of external credit assessment institutions for credit risk under the CRR. The amendment reflects the outcome of a monitoring exercise on the adequacy of existing mapping.

In December 2019, the Joint Committee published the final report on draft RTS proposing to amend the European Commission delegated regulation on the risk mitigation techniques for over-the-counter derivatives not cleared by a central counterparty (bilateral margin requirements) under the European Market Infrastructure Regulation. The draft RTS propose, in the context of the UK's withdrawal from the EU, the introduction of a limited exemption to facilitate the novation of certain over-the-counter derivative contracts to EU counterparties during a specific time window. The amendments would apply only if the UK were to leave the EU without the conclusion of a withdrawal agreement (in a no-deal scenario).

### Board of Appeal

In 2019, there were two appeal cases, one brought against ESMA and another brought against the EBA.

In March 2019, the Board of Appeal issued its decision on the appeals brought by four Swedish banks against decisions of the Board of Supervisors of ESMA. The ESMA Board of Supervisors found that the Credit Rating Agencies Regulation had been negligently infringed

by the banks because they had included shadow ratings in their credit research reports. It adopted supervisory measures in the form of public notices and fines of EUR 495 000 for each bank. The Board of Appeal upheld the decision of ESMA's Board of Supervisors on the central question, which was if the banks' credit research reports fell under the Credit Rating Agencies Regulation, but held that the banks (which had voluntarily desisted during the course of ESMA's investigation) had not acted negligently.

In October 2019, the Board of Appeal published its decision on the appeal by the credit rating agency Creditreform AG against the EBA. The German credit rating agency had appealed the adoption by the Joint Committee of certain draft ITS proposed for endorsement by the European Commission. The Board of Appeal dismissed the appeal as inadmissible, in accordance with the settled case law of the Court of Justice of the European Union establishing that acts having a preparatory nature, such as the draft ITS, are not subject to autonomous judicial or quasi-judicial review but subject to review through a check of the legitimacy of the final act adopted by the European Commission.

# Analysing risks, vulnerabilities and data

## Identifying and analysing trends and potential risks and vulnerabilities

### Investigating fiscal arbitrage issues

Following the adoption on 29 November 2018 of a resolution by the European Parliament, 'On the cum-ex scandal: financial crime and loopholes in the current legal framework', the EBA looked at dividend arbitrage schemes from an AML/CFT perspective as well as from a more general perspective of prudential supervision. In particular, the EBA launched two inquiries addressed to AML/CFT and prudential supervisors in May 2019 and July 2019.

### The EBA's work on the UK's withdrawal from the EU

In 2019, the EBA continued to closely monitor Brexit-related developments with a view to understanding the potential risks to EU banks and consumers, ensuring the preparedness of the EU banking sector for the withdrawal of the UK and providing adequate information to EU consumers. As part of its risk analysis and monitoring work, the EBA, together with the relevant competent authorities, continued to monitor the preparedness and execution of contingency plans of EU bank, payment and e-money institutions. Furthermore, the EBA stressed the need for Brexit-affected institutions to ensure adequate communication of Brexit-related risks, plans and changes to their EU customers.

### Assessing risks and vulnerabilities in the banking sector

One of the vital roles of the EBA is to contribute to securing the stability, integrity, transparency and orderly functioning of the EU banking sector. To achieve this, the EBA monitors and



assesses market developments, identifying potential risks and vulnerabilities across banks in the European banking sector. The assessments of these risks and vulnerabilities trigger policy actions, when deemed necessary.

A fundamental tool that is used to carry out these assessments is the annual risk assessment report (RAR), which describes the main developments and trends in the EU banking sector for a sample of 183 banks from 30 EEA countries.

The 2019 RAR found that EU banks' solvency ratios had remained stable, while the NPL ratio had further contracted during the year. EU banks' assets rose by 3% between June 2018 and June 2019, strongly supported by

consumer lending and lending to small and medium-sized enterprises (SMEs). The RAR acknowledged banks' focus on riskier segments as a result of their search for yield in an environment of shrinking margins and low interest rates. Profitability remained at low levels and, for many banks, return on equity was still below their cost of equity. In addition, the pervasiveness of technology in digitalised banking and the increasing numbers of ML/TF cases appeared as some of the key drivers of constantly elevated operational risk.

### Monitoring the developments of the EU banking sector

The Risk Assessment Questionnaire (RAQ) is another important monitoring and assessment tool used by the EBA to identify the main risks and vulnerabilities in the EU banking sector. The number of banks providing their views through the EBA's RAQ in 2019 was 65, covering 25 countries.

The quarterly risk dashboard remained in 2019 a flagship tool to support the EBA's regular risk assessments and enable it to fulfil its role as a data provider. Throughout 2019, the risk dashboard consistently confirmed the EU banking system weighted averages for the Common Equity Tier 1 (CET1) fully loaded ratio of over 14%, an NPL ratio declining to below 3% and subdued profitability, with return on equity hovering around 7%.

In addition to these regular assessments, the EBA dedicates additional resources to annual thematic risk reviews, such as on banks' funding plans and asset encumbrance. These two reports monitor the composition of funding sources across the EU and help EU supervisors to assess the sustainability of banks' main sources of funding.

In addition, the EBA reports on progress made and challenges ahead in relation to NPLs, assessing the main trends in asset quality. Moreover, the EBA regularly provides ad hoc analyses on particular topics of interest to inform board discussions on risks and vulnerabilities.

### Guidelines on loan origination and monitoring and EBA report on asset quality

In May 2020, the EBA published guidelines on loan origination and monitoring, which were the EBA's final product under the framework of the Council's action plan on NPLs.

In this regulatory product, the EBA combines prudential standards for credit risk, and in particular loan origination, and consumer protection measures. The guidelines also reflect supervisory priorities and recent policy developments in the area of credit granting, including in relation to AML/CFT, environmentally sustainable finance, models for credit granting and collateral valuation, and technology-enabled innovation.

### Preparing for the 2020 EU-wide stress test, its postponement and discussion on future changes to the framework

The EU-wide stress test is an important tool used by competent authorities to assess banks' resilience to relevant economic and financial shocks and their capital needs, as well as to identify residual areas of uncertainty and appropriate mitigation actions. In addition, the exercise strengthens market discipline through the publication of consistent and granular data on a bank-by-bank level.

The Board of Supervisors decided in its December 2018 meeting to run a stress test in 2020, and, therefore, significant preparatory work began in 2019 for the 2020 EU-wide stress test. The exercise was launched in January 2020. However, because of the coronavirus outbreak and the need for banks to focus on their core operations and critical functions, it was decided to postpone the exercise until 2021 and to carry out, instead, an additional EU-wide transparency exercise to provide updated information on banks' exposures and asset quality to market participants.

On 22 January 2020, the EBA published a discussion paper on future changes to the EU-wide stress test, launching a public consultation to present its vision of the future of the EU-wide stress test and to collect comments and feedback from the various stakeholders.

Figure 4: The EBA’s comprehensive approach to loan origination



**The EBA is getting greener**

The EBA started to develop a climate risk assessment framework to comply with the new mandate coming from the CRR/CRD. The EBA is planning to embed climate risks in its stress test framework. However, incorporating climate risk in a fully fledged EU-wide stress test is a challenging task and, therefore, in 2020, the EBA will run a sensitivity analysis for climate risk on a sample of volunteering banks. The outcome of the exercise will be used as a starting point for future EBA work on climate risk.

**Benchmarking national loan enforcement frameworks**

Following the European Commission’s call for advice on benchmarking of national loan enforcement frameworks, the EBA launched an exercise to understand the efficiency of country-level loan enforcement procedures in terms of recovery rates and times to recovery. For this exercise, during the second half of 2019, the EBA collected information on a representative sample of institutions and loans, covering all EU Member States and a number of asset classes. This is the first time that this information has been collected at loan level across the EU.

## Defining, collecting and analysing banking data and promoting market discipline through transparency and disclosure

### Enhancing and updating a robust supervisory reporting framework with increased proportionality and efficiency

In November 2019, the EBA published its roadmap on supervisory reporting, providing an overview of the strategy in the short and medium term, and of the timeline, process and deliverables that the EBA is implementing in relation to the new regulations and its upcoming mandates. The roadmap also presents a strategy to address the need for greater proportionality and to ensure that the framework remains efficient.

In 2019, the EBA developed ITS covering the amendments to Regulation (EU) No 680/2014 (the implementing technical standard (ITS) on supervisory reporting) on financial reporting, the liquidity coverage ratio, securitisations (the common reporting framework), data for the purpose of benchmarking internal models and data for resolution planning purposes.

The EBA also started to revise the supervisory reporting framework and published a set of consultation papers updating the current reporting frameworks on funding plans and addressing the amendments to the NPL Backstop Regulation. Another consultation focused on a new reporting and disclosure package implementing the Financial Stability Board’s total loss-absorbing capacity (TLAC) standard in the EU and complementing the minimum requirement for own funds and eligible liabilities (MREL) that has been in force since 2014.

Furthermore, the EBA started work on a feasibility study on the integrated reporting system, which will be finalised in various phases in 2020 and 2022. The ultimate objective of this work is to reduce the administrative and financial burden, for both the authorities and institutions, and to improve the overall efficiency of the statistical, resolution and supervisory reporting.

Figure 5: A pathway for more efficient and proportionate supervisory reporting



Finally, the EBA also started work on a study of banks' costs of compliance with the ITS on supervisory reporting, with the aim of finding ways to reduce such reporting costs primarily for small and non-complex institutions.

### Expanding harmonised reporting to resolution

In April 2019, the EBA adopted and published its decision on reporting of resolution data from resolution authorities to the EBA.

### Strengthening the EBA's role as an EU data hub

To provide transparency on the EU financial system, it is important to collect and disseminate data on the entire population of EU banks. For this purpose, a reliable, secure and efficient platform to collect supervisory data from all EU/EEA banks is crucial. It will allow deeper analyses of the financial sector, which, in turn, will help in making the whole European banking system more transparent and healthy, thus preventing risks that could affect the EU public. Finally, it will also help in the creation of a harmonised regulatory and supervisory framework for banking in the EU.

In 2019, the European Centralised Infrastructure for Supervisory Data (EUCLID) project significantly contributed to the development of the EBA's EU hub for banking data, with the master data collected being offered to supervisors and public users as a source of up-to-date information for checking the status and details of credit, payment and e-money institutions.

Helping national supervisors and others to use the data is an important step in promoting the EBA as a leading hub for EU banking data and continuing to ensure the disclosure of data on the banking sector. In this respect, the EBA continued its support by exchanging information on the full set of risk indicators computed for around 200 of the largest banks in the EU, to create an environment of sharing and transparency. In addition, the EBA continued to improve the analytical tools for extracting information on different topics and risk areas.

### Finalising EUCLID

EUCLID is the EBA's new data collection platform, which will allow the EBA to collect data from the EEA competent authorities for all credit institutions and banking groups in the area. This means that the sample of institutions for which the EBA collects data will be expanded from around 200 of the largest institutions in the EEA to the full universe of credit institutions and banking groups in all EEA Member States. Various other data collections, such as of banking resolution data, will take place through the same platform to ensure a high degree of data quality, a reduced burden for all involved and a simplified reporting process.

### Moving towards greater transparency in data

The annual EU-wide transparency exercise aims to foster market discipline and consistency in EU banks' figures. The 2019 exercise was the sixth edition, and 131 banks from 27 EU Member States and EEA countries participated. The data published were more granular, being collected quarterly rather than semi-annually, as in the previous exercises. The increased granularity of the transparency results boosts the transparency of the EU and EEA banking sector and provides analysts with data for more detailed studies of the sector.

### Pillar 3 disclosures as a tool for enhancing market discipline

In November 2019, the EBA published its roadmap on the delivery of the mandates on Pillar 3 disclosures and outlined its new policy strategy on Pillar 3 disclosures. In line with these mandates and policy strategy, the EBA published two consultation papers, covering comprehensive ITS on institutions' prudential disclosures, applicable to all institutions subject to the disclosure requirements under the CRR, and comprehensive ITS on resolution disclosures, applicable to institutions subject to TLAC requirements under the CRR and to MREL disclosures under the BRRD. The objectives of the new policy strategy are as follows.

### Enhancing the EBA's data collection to monitor Basel III implementation in the EU

The 2019 Basel III monitoring exercise report makes use of the quantitative impact study numbers reported, assuming the final implementation of the Basel III framework and, thus, that the EU deviations would generally be removed from the EU regulation (except for the Danish compromise). This resulted in an overestimate of the actual impact of the reforms should these deviations remain in the regulation.

The EBA plans to collect data to assess the impact of the deviations of the current EU framework from the pure Basel III framework. This collection is currently expected to have a December 2020 reference date. The EBA envisaged that the data collection templates intended for use in this exercise would be finalised during 2020.

### Benchmarking diversity practices in credit institutions and investment firms

Institutions are required to take into account diversity when selecting new members of the management body and to implement diversity policies, in particular to achieve a more appropriate representation of both genders in management bodies. In 2019, the EBA benchmarked diversity practices in 834 institutions' management bodies, using data from September 2018.

The EBA carried out an analysis to determine if there is a correlation between the profitability of a credit institution and the composition of the management body in its management function. It found that credit institutions that have executive directors of both genders seem to have a higher probability of a return on equity at or above the average of 6.42% than credit institutions with executive directors of only one gender. While 54.70% of the credit institutions with more gender-balanced management bodies in their management function have a return on equity at or above 6.42%, only 40.69% of those with executive directors of just one gender reach that return on equity level. Moreover, the average return on equity for institutions with gender-diverse management functions is above the average for other institutions (7.28% versus 5.95% respectively).

### Measuring MREL progress

As part of its quantitative monitoring of MREL, in 2019 the EBA reported on the loss-absorbing capacity of banks for which resolution has been chosen as the preferred strategy in the case of failure. The report highlights that resolution authorities have made good progress in determining strategies and setting group MREL for institutions established in the EU since the BRRD came into force in 2014. Comparing the sum of all decisions with the total EU domestic assets, approximately 85% of EU assets are covered by an MREL decision based on a bail-in or transfer strategy.



# Making the organisation effective and efficient

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## Ensuring the smooth relocation of the EBA to Paris

On 4 March 2019 the Management Board approved the headquarters agreement, which was then signed at a ceremony in Paris on 6 March 2019.

Following its physical relocation from London, the EBA occupies four floors (24–27) of the office space in Tour Europlaza in Paris La Défense.

The relocation took place during the May bank holiday weekend from 30 May to 2 June 2019, and went smoothly, without interruption of EBA activities. All staff were fully operational from the new location by 3 June 2019.

The EBA continues to be liable for rent, building charges and local taxes relating to its old London offices until the date of its contractual break clause in December 2020. To fur-

ther reduce financial liability by subletting the premises in London or assigning the contract to another tenant, the EBA has appointed a property adviser in accordance with the EU procurement rules.



## Being a responsible, competent and professional organisation with effective corporate governance and efficient processes

### The review of the ESAs

The EU's supervisory framework underwent a complete overhaul in the aftermath of the financial crisis, leading to the establishment of the three ESAs for banking, capital markets, and insurance and pensions, as well as the European Systemic Risk Board for the monitoring of macroeconomic risks. In 2019 the co-legislators agreed on the proposed amendments to the ESAs' supervisory framework.

The changes stemming from the ESA review have broadened the EBA's tasks and competences.

The EBA's role was strengthened in the fields of AML/CFT, consumer protection and relations with third countries. The application and scope of EBA tools such as peer reviews, the breach of EU law procedure and mediation were refined, as a result of which some rules for procedures, methodologies and terms of reference had to be newly drafted or amended.

Beyond these areas, the EBA adjusted its governance, particularly in the areas of conflict of interest, the transition to a gender-balanced Management Board, and the mainstreaming of ESG into the EBA's areas of work.

The ESA review will make the EBA even more accountable and transparent as an organisation. Clear deadlines guide its exchanges of information with external stakeholders, for example responding to questions from the European Parliament or the submission of Board of Supervisors meeting minutes to the same institution.

### Settling of disagreements

One of the tasks of the EBA is to provide an environment that allows competent authorities to resolve their disagreements. To enable it to execute this task, the EBA's founding regulation lays down two different procedures to help competent authorities to overcome their disputes: binding mediation and non-binding mediation.

In 2019, the EBA performed binding mediation in one dispute that was resolved with the amicable agreement of the parties involved during the conciliation stage. The case focused on the area of resolution planning.

### Breach of EU law

Article 17 of the EBA's founding regulation gives the EBA power to investigate potential breaches of EU law by competent authorities including the national competent authorities in the Member States and the ECB under the Single Supervisory Mechanism.

In 2019, the EBA received three requests to investigate alleged breaches or non-application of EU law. These EBA's investigations assessed alleged violations of European prudential, AML and DGS requirements.

At the beginning of 2019, six requests remained open, four of which were subsequently closed without the need for an investigation after taking into consideration the criteria stated in the rules of procedure for the investigation of a breach of EU law. A further request was closed without opening an investigation following the actions taken by the national competent authority.



In the last case, the European Commission requested that the EBA open a formal investigation into a possible breach of EU law by the Estonian Financial Supervisory Authority (Finantsinspektsioon) and the Danish Financial Supervisory Authority (Finanstilsynet). Subsequently, the EBA opened a formal investigation relating to AML activities linked to Danske Bank and, in particular, its branch in Estonia.

The formal investigation was closed after the EBA's Board of Supervisors rejected a breach of EU law recommendation at a vote during its meeting in April 2019.

By the end of 2019, three requests remained open and the EBA was conducting preliminary enquiries: one on AML, one in relation to the Mortgage Credit Directive and credit intermediaries and one on DGSs.

### Providing legal support for the EBA's work

The Legal Unit provides legal support to the governing bodies, to the EBA management and to the core policy and operational functions of the EBA. As regards the EBA's regulatory activities, the Legal Unit ensures legal analysis and support in drafting binding technical standards, guidelines, recommendations and opinions, and legal analysis of proposed technical standards, guidelines and recommendations.

The Legal Unit also provides its advice on oversight activities by issuing supervisory recommendations and by facilitating the resolution of disputes. In relation to the EBA's institutional setting, the unit in 2019 provided legal support on matters related to the EBA's relocation, in particular the negotiation and drafting of contracts, including the lease for the EBA's new office in Paris; issues stemming from the Staff Regulations and the Conditions of Employment of Other Servants of the European Union; governance-related issues; requests for public access to documents; professional secrecy and confidentiality issues; intellectual property rights; protocol and matters arising in connection with the EBA's relations with the French authorities; and requests from EU bodies such as the European Court of Auditors and the European Ombudsman. As part of continuous monitoring of the EBA's legal framework, the Legal Unit works to enhance good administrative practices.

### Working to protect personal data

Given its responsibility for data protection in accordance with Regulation (EU) 2018/1725, the EBA is required to liaise with the office of the European Data Protection Supervisor. In 2019, the designated officers within the EBA promoted the importance of data protection issues to EBA staff, especially by raising the importance of data protection during awareness sessions and induction sessions organised for new recruits. The designated officers actively participated in meetings of the EU Data Protection Network, including with regard to the newly revised General Data Protection Regulation.

### Maintaining the Interactive Single Rule Book

The Interactive Single Rulebook enables stakeholders not only to access the relevant legislative frameworks (the CRR, the CRD, the BRRD, the Deposit Guarantee Schemes Directive, PSD 2 and the Mortgage Credit Directive) but also to consult any associated technical standards (RTS and ITS) developed by the EBA and adopted by the European Commission, as well as EBA guidelines, and Q&As relating to these legislative and regulatory texts.

The Single Rulebook Q&A tool allows institutions, industry associations, competent authorities and other stakeholders to submit questions on legal texts, thus offering guidance with the objective of ensuring the consistent application and implementation of the regulatory framework in banking across the EU.

The review of the submitted questions follows a thorough due process involving the EBA, the European Commission and competent authorities, this notwithstanding the fact that only the Court of Justice of the European Union can provide definitive interpretations of EU legislation.

Although Q&As have no binding force in law and are not subject to 'comply or explain', their application is scrutinised and challenged by the EBA and national competent authorities, given their undoubted practical significance for achieving a level playing field.

The Q&A tool's importance is reflected in the significant number of questions that continue to be submitted. By 31 December 2019, around 5 070 questions had been submitted through the dedicated Q&A tool.



### Delivering digital services to support the EBA's core functions and its internal administration

In 2019, the EBA established its 5-year IT strategy for digital transformation, with the aim of making the EBA a digital agency operating as an EU data hub and of maximising value for the EBA's constituency and ultimately EU citizens.

As part of the Paris relocation work programme, the EBA moved to a new, modern and secure office providing connectivity for a secure, highly mobile, wireless work environment, and audio/video infrastructure for meeting rooms and conferencing facilities.

Ahead of the UK's withdrawal from the EU in January 2020, the EBA implemented a significant data centre migration to an interagency community cloud environment, in line with its hosting strategy.

Data collection was enabled by the EUCLID programme, which is the core digital element of the EBA's strategy to expand supervision to the entire EU banking market. In 2019, the Master Data Management engine was implemented, providing a converging platform for the Credit Institutions Register and Payment Institutions Register.

### Communication and promoting the EBA's work

In 2019, the Communications Team undertook several tasks to promote a large number of publications and to support the delivery of the EBA's main projects as mentioned in the work programme, such as the RAR and the transparency exercise, the monitoring of Basel implementation, financial technologies and sustainable finance, AML, etc.

Throughout the year, 130 news items and press releases were published. Media briefings and interviews were organised either reactively or proactively, based on the EBA outputs that, in the light of specific relevance or sensitivity, were deemed to require dedicated media activities. Such activities included in particular Brexit-related activities, the RAR and the transparency exercise. In 2019, the team organised 46 interviews and background briefings with journalists.

In line with the EBA Management Board's decision to translate all EBA guidelines and recommendations into all of the EU's official languages, 69 final EBA products were proofread and 7 products were shared for review with the National Editors Network.

The Communications Team organised the official launch event in Paris, which brought together representatives from the ECB, the European Commission and Banque de France.

The existing social media accounts became one of the main means of communication with banking and finance professionals, the EU institutions, journalists and consumers. In 2019, the EBA Twitter account had reached 11 000 followers, a 35% increase on the previous year. The EBA LinkedIn corporate account almost doubled its number of followers, reaching 41 000.

In the last quarter of the year, the team focused on the launch of the EBA roadmaps, the RAR and the transparency exercise, the second call for advice on the implementation of Basel III and the launch of the action plan on sustainable finance. All these activities were accompanied by separate communication and social media plans.

Together with the Publications Office, we developed a template and started producing factsheets on various themes of interest to provide information about the added value that the EBA offers EU citizens.

# Priorities for 2020

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## Supporting the deployment of the risk reduction package and the implementation of global standards in the EU

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- Supporting new regulatory developments on securitisation
  - Supervisory convergence and rules on SRT
  - Developing technical standards for eligible liabilities and ensuring coherence with own funds standards
  - Continuing the monitoring of own funds instruments and extending the scope to TLAC/MREL issuances
  - Communicating on and sequencing Pillar 2 requirements
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## Providing efficient methodologies and tools for supervisory convergence and stress testing

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- Supporting better implementation of Pillar 2 in the EU
  - Producing EBA guidance on the end-treatment of grandfathered capital instruments
  - Continuing the monitoring of the implementation of IFRS 9 and the benchmarking of modelling of expected credit losses
  - Fostering supervisory convergence through the EBA 2020 convergence plan
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## Moving towards an integrated EU data hub and a streamlined reporting framework

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- Aligning supervisory reporting and disclosure requirements
  - Finalising reporting packages
  - Developing data exploitation tools: a focus on data analytics
  - Extending supervisory reporting to the entire banking sector
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## Making AML a real priority for the EU

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### Contributing to the sound development of financial innovation and sustainability

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- Coordinating the European Forum for Innovation Facilitators
  - Monitoring RegTech and SupTech developments
  - Assessing the impact of platformisation
  - Monitoring developments in the retail payments market
  - Integrating ESG dimensions into the supervisory framework
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### Promoting an operational framework for resolution

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- Delivering on regulatory mandates
  - Supporting coherence and progress on recovery and resolution decisions
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### Ensuring effective cooperation with third countries

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- Monitoring equivalence decisions
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# Key publications and decisions

## Comprehensive list of EBA publications and decisions in 2019

Product	Title
<b>Guidelines</b>	Guidelines on the specification of types of exposures to be associated with high risk under the Capital Requirements Regulation (CRR)
	Guidelines on outsourcing arrangements
	Guidelines on the estimation of LGD under an economic downturn
	Guidelines on ICT and security risk management
	Guidelines on harmonised definitions and templates for the funding plans of credit institutions
	Joint guidelines on cooperation and information exchange for AML/CFT supervisory purposes
<b>Implementing Technical Standards</b>	ITS on closely correlated currencies
	Joint ITS on the mapping of external credit assessment institutions' credit assessments under the CRR
	ITS on supervisory and resolution reporting for EU institutions and the corresponding data point model and XBRL taxonomy 2.9
	ITS on supervisory reporting with regard to financial information (FINREP)
<b>Regulatory technical standards</b>	RTS on the conditions to allow institutions to calculate capital requirements in relation to securitised exposures (Kirb) in accordance with the purchased receivables approach
	Joint RTS under the European Market Infrastructure Regulation on various amendments to the bilateral margin requirements in view of the international framework
	RTS on the standardised approach for counterparty credit risk
<b>Opinions/advice</b>	Opinion on deposit protection issues stemming from the withdrawal of the UK from the EU
	Opinion on the nature of passport notifications for agents and distributors of e-money
	Opinion on third-country equivalence (Argentina)
	Opinion on the elements of strong customer authentication (SCA) under PSD 2
	Opinion on communication of money laundering/terrorist financing (ML/TF) risks to supervised entities
	Opinion on measures to address macroprudential risk following a notification by the Finnish Financial Supervisory Authority
	Advice in reply to the European Commission's call for advice on Basel III implementation in the EU
	Opinion on the implementation of the Deposit Guarantee Schemes Directive
	Joint opinion on the ML/TF risks affecting the EU's financial sector
Opinion on the deadline for migration to SCA for e-commerce card-based payment transactions	

Product	Title
	Opinion on disclosure to consumers of banking services through digital means
	Opinion on the regulatory treatment of non-performing exposure securitisations
	Opinion on the implementation of the Deposit Guarantee Schemes Directive
	Advice in reply to the European Commission's call for advice on Basel III implementation in the EU
<b>Reports</b>	Joint report on regulatory sandboxes and innovation hubs
	Report on crypto-assets
	Report on the cost and performance of structured deposits
	Consumer trends report for 2018-19
	Report on high earners
	Report on convergence of supervisory practices
	Report on Basel III capital monitoring
	Report on liquidity measures
	Joint report on risks and vulnerabilities in the EU financial system
	Joint Committee's 2018 annual report
	Report on the functioning of supervisory colleges in 2018
	2018 annual report
	Report on the implementation of the its guidelines on product oversight and governance arrangements
	Report on the impact of FinTech on payment institutions' and e-money institutions' business models
	Report on the progress made on its roadmap on repairing IRB models
	Joint report on cross-border supervision of financial services
	Report on the monitoring of liquidity coverage ratio implementation in the EU
	Report on regulatory perimeter, regulatory status and authorisation approaches in relation to FinTech activities
	Report on funding plans
	Report on asset encumbrance
	Joint report on risks and vulnerabilities in the EU financial system
	Joint Committee's work programme for 2020
	Report on Basel III capital monitoring
	Report on liquidity measures under Article 509(1) of the CRR
	Report on potential impediments to the cross-border provision of banking and payment services
	Report on non-performing loans
	Annual risk assessment report
	Report on undue short-term pressure from the financial sector on corporations

Product	Title
<b>Consultation Papers</b>	CP on credit risk mitigation for institutions applying the internal ratings-based (IRB) approach with own estimates of loss given default (LGD)
	CP on harmonised definitions and templates for funding plans of credit institutions
	CP on technical standards on the standardised approach for counterparty credit risk
	Joint CP on draft ITS on the reporting of intra-group transactions and risk concentration for financial conglomerates
	CP on loan origination and monitoring
	CP on the methodology to determine the weighted average maturity of contractual payments due under the tranche of a securitisation transaction
	CP on the proposals to create a simple, transparent and standardised framework for synthetic securitisation
	Joint CP on changes to the key information document on PRIIPs
	CP on guidelines on the application of the structural foreign exchange provision
	CP on revised ITS on supervisory reporting
	CP on draft RTS and ITS on passport notifications
	CP on draft ITS amending the Benchmarking of Internal Models Regulation
	CP on draft RTS on revised identified staff for remuneration purposes
<b>Recommendations</b>	Joint recommendations on changes to the key information document on packaged retail and insurance-based investment products (PRIIPs)
<b>Decisions</b>	Joint Board of Appeal's decisions on four appeals under the Credit Rating Agencies Regulation
	Joint decision on the appeal by the credit rating agency Creditreform AG against the EBA
<b>Other</b>	Risk dashboard with data from Q3 2018
	Annual assessment of the consistency of internal model outcomes
	Joint multilateral agreement on the exchange of information between the European Central Bank and anti-money laundering/countering the financing of terrorism (AML/CFT) competent authorities
	Handbook on valuation for purposes of resolution
	Revised list of validation rules
	Joint letter to the European Commission on draft RTS to amend the delegated regulation covering the rules for the key information document on PRIIPs
	Clarifications on the first set of issues raised by its Working Group on Application Programming Interfaces (APIs) under the revised Payment Services Directive (PSD 2)
	Central register of payment and electronic money (e-money) institutions under PSD 2
	Updated list of other systemically important institutions
	Updated methodological guidance on risk indicators and analysis tools
	Risk dashboard with data from Q4 2018
Clarifications on the second set of issues raised by its Working Group on APIs under PSD 2	



Product	Title
	Joint advice on the need for legislative improvements relating to information and communications technology (ICT) risk management requirements
	Joint advice on the costs and benefits of a coherent cyber-resilience testing framework for significant market participants and infrastructures
	Updated list of diversified indices
	Clarifications on a third set of issues raised by its Working Group on APIs under PSD 2
	Updated data on deposit guarantee schemes across the EU
	2020 EU-wide stress test methodology for discussion
	Roadmap for the new market and counterparty credit risk approaches
	Risk dashboard with data from Q1 2019
	Updated list of Common Equity Tier 1 (CET1) instruments of EU institutions
	Roadmaps on International Financial Reporting Standard (IFRS) 9 deliverables and launches an IFRS 9 benchmarking exercise
	Clarifications on the fourth set of issues raised by its Working Group on APIs under PSD 2
	Letter in response to the European Commission on the Estonian Central Bank's proposed measures to address macroprudential risk
	Feedback on a review of the use, usefulness and implementation of the Single Rulebook Q&A
	Updated data used for the identification of global systemically important institutions
	Clarifications on the fifth set of issues raised by its Working Group on APIs under PSD 2
	Phase 2 of its technical package on reporting framework 2.9
	Revised list of validation rules
	2019 EU-wide transparency exercise
	Risk dashboard with data from Q2 2019
	Communication on the UK's withdrawal from the EU
	Work programme for 2020
	Joint statement on consistent application of the PRIIP Regulation to bonds
	2020 EU-wide stress test methodology and draft templates
	Technical package on reporting framework 2.9.1
	Risk reduction package roadmaps
	Action plan on sustainable finance
	Revised list of validation rules
	2020 EU-wide stress test templates after testing them with banks
	Updated CET1 list for Q4 2019



## **GETTING IN TOUCH WITH THE EU**

### **In person**

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