

## Deloitte Banking Alert

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### EBA's To Do list for 2019

**EBA recently published its annual work programme for the upcoming year, focusing on the main activities and tasks to be conducted. It also highlights its key strategic areas of work for 2019-2021 in alignment with the banking sector legislation, in its mission to further enhance harmonization throughout the EU.**

For 2019, EBA's work is clustered into five strategic areas and 37 activities. The strategic areas are the following:

- i. Lead the Basel III implementation in the EU;
- ii. Understand risks and opportunities arising from financial innovation;
- iii. Collect, disseminate and analyse banking data;
- iv. Ensure a smooth relocation of the EBA to Paris;
- v. Foster the increase of the loss-absorbing capacity of the EU banking system.

Furthermore, there are four horizontal priorities for policy work:

- Further efforts in implementing the proportionality principle;
- Strengthen supervisory convergence and integrity of the Single Rulebook;
- Enhance consumer protection;
- Prepare for the withdrawal of the UK from the EU.

**For each of the strategic areas, EBA will conduct the following activities:**

#### I. Leading the Basel III implementation in the EU

Banks should expect continuous development of the Single Rulebook through significant amount of regulatory changes-CRDV-CRR2-BRRD2 packages-and the shift of EBA's objectives towards the surveillance of the Basel III framework implementation.

Ensuring robust quality of **capital** of EU institutions and consistency in the implementation of the regulatory provisions coming from the CRR or Technical Standards. It will closely monitor CET1 issuances and will maintain a public list of CET1 instruments for which an assessment of all types of instruments will be necessary.

In terms of **liquidity**, EBA updates the Technical Standards on reporting following changes in Level 1 texts, may contribute to the final calibration of NSFR rules and will monitor national practices on liquidity and national options and discretion. When it comes to **interest rate risk in the banking book**, it will elaborate the Level 2 measures in the context of integration in the CRDV package.

EBA is working to constantly update the Technical Standards on reporting and disclosing the **leverage ratio**. Thus, it will monitor and promote consistent application of it.

As EBA supports **high-quality accounting and auditing standards**, its focus will mainly address monitoring and promoting consistent application on IFRS 9, monitoring the use of transitional provisions and the ongoing quantitative impact of its application. Its work will also include finalization of Regulatory Technical Standards (RTS) on methods of consolidation and the Guidelines (GL) on activities that are a direct extension of banking and ancillary to banking.

In the context of **large exposures**, EBA will monitor the use of options and national discretions, will possibly update existing RTS/GL and will conduct preliminary work for RTS/GL under CRR2/CRDV packages.

Developments of TS, GL and reports regarding calculation of capital requirements under the Standardised Approach and the IRB Approach for **credit risk** and dilution risk are to be expected under CRDIV/CRR.

Extensive work will also be centered around **market risk**, CVA and counterparty credit risk, with focus on development of TS, GL and reports regarding calculation of capital requirements. EBA will conduct work towards preparation of counterparty credit risk implementation in the EU, which is subject to CRR2/CRD finalization, will monitor and promote consistent application on market risk, particular focus on model approval of internal margin model, which is subject to EMIR finalization.

For **operational risk**, work will be done towards development of TS, GL and reports regarding the calculation of capital requirements. However, EBA is focusing on the development of a new regulatory regime for **investment firms** (IFR/IFD).

EBA will conduct ongoing **supervisory review** tasks on further developing policies in line with the published Pillar 2 Roadmap and CRDV/CRR2 packages and in relation to emerging risks.

The application of **Internal Governance and Remuneration** practices will be monitored and diversity practices will be benchmarked.

The Banking Authority will continue to provide regular updates to maintain a high-quality and efficient supervisory **reporting framework** and will conduct work to improve comparability and standardization of Pillar 3 disclosure and will try to further align the **Pillar 3 requirements** with the supervisory reporting requirements to reduce the implementation burden by credit institutions.

It will enhance its contribution towards the Council's action plan for **tackling NPLs** in Europe. In this respect, it will develop ITS on NPL data and GL for valuation. EBA will work on broader aspects of single **market access and authorisations**. It will also **assess equivalence** of regulatory and supervisory frameworks of third countries with the EU framework.

## II. Understanding risks and opportunities arising from financial innovation

Through EBA's **FinTech Roadmap**, the authority body will focus on continuous monitoring and identification of areas where regulatory and supervisory responses might be needed. Within the EU crisis management framework, EBA enhances **depositor protection**, by facilitating cross-border cooperation between DGSs, monitoring the financing and resilience of DGSs and contributing to the review of existing DGS Directive. Moreover, it seeks to foster a consistent level of **consumer protection** in all EU Member States.

EBA offers support towards the implementation of the **PSD2 directive** in order to ensure efficient, secure and easy retail payments across the EU. EBA's continuous work for monitoring key **vulnerabilities and potential risks** that might affect EU financial institutions is done on a forward-looking basis in order to identify possible policy actions to address them. **Anti-money laundering and terrorism financing** are key points within the Programme.

In its attempt to analyze potential risks and vulnerabilities across EU financial institutions, EBA initiates and coordinates the EU-wide **stress test** in cooperation with ESRB. Although the next stress test date has not been announced, EBA is involved in the development of common methodology and templates in cooperation with CAs.

### III. Collecting, disseminating and analyzing banking data

In its attempt to conduct regulatory work focused on quantitative analysis and analysis of key risks and vulnerabilities, EBA is seeking to build a **centralized infrastructure of supervisory data** for the full sample of EU credit institutions. It is expected from EBA to provide **analytical tools** to support risk analysis and maintain its risk dashboards and interactive tools. This exercise involves ensuring consistent application of reporting requirements through the application of validation rules and quality checks.

EBA is expected to provide support for **ad hoc data collections**, in order to improve reliability of data reported and to reduce as much as possible the burden for banks and CAs. **Economic analysis and impact assessment** are key inputs for EBA's policy making requirements. Hence, EBA will analyse the responses to Basel III, the half-year CRD IV/CRR monitoring reports, the annual report on the impact and phase-in of the LCR.

### IV. Ensuring a smooth relocation of the EBA to Paris

As Brexit approaches, and progress and outcomes of the negotiations between the UK and the rest of the EU are uncertain, banks in the EU and UK could be required to make significant changes to their business structures. Hence, EBA's work will be focused towards the harmonization of the legal regime and convergence of supervisory approaches, particularly with respect to the treatment of branches and on risk analysis for all the possible outcomes of UK withdrawal.

### V. Fostering the increase of the loss-absorbing capacity of the EU banking system

**MREL (minimum requirement for the own funds and eligible liabilities)** requirements and, implicitly, the **loss-absorbing capacity** for G-SIBs will also be a focus of EBA in the forthcoming year, performing preparatory-related work under the BRRD2 and ITS on MREL disclosure and reporting.

EBA's responsibilities towards ensuring an effective and consistent crisis management will focus on monitoring evolving practices in relation to **recovery planning**, improving synergies between **recovery and resolution** plans, will support a better cooperation between supervisory and resolution authorities, will identify good practices and potential friction points and aspects to avoid.

EBA will provide support with the planning, prioritization, monitoring, execution and follow-up of the deliverables stemming from the work Programme, in order to implement an **efficient communication strategy**, with focus on **Q&As and training programmes** for supervisors and for resolution and deposit guarantee authorities.

**Should you be interested in more details feel free to contact us.**

Thank you.



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