

# Accomplishment of the Colleges Action Plan for 2013 and establishment of the Colleges Action Plan for 2014

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Assessment of the Colleges Action Plan for 2013  
Promoting and monitoring colleges in 2013  
EBA Colleges Action Plan for 2014

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# Abbreviations

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<b>AQR</b>	Asset Quality Review
<b>BoS</b>	EBA Board of Supervisors
<b>BRRD</b>	Bank Recovery and Resolution Directive ( <i>Proposal for a Directive of the European Parliament and of the Council establishing a framework for the recovery and resolution of credit institutions and investment firms (17958/13, 17957/13 + COR 1 + ADD 1)</i> )
<b>CAs</b>	Competent Authorities
<b>CBSG</b>	Cross-Border Stability Group
<b>CEBS</b>	(former) Committee of European Banking Supervisors
<b>CMG</b>	Crisis Management Group
<b>CRR/CRD</b>	Capital Requirements Regulation/Capital Requirements Directive (CRD IV referring to <i>Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms</i> , and <i>Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms</i> )
<b>EBA</b>	European Banking Authority
<b>EEA</b>	European Economic Area
<b>ITS</b>	Implementing technical standard
<b>JRAD</b>	Joint Risk Assessment and Decision
<b>SCOP</b>	EBA Standing Committee on Oversight and Practices
<b>SREP</b>	Supervisory Review and Evaluation Process
<b>SSM</b>	Single Supervisory Mechanism

# 1. Executive summary

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The EBA is tasked with promoting and monitoring the efficient, effective and consistent functioning of colleges of supervisors across the EU. Colleges play a crucial role in the effective supervision of cross-border groups and, despite some shortcomings, they have been a vital forum for cooperation and sharing of information during the financial crisis. As part of the EBA's efforts to fulfil its mandate, EBA staff produce regular internal reviews on college functioning which are discussed with all 28 competent authorities (CAs) in the EU to identify best practices, areas for improvements and priority tasks going forward. For the first time, the EBA is publishing a report about the colleges' action plan in the interests of transparency and better informing the public about the important part that colleges play in supervision. This should also help explain the significant time and resources that supervisors dedicate to colleges to maintain effective oversight of cross-border groups.

This report notes that in 2013, national CAs and EBA staff made significant efforts to improve the effectiveness and efficiency of colleges further. EBA staff noted an increased level of cooperation in colleges. One aspect to highlight is that many colleges have moved away from the expected minimum of one face-to-face meeting per year to more frequent interaction. There have been more face-to-face meetings or regular telephone calls throughout the year, reflecting the need for substantive discussions on an ongoing basis.

Feedback provided by the EBA to consolidating supervisors on their college work is being increasingly reflected upon and shared with college members, in particular with regard to college process.

Coordinated supervisory action plans were provided to the EBA for nearly all colleges. Some colleges view this as part of planning a joint supervisory cycle for a cross-border banking group linked with the outcome of the group risk assessment carried out by the college.

EBA staff noted better joint risk assessment in colleges, reflected in particular through more granular and structured discussions and more comprehensive group risk assessment reports. One of the trends identified in 2013 was an increasing number of supervisors raising questions about each other's risk assessments, including host supervisors raising questions about the consolidated supervisor's assessment on the group.

The process of reaching joint decisions on capital was more standardised and better structured in most of the colleges compared to the process in 2012.

Besides these improvements, the EBA also noted a series of challenges faced by colleges in 2013. One was the drafting of a truly coordinated supervisory action plan based on the outcome of the joint risk assessment. Many colleges still approach this task as a compilation of the individual

supervisory actions planned by college members without any reference to the group risk assessment.

In addition, the mandate of EBA staff to initiate substantive agenda points, enhance discussions or to ensure there was satisfactory application of legal requirements was not always seen in a positive light by colleges.

As regards the process of reaching joint decisions on capital, the key limitation for more consistency in the process and even more so in the outcome of the joint decision is the absence of a common methodology for the supervisory review and evaluation process (SREP) in Pillar 2. A high degree of inconsistency in the way the joint decisions are articulated remains, primarily reflecting national methodologies, creating challenges for mutual understanding of outcomes in some cases. Greater consistency will be achieved after the guidelines on common SREP, which are currently being developed, are implemented by CAs.

More improvement is also needed in the coverage and reasoning of the joint decision. The main weakness noted was insufficient or missing reasoning for the assessment of adequacy of own funds and for clear agreement on and wording of the required level of own funds above the regulatory minimum. A second area for improvement is the coverage of entities in the joint decision documents. In several joint decisions the parent entity and/or domestic entities in the home country are not included. This is an implementation issue as the joint decision must be reached for each entity (for which capital requirements apply) within the banking group and on a consolidated basis.

There were some cases of disagreement in the process of reaching a joint decision which were closely followed by the EBA and for which different forms of assistance were provided.

In light of the EBA Recommendation on the development of recovery plans (issued in January 2013) and given the role of the EBA as defined in Article 25 of the EBA Regulation, EBA staff have increased efforts to contribute and participate actively in the development and coordination of effective recovery and resolution planning. EBA staff finalised the first comparison of recovery plans submitted to it so far and the results were used to identify thematic good practices and areas of weakness and provide detailed feedback to individual CAs, CMGs and colleges of supervisors. The exercise has demonstrated that European banking groups are making good progress in the preparation of recovery plans. The production of these plans is a relatively new concept in financial supervision and it is not surprising that, despite the issuance of important policy documents, best practices are only beginning to emerge.

Many of the banks covered by the EBA Recommendation on the development of recovery plans have already delivered their recovery plans to the consolidating supervisors, and the EBA notes significant engagement of colleges in the assessment or at least the discussions on the recovery plans. Actual practices around this engagement differ across the colleges, with some of them being actively involved in the assessment and having access to full plans and all details, whilst others receive minimum information.

The EBA has undertaken an additional mapping exercise of the non-EEA cross-border banking groups present in the EEA, and the colleges set up at EEA sub-consolidated level for these entities. Two major conclusions can be drawn from the exercise. The first is that even though a substantial number of third-country cross-border groups are active in Europe, the current EEA college coverage of these groups is minimal. In fact, only about 10% of all EEA entities from third-country banking groups are covered by an EEA college at the sub-consolidated level. The second conclusion is that the performance of an equivalence assessment as foreseen in the CRD has only been carried out for 30% of the third-country banking groups.

For 2014, there is a detailed action plan with clear objectives and deliverables expected both from EBA staff and from the CAs. The actions proposed for 2014 are based on the findings drawn from monitoring the Colleges Action Plan for 2013 and EBA staff observations from the close monitoring of the 43 colleges. The actions proposed also take into account the regulatory (CRD IV, BRRD) and institutional developments (SSM) affecting colleges in 2014.

CRD IV and technical standards based on the mandates from CRD IV will have a significant impact on the functioning of colleges. Reaching joint decision on capital, one of the key challenges in colleges, will, under the CRD IV, be accompanied with the new joint decision on liquidity, which colleges should make for the first time in 2014. ITS on joint decision on institution-specific prudential requirements (approved by the BoS, submitted to the European Commission and published on the EBA website) will provide national authorities with the common process and common templates for both joint decision on capital and joint decision on liquidity. The process of reaching the joint decision on liquidity will also be supported by the common methodology for the assessment of liquidity under SREP, prepared in advance as part of the work on the guidelines on common SREP and published as a discussion paper on the EBA website.

As part of the BRRD implementation, colleges need to incorporate a new aspect, the assessment of group recovery plans, into their regular college work. Colleges are expected to include this activity also in 2014, in light of the EBA Recommendation on development of recovery plans.

In 2014, AQRs are being undertaken, and an EU-wide stress test is being organised by the EBA. The goal of these exercises is to enhance transparency, to identify and implement necessary corrective actions, and build confidence in the market. For banking groups that will be under SSM supervision, the exercises form part of the comprehensive assessment organised by the ECB prior to assuming its supervisory role in November 2014. The EBA is working to ensure effective home host cooperation in colleges in the areas of information sharing, planning and coordination of work, and exchanging results and subsequent coordinating supervisory actions.

Colleges of supervisors will continue to play an important role after the SSM is in place. The number of EU colleges will be only slightly affected by the introduction of the SSM, and the cross-border aspect in supervisory cooperation between the SSM and non-SSM countries will remain significant. The EBA will play an important role in promoting supervisory cooperation and convergence across the whole EEA. From the large European banking groups monitored closely by the EBA, only five banking groups will have a **presence** only inside SSM countries. All others will have a relevant presence in both SSM and non-SSM countries. Part of the action plan for 2014 reflects this development.

Key topics in the action plan for 2014 include the following:

- Joint risk assessment
- Joint decision on capital and liquidity
- Assessment of recovery plans
- Asset quality review

Colleges are also expected to continue to improve their general cooperation and convergence. The action plan for 2014 includes several regular items, in particular related to the mapping of cross-border banking groups and secure information exchange. The full action plan including details and timeframe can be found in Annex II.

## 2. Identification of EEA colleges and selection of closely monitored colleges

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The requirements of the Colleges Action Plan for 2013 have been fulfilled to a reasonable extent. There follows an overview how individual action points were accomplished and there are additional details on this in Annex I.

### 2.1 EEA cross-border banking groups

1. To ensure there was adequate coverage and monitoring of colleges, CAs were asked to complete a mapping template with updated information on cross-border banking groups, and on the colleges established for these groups.
2. During the mapping exercise, the EBA received confirmation about the existence of 94 EEA colleges, 46 of which operate under a fully-fledged format. Where no college was established, national authorities referred to alternative bilateral work where there was only one significant host regulator, or to the fact that the establishment of a college was planned. During the year, nine additional colleges were reported to the EBA, resulting in a total of 105 in 2013<sup>1</sup>.
3. Out of the 94 EEA colleges, 43 were identified by EBA staff as 'closely monitored'. The criteria for the identification of closely monitored colleges have been discussed with SCOP members and clearly communicated to BoS members and observers.

### 2.2 Non-EEA cross-border banking groups present in EEA

4. As per the 2013 action plan, the EBA has undertaken an additional mapping exercise of the non-EEA cross-border banking groups present in the EEA, and the colleges set up at EEA sub-consolidated level for these entities.
5. Two major conclusions can be drawn from the exercise. The first conclusion is that even though a substantial number of third-country cross-border groups are active in Europe, the current EEA college coverage of these groups is minimal. Only about 10% of all EEA entities from third-country banking groups are covered by an EEA college at the sub-consolidated level. Even if a college has been established at EEA level in the majority of cases it does not cover all reported EEA entities of the banking group, due to the dispersed structure of these groups. The second conclusion is that the equivalence assessment as foreseen in the CRD has only been carried out for 30% of the third-country banking groups active in the EEA, half of them referring to the CEBS equivalence assessments for Switzerland and the US.

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<sup>1</sup> One college is in resolution and therefore has not undertaken any college activities in line with the 2013 action plan.

6. The selection of closely monitored colleges for 2014 will benefit from the results of this exercise.

## 3. Functioning of closely monitored colleges

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### Role of colleges of supervisors

Colleges of supervisors are permanent and flexible structures for the coordination of supervisory activities. They are established under EU law for EEA banks with subsidiaries or significant branches in other EEA countries. They may include supervisors in non-EEA countries where relevant.

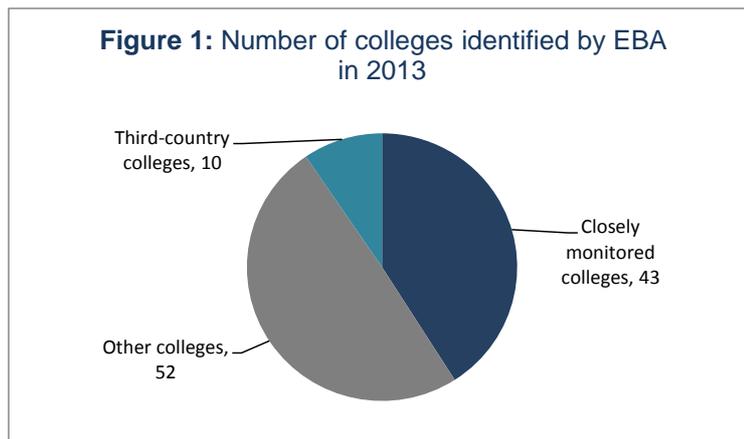
As foreseen in the CRD, colleges of supervisors provide a framework for the consolidating supervisor and the other competent authorities to carry out the following main tasks:

- exchanging relevant or essential information in going concern and emergency situations;
- agreeing on voluntary entrustment of tasks and voluntary delegation of responsibilities where appropriate;
- planning and coordinating supervisory activities and determining supervisory examination programmes based on a risk assessment of the group;
- consistently applying the prudential requirements under the CRD across all entities within a banking group;
- reaching a joint decision on the adequacy of the level of own funds held by the group with respect to its financial situation and risk profile and the required level of own funds for each entity within the group and on a consolidated basis. The joint decision shall be specified in a document containing full reasoning and taking into account the risk assessment. The joint decision document shall be provided to the EU parent institution by the consolidating supervisor.

7. Based on the mandate laid down in the EBA Regulation, the EBA seeks to play an active role in the ongoing activities of the college of supervisors in order to contribute to the consistent and coherent functioning of colleges. The following sections provide an overview of the accomplishment of the individual action points.

### 3.1 EBA coverage of colleges

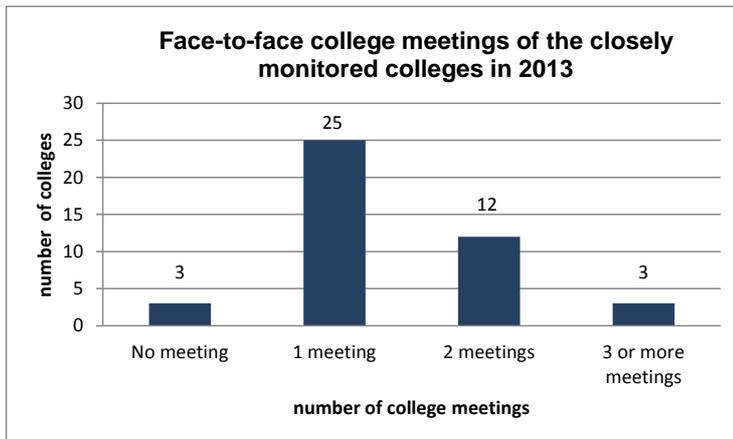
8. Altogether, 105 colleges were identified by the EBA during the course of 2013, of which 43 were identified as closely monitored colleges, 52 as other colleges and 10 as colleges for banking groups with a parent undertaking in a third country.



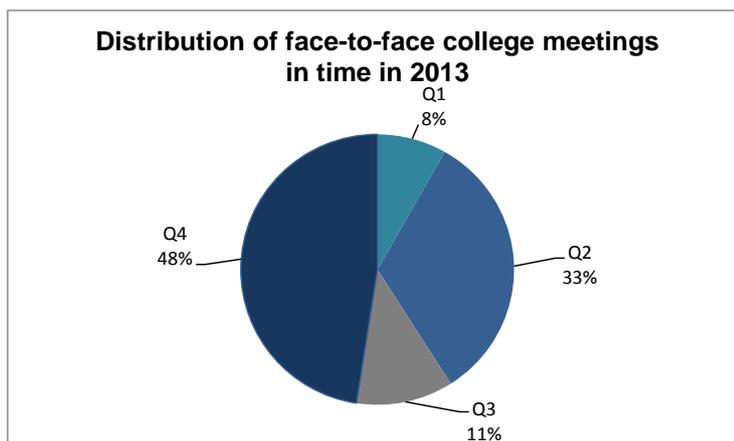
9. While EBA staff's engagement in colleges focused primarily on the 43 closely monitored EEA cross-border banking groups, a few other colleges were also monitored, where EBA involvement was deemed important because of current developments of these banking groups. EBA staff were also invited to participate in some colleges which were set up for banking groups with parent undertakings in a third country, and a number of invitations were accepted.

### 3.2 College meetings

10. The closely monitored colleges held a total of 77 face-to-face meetings during 2013, of which 71 were attended by EBA staff. The college meetings not attended by EBA were focused on very specific or technical topics, e.g. changes in approved internal models.
11. EBA staff observed an increase in the intensity of cooperation within colleges during 2013, reflected in particular by the number of college meetings organised. A significant majority of colleges (58%) organised one meeting per year, but an increasing number of colleges moved from one face-to-face meeting to two meetings or organised additional conference calls throughout the year. Notably, some of the colleges also have quarterly face-to-face meetings.



12. The distribution of meetings shows seasonality, with the highest number of meetings concentrated in the last quarter of the year, and the second highest being held in the second quarter.



13. EBA staff noted that generally college meetings were better structured, in particular as regards the length of meetings and the allocation of time to different agenda items. Another improvement was the involvement of the college members in in-depth discussions, especially in core colleges but also in some general colleges. Nevertheless, regrettably in many cases information flow between core colleges and the general colleges was not always sufficient. Members of the general college seem not always properly informed about all activities and findings from the work done in other college settings, in particular about decisions taken in other college settings that affect or might affect host supervisors who are involved only in general college structures.

14. Bearing in mind the overall general improvement in the college discussions, the depth of the discussions, in particular related to the process of reaching a joint decision, is still insufficient. While EBA staff noted an increasing trend in discussions on the group risk assessment being more detailed, including challenging of the assessments by the college members, there is still room for improvement with regard to the discussions on the joint decision. Improvements in

this context should be mainly achieved by allocating sufficient time for discussions and also in structuring the discussion in a manner which allows all college members to have an informed view on the proposed allocation of capital across the group and the main reasoning behind it.

15. The role of the EBA as an advisor in colleges is perceived increasingly positively by CAs, in particular by significantly reflecting the feedback provided by EBA staff to consolidating supervisors in the college work and sharing the feedback with college members. As more disagreements have been evident as a result of the fragmentation of the market, the EBA's role in the area of mediation has become more significant and important. Furthermore, the EBA is more often seen as a source of information and an important bridge between policy development and practical implementation by the line supervisors of cross-border banking groups. It should also be noted that consolidating supervisors are increasingly welcoming the micro risk dashboard developed by the EBA, although more discussions are needed on how to integrate this information into the group risk assessment process.
16. Besides the face-to-face meetings, half of the closely monitored colleges held conference calls, some of them on a quarterly basis, and provided college members with regular updates on the overall financial situation of the banking group. These calls served as a basis for supervisors to discuss the development of the risk profile.

### 3.3 Coordinated supervisory action plans

17. Coordinated supervisory action plans were provided to the EBA for nearly all closely monitored colleges. Some colleges understand the plan as part of planning a joint supervisory cycle for a cross-border banking group linked with the outcome of the group risk assessment. However, many other colleges approached this task as a compilation of the individual supervisory actions planned by college members. It should be noted that the approach selected is determined by the consolidating supervisor. In some colleges, due to the understanding of the necessity and advantages of a joint supervisory cycle, the EBA noted enhanced cooperation among supervisory authorities addressing coordinated supervisory activities, in particular in the field of joint on-site examinations and joint preparation of AQR.
18. Improvement is also needed in establishing closer links between the outcome of the joint risk assessment of a banking group and the coordinated supervisory action plan, in particular as regards specific supervisory activities to address the main deficiencies or risks identified through the joint risk assessment and joint decision process.
19. Nevertheless, more discussion and coordination is needed on the overall supervisory policy and supervisory actions and also on the national implementation of CRD IV, especially on capital buffers and macroprudential measures.

### 3.4 Joint risk assessment and decision process

#### Joint risk assessment and decision (JRAD)

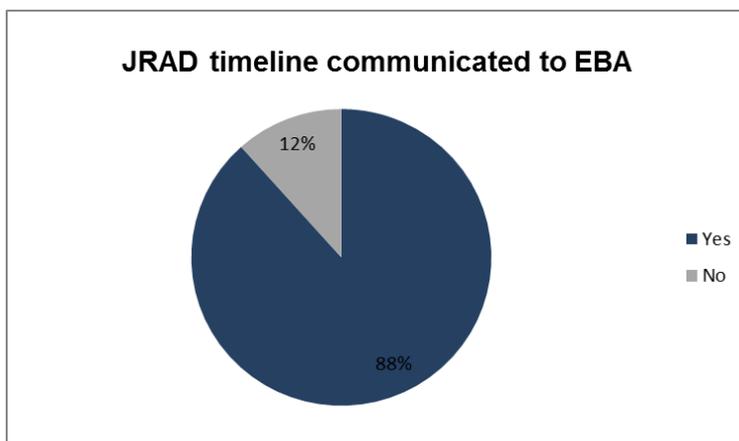
Since 2011, it is required by the CRD that the consolidating supervisor and supervisors of subsidiaries involved in the supervision of an EEA cross-border banking group conduct a JRAD. The JRAD is to be carried out within the college of supervisors established for the coordination of supervisory activities of the banking group.

In the joint risk assessment which is coordinated by the consolidating supervisor, the competent authorities jointly assess the risk exposure and control of the banking group. The joint assessment is concluded by a so-called joint decision in which the home and host supervisors make a joint decision on the application of the Pillar 2 provisions related to the Internal Capital Adequacy Assessment Process (ICAAP) and to the SREP. The joint decision should cover the determination of the adequacy of the consolidated level of own funds held by the group with respect to its financial situation and risk profile, as well as the required level of own funds, above the regulatory minimum, applied to each entity within the group.

20. Joint decisions and joint risk assessments are arguably the key yearly deliverables of colleges, so their quality and robustness can be seen as a measure of the efficiency and quality of the college work.

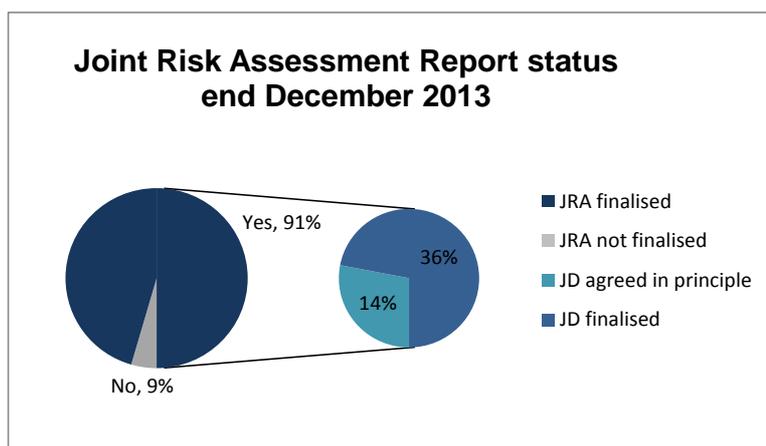
#### 3.4.1 Planning

21. One of the tasks for co-ordinating supervisors in the Colleges Action Plan for 2013 was to inform the EBA about the timeline of the JRAD process agreed within the college. This information was provided by 38 of the 43 closely monitored colleges. Although the number of colleges which did not communicate the agreed timeline of the JRAD process to EBA decreased from last year, there are still five colleges which did not communicate this information to the EBA.



### 3.4.2 Joint risk assessment

22. EBA staff noted better joint risk assessment in colleges, in particular deeper and better structured discussions and improved group risk assessment reports. One of the trends identified from 2013 was an increasing number of supervisors raising questions about each other’s risk assessments, in particular host supervisors challenging the risk assessment of the consolidated supervisor. This process contributed to improvements in the reasoning and articulation of the joint capital decisions. In some cases, which are regarded as a best practice, conference calls were organised to discuss the proposed joint risk assessment before the face-to-face college meeting, to collect comments and suggestions from the host supervisors ahead of the meeting.
23. The quality of the joint risk assessment document can on be assessed as satisfactory overall. To provide supervisors with more detailed feedback for this report, EBA staff made an informal comparison of approaches used in colleges with regard to the content and structure of the joint risk assessment and joint decision documents. From the 43 closely monitored colleges, 15 joint risk assessment documents were assessed by EBA staff as very good or good, 17 as satisfactory and three as not satisfactory. The remaining eight reports have not been finalised or the assessment of the report was not applicable (e.g. group in the process of restructuring). The main drawback identified in the joint risk assessment documents was the insufficient level of detail to understand the risks of the banking group.



24. In some cases, the joint risk assessment gives a comprehensive and consistent overview of the risks the relevant banking group is exposed to; however, in many cases there is no explicit statement on the quality of risk management processes and procedures.
25. The circulation of the group risk assessment reports well in advance of the college meeting has improved in a number of colleges; however, there are still a large number of cases where the group risk assessment report is distributed too late for college members to be prepared for the discussion or to send written comments or questions before the college meeting.
26. The EBA noted that in many colleges individual assessments provided by supervisory authorities are not shared with all college members (or at least among EEA members). This practice does not enable college members to have an informed discussion and understand the risk profile of the group's entities for the purpose of reaching a joint decision on capital<sup>2</sup>.

### 3.4.3 Joint decision

27. There were some cases of disagreement in the process of reaching a joint decision which were closely followed by the EBA and for which different forms of assistance were provided.
28. The process of reaching a joint decision on capital is more standardised and better structured in most of the colleges. It is important to note that the key limitation for more consistency in the process and even more in the outcome of the joint decision is the absence of a common methodology for SREP in Pillar 2<sup>3</sup>. There remains a high degree of inconsistency in the way joint decisions are made and worded, and in most cases the wording is based on national methodologies and supervisory traditions. However, some colleges managed to address this issue, agreeing on a common way (common formula) of calculating adequate capital in Pillar 2.
29. Based on the informal assessment carried out by the EBA staff, the quality of joint decision documents is almost equally split into good, satisfactory and not satisfactory. The quality and content of the joint capital decision document is very much driven by the approach of consolidating supervisors. The approach and thus the quality of the joint decision document were assessed as good in the case of four consolidating supervisors out of 16<sup>4</sup>. In four cases the approach of consolidating supervisors was assessed as satisfactory, while the approach of five consolidated supervisors is not satisfactory. In the three remaining cases the assessment was not applicable.

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<sup>2</sup> The ITS on institution-specific prudential requirements will introduce an obligation to include individual SREP reports as an annex of the group risk assessment report.

<sup>3</sup> SREP guidelines introducing common methodology for SREP and assessment of risk is planned to be finalised by the EBA in 2014.

<sup>4</sup> The EBA closely monitors colleges with consolidating supervisors in 16 European countries (Austria, Belgium, Cyprus, Germany, Denmark, Greece, Spain, France, Hungary, Ireland, Italy, the Netherlands, Norway, Portugal, Sweden and the UK). Cyprus was not taken into account in the assessment as the two banking groups for which colleges are under close monitoring are either in restructuring or in resolution and no JRAD activity has taken place in 2013.

30. More improvements are needed in the scope and reasoning of the joint decision. The main weakness was that the reasoning for the assessment of adequacy of own funds and for the required level of own funds above the regulatory minimum was sometimes insufficient or completely missing. In many cases there was no clear explanation of a link between the risk assessment and the required level of own funds<sup>5</sup>.
31. A second area for improvement is the coverage of entities in the joint decision document. In several joint decisions, the parent entity and/or domestic entities in the home country were not included in the joint decision. Some entities might be subject to the application of a waiver for minimum capital requirements, but in any case all entities should be covered either with an assessment of adequacy of own funds or by stating that a waiver applies<sup>6</sup>.
32. By the end of November 2013, only 10 joint decisions had been finalised, while others were in the process of finalisation or subject to ongoing discussion. EBA staff observed an increasing number of cases where the required level of capital proposed for the joint decision was based on a macroprudential requirement imposed in some Member States as a recommendation or a binding measure. In most cases, the macroprudential requirements were clearly indicated in the joint decisions; however, in some cases the macroprudential requirements were used instead of reasoning stemming from the institution-specific assessment<sup>7</sup>.

## 3.5 Crisis management framework

### 3.5.1 Emergency planning

33. At the start of 2013, some colleges were still finalising emergency plans included in the action plan for 2012. The EBA has now received 81% of emergency plans from closely monitored colleges. Consequently the plans were analysed and compared. Based on this analysis, several common practices for the development of emergency plans were identified, but differences were evident in both the content of emergency plans and the level of detail included.
34. According to the action plan for 2013, EBA staff was expected to develop a good practices document and/or template on emergency plans, focusing on the best practices identified among all the plans received following their submission to EBA by consolidating supervisors of the closely monitored colleges under the 2012 EBA Colleges Action Plan. Taking into account the outcome of the analysis of the emergency plans received and also reflecting the discussion at SCOP, it was agreed to focus on the emergency plan template.

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<sup>5</sup> In order to enhance the consistency and quality of joint decisions, EBA staff developed a template for the joint decision document which was distributed to consolidating supervisors in October 2013.

<sup>6</sup> This will be clearly stated in the ITS on institution-specific prudential requirements.

<sup>7</sup> The ITS on institution-specific prudential requirements will provide clarity on the treatment of macroprudential requirements.

The template for emergency plans was developed by EBA staff as a flexible tool that colleges may adapt to their specific situation and should be understood as a complement to the existing 'Template for a multilateral cooperation and coordination agreement on the supervision of XY group'. The template was discussed at the November SCOP meeting and has been circulated to the EEA consolidating supervisors.

### **3.5.2 Crisis management and recovery and resolution plans**

35. According to the EBA Recommendation on the development of recovery plans, the recovery plans of banking groups affected must be submitted to their CAs by the end of 2013 and discussed within the colleges of supervisors. EBA staff noted different approaches by consolidating supervisors to the communication of information regarding recovery plans. Altogether, 20 of the 43 closely monitored colleges discussed the recovery plans of the banking groups within the framework of the college meetings, eight provided only a high-level overview for college members and twelve organised a more detailed discussion.
36. In the light of the recommendation and also the role of the EBA defined in Article 25 of the EBA Regulation, EBA staff have increased efforts to contribute and participate actively in the development and coordination of effective recovery plans. The EBA Oversight Department has established dedicated staff concentrating on this area. These staff have focused on attending meetings of CMGs, comparing recovery plans and building an expertise centre for crisis management-related issues. EBA staff finalised the first comparison of recovery plans and summarised the results in a report. The results were used to provide detailed feedback to individual CAs, CMGs and colleges of supervisors, also for colleges not covered by the original assessment sample. In addition, summarised and anonymous feedback was provided to the SCOP. Another comparison report is being drawn up in early 2014.

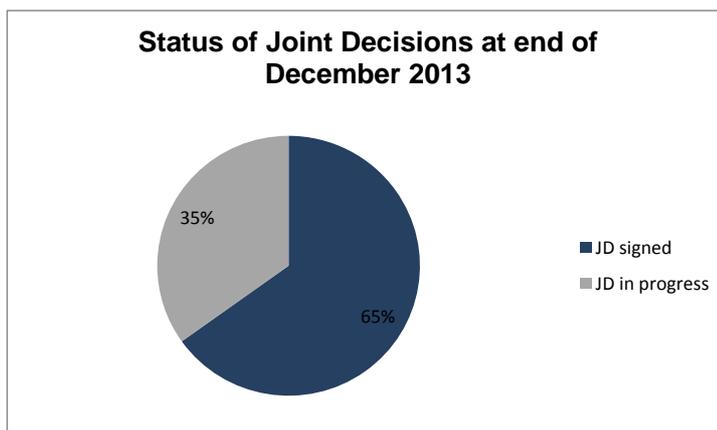
### **3.5.3 Crisis management groups**

37. Until the end of December 2013, EBA staff attended 20 CMG meetings of 15 major European banks, as well as one regional CBSG meeting. Pending the entry into force of the European Directive establishing a framework for the recovery and resolution of credit institutions and investment firms, the EBA will continue to intensify its contacts with CMGs of the closely monitored banking groups and encourage the sharing of information between CMGs and members of the colleges of supervisors.

## 4. Other colleges

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38. For EEA colleges which are not monitored individually by EBA, a group-based<sup>8</sup> approach was introduced in 2013 and basic information was gathered with regard to face-to-face college meetings and conference calls held, and whether a joint decision had been reached. Based on the information provided by consolidating supervisors of these colleges, we can conclude that 31% of the 52 other colleges held at least one face-to-face meeting during 2013 and an additional 23% had conference calls throughout the year. 15% of these 52 colleges were very active and had both face-to-face meetings and conference calls organised throughout the year.



39. Good cooperation was stated by the consolidating supervisors of these colleges in general; nevertheless, in some cases the EBA was informed about host supervisory authorities declining to participate in the activity of the college in view of the minor significance of the host entity in the local market.

40. Regarding the colleges established for banking groups active in the EEA with a third-country parent, the EBA attended four face-to-face meetings, and based on the information provided by the consolidating supervisors, five colleges organised conference calls throughout the year.

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<sup>8</sup> The concept of the group-based approach means that the EBA does not monitor these colleges individually, but rather approaches them as a group when collecting information from them or when disseminating updates to them.

## 5. Mediation

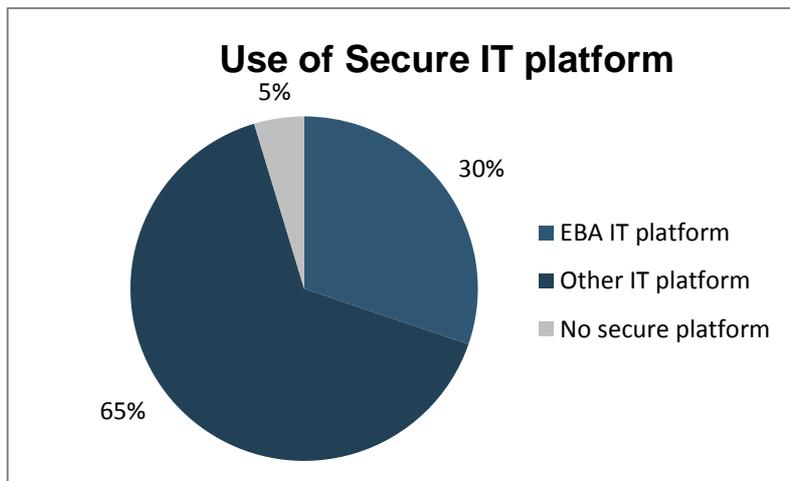
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41. The EBA successfully assisted two CAs in the first formal non-binding mediation cases in 2013 and also addressed several cases of disagreement between CAs, where a variety of tools at our disposal were used to find methods that worked for the interested parties.

## 6. IT Platform for exchanging information

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42. All consolidating supervisory authorities, except one, are using a secure IT platform as a means of communication within the college.



### 6.1.1 EBA IT platform

43. As a result of the EBA's continuous effort to facilitate use of the platform, the percentage of colleges using the EBA IT platform increased reasonably quickly. At the end of 2013, 30% of all closely monitored colleges were using the EBA IT platform and some of the non-closely monitored colleges also did so. The EBA trained staff of the supervisory authorities of Luxembourg, Norway and Liechtenstein which started using the EBA IT platform in 2013. Progress was seen not only in the number of users, but also in the volume of information uploaded to the platform, showing an increasingly active application of the platform.

## 7. Colleges Action Plan for 2014

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44. The 2014, EBA Colleges Action Plan is defined with clear objectives and deliverables expected both from EBA staff and from the CAs. The actions proposed for the course of 2014 are based on the findings drawn from monitoring the Colleges Action Plan for 2013 and EBA staff observations from the close monitoring of 43 colleges. The actions proposed also take into account the regulatory developments (CRD IV, BRRD) and institutional developments (introduction of SSM supervision) affecting colleges in 2014. The EBA will continue promoting and monitoring supervisory cooperation and convergence in colleges in this new context.
45. CRD IV and technical standards based on the mandates from CRD IV will have significant impact on the functioning of colleges. One of the key challenges in colleges is the reaching of the joint decision on capital, which under CRD IV will be accompanied with the new requirement for colleges to reach the joint decision on liquidity for the first time in 2014. The ITS on the joint decision on institution-specific prudential requirements (approved by the BoS, submitted to the Commission and published on the EBA website) will provide CAs with the common process and common templates for both the joint decision on capital and on liquidity. The process of reaching the joint decision on liquidity will be also supported by the common methodology for the assessment of liquidity under SREP, prepared in advance of the final guidelines on common SREP and published as a discussion paper on the EBA website.
46. As part of the BRRD implementation, colleges need to incorporate a new aspect, the assessment of group recovery plans, into their regular college work. Colleges also are expected to do this in 2014, in light of the EBA Recommendation on development of recovery plans.

### Asset Quality Review (AQR)

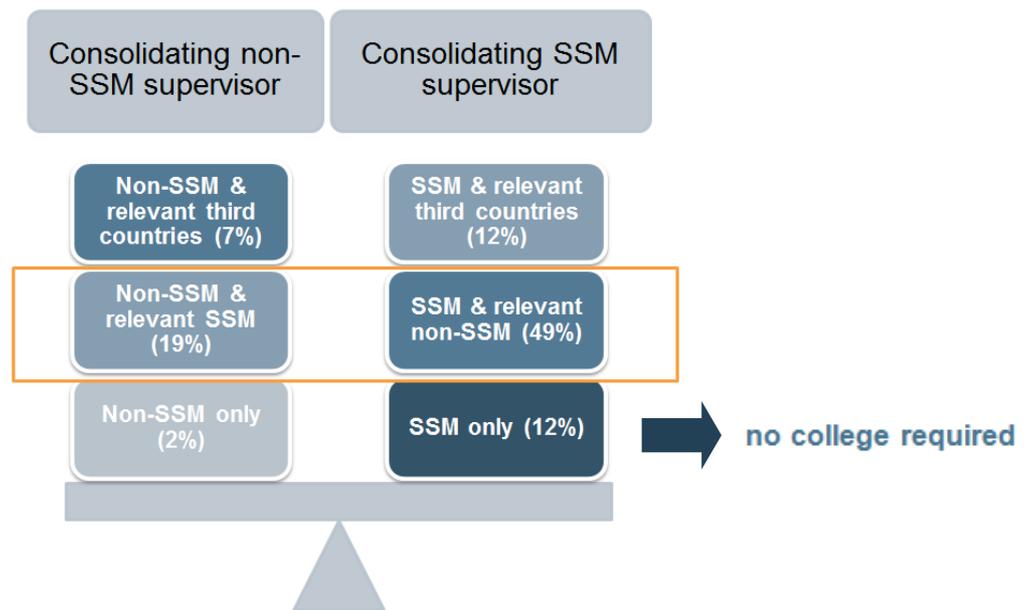
An AQR evaluates the credit risk associated with a particular asset, asset class or portfolio. Several factors are considered when assessing asset quality, including diversification of a portfolio, adequate provisioning and effective credit risk management.

47. In 2014, AQR exercises are being undertaken and an EU-wide stress test is being organised by the EBA to enhance transparency and build confidence in the market. For banking groups that will be under SSM supervision, these exercises form part of the comprehensive assessment organised by the ECB prior to assuming its supervisory role in November 2014. The EBA is working to ensure that there is effective home host cooperation in the areas of information sharing, planning and coordination of work, and exchanging results and

subsequent coordinating supervisory actions, with a particular focus on the supervisory collaboration in the college framework as required by the EBA AQR Recommendation.

- 48. Colleges are expected to cooperate in line with the EBA Recommendation on the preservation of core Tier 1 capital during the transition to the CRR/CRD, in particular when assessing and discussing capital plans.
- 49. Colleges of supervisors will continue to play an important role for banks with a presence in both SSM and non-SSM countries. Cross-border aspects in supervisory cooperation will remain significant also after SSM is in place. Thus, the number of colleges will be only slightly affected by the introduction of SSM. From the large European banking groups monitored closely by the EBA, only five banking groups will have presence only inside SSM countries. All others will have relevant presence in both SSM and non-SSM countries.

Highlighted in orange in the breakdown below are colleges that will remain under the main scope for the EBA:



- 50. The EBA stands ready to provide all necessary support to the SSM in order to have a smooth transition of supervisory tasks, in particular while re-establishing colleges with the SSM as the consolidating supervisor<sup>9</sup>. The aim is for there to be a continuity of college activities and for deadlines to be maintained.

<sup>9</sup> E.g. cooperation agreements, assessment of equivalence of confidentiality provisions, etc.

51. Colleges are expected to continue to improve the general cooperation and convergence. However, key topics for colleges in 2014 include:

- Joint risk assessment
- Joint decision on capital and liquidity
- Assessment of recovery plans
- Asset quality review

52. Specific actions required from colleges and EBA staff are listed in detail in the table in Annex II and are grouped under the following categories:

- cross-border banking groups in EEA – includes tasks related to the regular mapping of cross-border groups and the transition to the SSM
- regular college activities – includes college meetings, coordinated supervisory action plan and joint risk assessment and joint decisions processes
- crisis management
- asset quality review
- recommendation on capital preservation
- secure information exchange
- other colleges

## 7.1 Cross-border banking groups in EEA

53. An annual mapping exercise is being performed at the beginning of 2014 by the EBA. Based on the notification of colleges established and the information provided during the exercise from consolidating CAs, EBA staff will revise the list of closely monitored colleges for 2014.

54. The standard templates used for the annual mapping exercise were introduced in 2011. Several developments both in the college environment and in the nature and scope of data required by the EBA for its monitoring of colleges have led to the need to amend the mapping templates.

55. Following the 2013 mapping exercise of the non-EEA cross-border banking groups present in the EEA, the EBA will further assess the options to include EEA entities of third-country banking groups under a closer supervisory collaboration at the EEA level.

## 7.2 Regular college activities

56. The role of the EBA in improving the quality and consistency of supervision across the single market will be crucial after the roll-out of the new regulation (CRD IV, BRRD) across all 28 countries of the European Union. In 2014, the EBA will focus in particular on assisting colleges in implementing the new technical standards for reaching joint decisions in Pillar 2, SREP guidelines and on recovery planning. To support CAs in implementing new

frameworks, the EBA will also provide a set of training activities for supervisors involved in colleges work. The EBA will also implement a form of regular update to all colleges (including the non-closely monitored colleges) on the relevant policy developments.

57. Actions related to the regular college activities include repeating actions, in particular the organisation of at least one face-to-face meeting, preparation of a coordinated supervisory action plan and the joint risk assessment and joint decisions process. For the coordinated supervisory action plan, colleges are expected to reflect the outcome of the joint risk assessment, identify key areas for closer supervisory attention and areas for joint work.
58. The joint risk assessment and joint decision process should follow the process and templates included in the ITS on institution-specific prudential requirements. Colleges are required to submit to the EBA the timeline for reaching joint decisions, group risk assessment reports and joint decision documents. Joint decisions on liquidity will be reached for the first time in 2014. The process for reaching this new joint decision is the same as that for the joint decision on capital; however, the time period for the liquidity joint decision is only one month after the group liquidity risk report is finalised. Colleges should reflect this in their planning.

### 7.3 Crisis management and recovery and resolution planning

59. As part of the new crisis management framework, the EBA will have a significant role in assisting CAs in the assessment of recovery plans including enhancement of information sharing in colleges in this field. The EBA will later also assist in the process of the establishment of resolution colleges.
60. Actions required from colleges include submission of the timeline for the engagement of colleges in the assessment of recovery plans and providing the EBA with the emergency plan in case it is updated.

### 7.4 Asset quality review and EU-wide stress test

In the light of the EBA Recommendation on AQR, consolidating supervisors are required to communicate to the EBA the timeline and the scope of the AQR agreed within the college.

### 7.5 Capital preservation recommendation

61. In the light of the EBA Recommendation on the preservation of core Tier 1 capital during the transition to the CRR/CRD consolidating supervisors for closely monitored colleges are required to discuss capital plans and possible waivers with the supervisory college and communicate to the EBA a timeline for further college discussions on this subject if any more are planned in 2014.
62. Specific actions required from colleges and EBA staff are listed in detail in the table in Annex II.

**Annex I – Update on Colleges Action Plan for 2013**

**Annex II – Colleges Action Plan for 2014**