

EXECUTIVE SUMMARY OF
THE ANNUAL REPORT
2015

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Achievements in 2015

Completing the single rulebook and enhancing consistency in prudential regulation

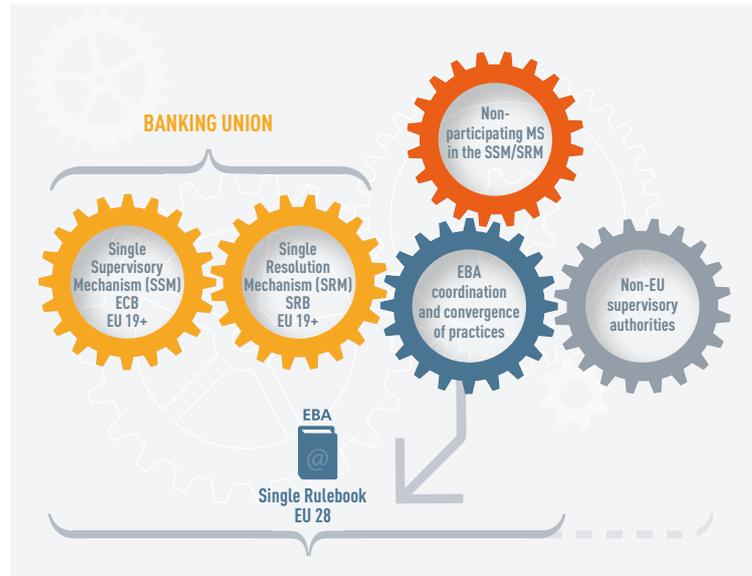
In 2015, the European Banking Authority (EBA) worked to complete the bulk of the G20 package, thus strengthening the single rulebook applicable to the European Union (EU) banking sector. This work included binding technical standards, reports, guidelines and opinions under the capital requirements directive (CRD)/capital requirements regulation (CRR) in relation to a range of topics.

In the area of remuneration, in 2015, the EBA worked to ensure a strengthened remuneration framework for EU institutions and a level playing field through the development of guidelines on sound remuneration policies, which will enter into force on 1 January 2017. The application of the proportionality principle under specific circumstances was a key element of the EBA's work in this area, which prompted the Authority to issue an opinion to the European Commission, the European Parliament and the Council, which will inform the ongoing review of the remuneration provisions.

In the area of liquidity, in 2015, the EBA published its proposal of calibration of the net stable funding ratio (NSFR) as well as an assessment of its impact on the risk profile of EU institutions by business model, on financial markets, bank lending and the whole economy. In the NSFR report, the EBA recommended the introduction of the NSFR in the EU on a solo and consolidated basis and envisaged certain waivers for some European specificities, as requested by the Commission. The NSFR report will support the Commission in its assessment of the appropriateness of implementing the NSFR in the EU and will submit its legislative proposal on the NSFR to the European Council and the Parliament by the end of 2016 to ensure institutions have a stable source of funding.

In 2015, the EBA made a significant contribution to the development of the European securitisation regulatory framework and played an

Figure 1: EBA in the context of the Banking Union



important role in the Commission's proposal to revive the securitisation markets in the context of the Capital Markets Union project, which is substantially based on the advice and recommendations the EBA issued in July and in December 2015, which covered 'true sale' securitisations and synthetic securitisations. In its recommendations, the EBA highlighted the importance of restructuring the securitisation market to increase investors' confidence in securitised products, remove the perceived stigma attached to the securitisation market following defaults of low quality and risky products in the financial crisis and to provide an alternative funding channel to the real economy. In addition, the EBA, jointly with the European Securities and Markets Authority (ESMA) and the European Insurance and Occupational Pensions Authority (EIOPA), also consulted stakeholders on the mapping of credit ratings assigned to securitisation products into the credit quality steps that allocate capital requirements under the CRR. The EBA also conducted substantial analysis on the transparency of securitisation markets in the EU.

Concluding the regulatory framework for effective recovery, resolution and deposit guarantee schemes

In the area of crisis management, the EBA embarked on a demanding work programme to assist all EU Member States to enhance their recovery, resolution and depositor protection regimes. The work programme focused on: (i) concluding and enhancing the regulatory framework through level 2 standards and guidelines; (ii) promoting supervisory convergence, including through supervisory and resolution colleges; and (iii) contributing to an ambitious resolution agenda at a global level. The establishment of the banking union added additional responsibility to the EBA in its role as coordinator for the whole of the EU.

Under its mandates stemming from the bank recovery and resolution directive (BRRD) and the deposit guarantee scheme directive (DGSD), since 2014, the EBA has finalised 33 technical standards, guidelines and opinions in the context of resolution and depositor protection. These level 2 products conclude the harmonised regulatory framework and provide support to supervisory and resolution authorities and deposit guarantee schemes (DGS) across the EU in the practical application of the rules.

An area of particular importance in the EBA's work programme in 2015 was the draft final regulatory technical standards (RTS) on the setting of minimum requirements for own funds and eligible liabilities (MREL). Under the BRRD, MREL serves to ensure that an institution has available at the point of failure sufficient liabilities eligible to be written down or converted to absorb the losses. MREL is set by resolution authorities on a case-by-case basis for each institution as a robust minimum. The RTS further specify the criteria applicable to this requirement and thus aim at a significantly higher degree of harmonisation, while respecting the diversity of institutions and business models across the EU.

In relation to cross-border cooperation and coordination, the EBA created a framework for cooperation of resolution authorities and other authorities in colleges. This framework provides for active information exchange and encourages effective dialogue among authorities responsible for banks and their subsidiaries/significant branches and provides assistance in reaching joint decisions.

The EBA sets out in a final draft RTS how these colleges should function, covering amongst other matters, the establishment and governance of resolution colleges, the development of resolution plans within them and the execution of resolution schemes.



Figure 2: Key topics for supervisory attention in 2015

Strengthening supervisory convergence and ensuring the consistent implementation of supervisory and regulatory policies across the EU

In 2015, two important themes of supervisory convergence work were: 'pillar 2', in view of the anticipated implementation date of the EBA guidelines on common methodologies for the supervisory review and evaluation process (SREP) on 1 January 2016 and 'recovery planning', given the entry into force of the BRRD at the start of the year and the requirements on supervisory colleges.

The EBA's work on supervisory convergence was developed through the assessment of supervisory practices, the production of supervisory policy and the EBA training programme.

- Assessment of supervisory practices: the EBA focused its efforts on the production of its first annual report on supervisory convergence (published in April 2015) as well as on assessing the functioning of supervisory colleges and convergence in recovery planning.
- Production of supervisory policy: in 2015, the EBA policy work on supervisory convergence focused on pillar 2 issues and so, with the aim of addressing ambiguity and bringing about a higher degree of convergence, the EBA published an opinion on the interaction of pillar 1, pillar 2 and combined buffer requirements and on the maximum distributable amount (MDA). Additionally in the context of pillar 2, the EBA is currently developing policy on information and communication technology (ICT) risk, the outcome of which

will complement the EBA SREP guidelines. Finally, the EBA is also elaborating policy on simplified obligations for recovery planning under the BRRD.

- The EBA training programme: in 2015, the EBA provided a record number of 24 training programmes to staff of competent authorities (CAs), an increase of 41 % from training offered in 2014, reaching more than 1 000 participants. The EBA training in 2015 consisted of 16 sectoral training programmes, of which two were cross-sectoral and co-organised with EIOPA and five were soft skill training. In total, 1 018 participants attended EBA training programmes in 2015, with some candidates placed on the waiting lists for training sessions that were oversubscribed.

Identifying, analysing and addressing key risks in the EU banking sector

As part of the EBA's assessment of the risks and vulnerabilities of the EU's banking system, the EBA continued to produce its risk assessment report (RAR) twice a year. The report provides a forward-looking view of risks based on supervisory and market data as well as on market intelligence.

The EBA risk dashboards are another component of the regular risk assessment conducted quarterly by the EBA and complement the risk assessment report. They summarise the main risks and vulnerabilities in the banking sector on the basis of the evolution of a set of key risk indicators (KRI). With an extended list of reporting entities as well as an increased number of

KRIs, during 2015, the EBA carried out substantial work to improve the risk dashboard.

The EBA also monitors trends in asset quality across EU countries. The Authority has contributed to discussions about non-performing loans (NPL) in the EU's Economic and Financial Committee and Financial Services Committee with analyses of the link between capital ratios, NPL ratios and banks' willingness to lend and the changes in banks' business models and their profitability. In 2015, it provided internally and to the Board of Supervisors (BoS) the EU banks' performance reports, with granular bank-by-bank data, based on quarterly results of large EU banks.

In September 2015, the EBA began issuing a report on banks' asset encumbrance, which will be published annually on the EBA's website. Besides regular reporting, the EBA also contributed to ad hoc studies. At the beginning of 2015, the Authority published a paper on the potential implications of regulatory measures on banks' business models. The paper focused on the possible changes that banks may have to introduce, while adapting their way of doing business to the new regulatory requirements.

In 2015, the EBA carried out significant preparatory work for the 2016 EU-wide stress test. Key elements of this stress test were already published in July 2015, and in November 2015 the EBA published a reviewed draft stress test methodology note together with the draft stress test templates. The relevant stakeholders were encouraged to comment both on the methodology and the templates.

The EBA conducted an EU-wide transparency exercise during the second part of 2015. The data, covering 105 banks from 21 countries across the EU and Norway, was released on 24 November 2015. On its website the EBA published an extensive collection of bank-by-bank data, including a wide range of interactive tools to facilitate the analysis and visualisation of the results. The publication was complemented with a report summarising the aggregate results of the exercise and providing an overview of the recent developments across EU banks.

The data processing and collection and procedures for the 2015 exercise was a major step forward as the EBA mostly relied on the information reported to it on a regular basis through the supervisory reporting frameworks (financial reporting (Finrep), common reporting (COREP)). For the first time, templates

were filled in centrally by the EBA and sent for verification by banks and supervisors. In this process, the EBA processed and disclosed up to 13 600 data points for each bank involved; this amounted to over 1.3 million data points published in aggregate form.

In 2015, the EBA resumed its assessment of pillar 3 reports (where information is required under part eight of the CRR) that had been interrupted in 2014 to focus on the drafting of guidelines on the use of the concepts of materiality, confidentiality and the proprietary nature of information as well as on the frequency of disclosures.

In July 2015, the EBA published its report on macroprudential policy measures across the EU. The objective of this report was to take stock of the range of practices applied by EU Member States in relation to the provisions for macroprudential policies set out in the CRR and CRD IV, focusing on the interaction of macroprudential and microprudential objectives and tools.

Data quality assurance was another key area of work for the EBA in 2015, following the broadening of data collections in 2014 with the introduction of new reporting standards, which provided fully harmonised information on banks' own funds (COREP) and balance sheet data (Finrep). Significant resources were invested throughout 2015, leading to a number of improvements, such as the implementation of over 1 500 validation rules in the EBA's European supervisory platform (ESP). Furthermore, the memorandum of understanding for sharing of microprudential data of individual banks was updated in 2015, resulting in an extension to cover all CAs reporting implementing technical standards (ITS) data to the EBA.

In July 2014, the International Accounting Standards Board issued IFRS 9 financial instruments, which supersedes the reporting standard for financial instruments in force in the EU since 2005 (IAS 39). IFRS 9 fundamentally changes the way in which financial instruments are accounted for and, therefore, a thorough update of the financial reporting framework for international financial reporting standards (IFRS) reporters included in the ITS on supervisory reporting (Finrep) is needed. Due to the importance of consulting the institutions earlier in the process of applying changes to Finrep reporting, the EBA launched a public consultation on the proposed changes in December 2015.

Protecting consumers monitoring financial innovation and ensuring secure and efficient payment services across the EU

In 2015, the EBA continued enhancing the protection of consumers and promoting transparency, simplicity and fairness for consumer financial products and services across the single market. The EBA further analysed the retail conduct failure of financial institutions, which can cause not only significant consumer detriment, but can also severely undermine market confidence, financial stability and the integrity of the financial system.

The EBA developed several sets of regulatory requirements for the products that are within the EBA's scope of action, i.e. mortgages, personal loans, deposits, payment accounts, payment services and electronic money. For issues that cut across the banking sector but are relevant for the insurance and investment sectors, the EBA cooperated closely with the two other European supervisory authorities (ESA), EIOPA and ESMA. Some activities undertaken in 2015 are as follows.

- In July 2015, the EBA published the guidelines on product oversight and governance arrangements for manufacturers and dis-

tributors of retail banking products. These guidelines establish a framework for robust and responsible product design and distribution by manufacturers and distributors.

- In December 2015, the EBA published a consultation paper on draft guidelines on remuneration policies and practices. With these draft guidelines, the EBA aims to address poor remuneration policies and practices, which it has identified as a key driver of mis-selling of retail banking products and services. The draft guidelines provide a framework for financial institutions to implement remuneration policies and practices that will link incentives with the fair treatment of consumers and reduce the risk of mis-selling and resultant conduct costs for firms.
- Together with the guidelines on creditworthiness assessment, in June 2015 the EBA published the guidelines on arrears and foreclosure, in support of Article 28 of the mortgage credit directive (MCD). These guidelines establish requirements in terms of policies and procedures for the early detection and handling of payment difficulties including staff training, engagement with consumers, provision of information and assistance to consumers, resolution process and documentation of dealings with consumers and retention of records.



The EBA also continued to fulfil its mandate to monitor new and existing financial activities and contributed to ensuring secure, easy and efficient retail payments across the EU. In February 2015, the EBA published an opinion on lending-based crowdfunding addressed to the Commission, the Parliament and the Council. The EBA focused its work on the assessment of risks arising for market participants as well as the drivers of these risks and the extent to which these could be addressed in existing EU directives and regulations. The opinion identified the payment services directive (PSD) as the EU legislative text that would be most relevant to lending-based crowdfunding.

In 2015, the Authority intensified its efforts with regard to regulatory and supervisory convergence in the area of payments. The EBA aims to ensure secure, easy and efficient payments across the EU. As a first step, the EBA issued final guidelines on the security of internet payments, which have been applicable since 1 August 2015. The EBA has also started working on the implementation of the revised payment services directive (PSD2), which entered into force in January 2016 and has conferred on the EBA the development of six technical standards and five sets of guidelines.

In June 2015, the Authority published its annual consumer trends report, which highlighted eight relevant trends that may be the basis for potential future work by the EBA: household indebtedness; transparency and comparability of banking fees; innovation in payments; structured deposits; commercial selling practices and remuneration; and alternative financial services providers.

International engagement

The EBA actively participates in meetings of the Basel Committee on Banking Supervision (BCBS), a number of its expert subcommittees and a range of specialist working groups and task forces. It contributes, where needed, to the specification of the BCBS definition of the leverage ratio and in 2015 it contributed to the review of the whole market risk framework — known as the fundamental review of the trading book — as well as to the revisions to the credit valuation adjustment (CVA) framework. Furthermore, the EBA was involved in the work of the Basel Committee regarding a number of regulatory initiatives.

As in previous years, the EBA has been actively participating in key Financial Stability Board (FSB) activities under the Resolution Steering Group and has also contributed to FSB consultations on the funding of banks in resolution. More recently, the EBA has also been involved in the Cross-Border Crisis Management Group (CBCM) workstream on continuity of access to financial market infrastructures and the new Financial Market Infrastructures Cross-Border Crisis Management Group.

The EBA worked on a guidance note to assist CAs in compiling International Monetary Fund (IMF) financial soundness indicators for deposit takers using statistical input derived from the EBA ITS on supervisory reporting.

In 2015, the Authority was mandated to review and submit a report to the Commission on the application of the CRD and the CRR on the co-operation of the European Union and Member States with non-EU countries, identifying any areas that require further development with regard to cooperation and information sharing on a cross-border basis. The EBA concluded that there are no significant concerns, although legislative amendments in the field of equivalence assessments were identified as areas which could facilitate better cooperation.

In order to facilitate consistent participation of non-EU country supervisory authorities in supervisory colleges, the EBA, on its own initiative, issued a recommendation on the equivalence of the confidentiality regimes of 29 non-EU supervisory authorities from 13 countries. The recommendation is a step towards consistent EU supervisory practices, as all national competent authorities agreed to comply with the findings, which will harmonise non-EU country participation in EU supervisory colleges.

Additionally, in 2015, the EBA responded to the Commission's request for technical advice on the equivalence of the legal and supervisory regimes in specific non-EU countries. In 2015, the results of the EBA assessment of six non-EU countries were submitted to the Commission in the form of a report and an EBA opinion on equivalence. Furthermore, a memorandum of cooperation was signed between the EBA and the supervisory authorities of South East European countries to establish a framework for cooperation and information exchange.

Finally, the EBA proposed a framework cooperation arrangement with key resolution authorities in jurisdictions with major financial centres, which will facilitate future cooperation arrangements between non-EU counterparties and EU supervisory or resolution authorities.

Working on cross-sectoral issues

In 2015, the EBA actively worked within the ESAs' Joint Committee in the main areas that require cooperation between banking and other sectors. A close collaboration was also developed with the European Systemic Risk Board (ESRB) on several topics, including the plan of the 2016 EU-wide stress testing exercise.

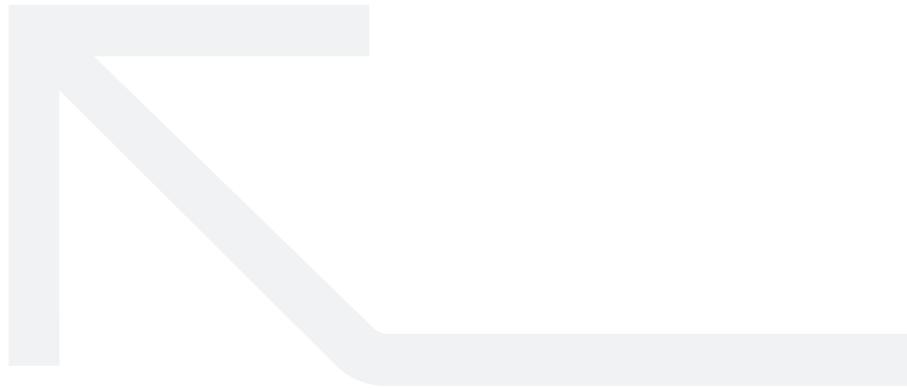
The Joint Committee achieved significant progress in 2015, especially in cross-sectoral risk assessment and in enhancing the single rule-book with products on credit rating mappings, securitisation and anti-money laundering.

Two cross-sectoral reports on risks and vulnerabilities provided an effective overview of the main cross-sectoral risks identified in the EU

financial system. The weak economic growth in the EU, the low interest rates environment, a high volatility of financial markets, as well as a decreasing structural market liquidity and low profitability of financial institutions were the main factors identified in those reports.

Following the ESAs' regulatory mandates under both the new fourth anti-money laundering directive and the anti-money laundering regulation, consultations were opened on guidelines on risk-based anti-money laundering and counter-terrorist financing supervision and on guidelines on simplified and enhanced customer due diligence.

Furthermore, the EBA staff has been part of several ESRB work streams, such as those on stress testing, macroprudential measures and policy, structural market liquidity and on countercyclical capital buffers. The most notable topics on which the EBA and the ESRB closely cooperated in 2015 included participation in the expert group on real estate, the joint task force on low interest rates, contribution to the final report on sectoral risks and planning of the 2016 EU-wide stress testing exercise.



Key areas of focus for 2016

In 2016, the EBA will have a significant number of mandates to ensure the finalisation of the regulatory reform package and consistency in supervisory practices across the EU banking sector. The work related to the leverage ratio, inclusion of the proportionality principle into EBA products and revision of the pillar 3 framework in the EU system are among the key areas of focus for next year. The EBA will propose an important set of regulatory products and reports with regard to these objectives.

Promoting a common approach to the calibration of the leverage ratio

One core question for the EBA in 2016 is that of pillar 1 migration of the leverage ratio and the minimum level(s) that should be taken into account, in particular, with regard to business models and risk profiles. A considerable number of other aspects, such as the interaction with the risk-weighted asset (RWA) based ratios and liquidity requirements and the impact on various segments of financial markets also need to be analysed. In addition to the mandate on business models, the EBA is also mandated to assess several impact-related aspects. In particular, the interaction of the leverage ratio with the risk-based own funds requirements and the liquidity requirements needs to be assessed.



Enhancing the framework for credit risk

In 2016, the EBA will report on its regulatory review of the internal ratings-based (IRB) approach, in particular to summarise the responses received to the discussion paper on the future of the IRB approach and the EBA's consideration of how to best incorporate the views expressed by respondents in its future work. The EBA will also clarify its proposals in relation to the focus of regulatory developments on aspects of the IRB approach that require more harmonised application within the requirements of the CRR and its proposed time frame for the development of regulatory products, such as technical standards and guidelines in the area of the IRB approach. The EBA's focus will be on phase 2 of the IRB work, which is related to the definition of default, and on phase 3, which relates to the estimation of risk parameters and the treatment of defaulted assets.

Reviewing the impact of proportionality

Recognising the importance of dialogue with stakeholders to gain specific insights and evidence, the EBA organised a proportionality workshop on 3 July 2015. This workshop had the participation of over 130 delegates, debating and exploring themes on proportionality including: proportionality versus simplicity in the banking rulebook; current work streams on proportionality and simplification; and approaches to delivering proportionality in practice. In 2016, the EBA plans to examine further facets of proportionality and simplicity and to host a round table with CAs and industry to inform work on embedding proportionality into its regulatory products.

Resolving the EU's legacy assets

The EBA will continue to monitor developments in NPLs by providing regular updates in its risk dashboards and risk assessment report and possibly producing ad hoc studies. In addition, the EBA plans to make a stock-take of the country-specific NPL resolution practices, identifying overall factors which impede NPL resolution.

Facilitating the implementation and understanding of IFRS 9 in relation to banks in the EU

In order to implement the interchange fee regulation in the EU, an impact assessment of the standard will be launched on a sample of approximately 50 institutions across the EU. This will bring a better understanding of the estimated impact of IFRS 9 on regulatory own funds, how institutions are preparing for the application of IFRS 9 and support the EBA in assessing the interaction between IFRS 9 and other prudential requirements.

Promoting compliance, comparability and consistency for supervisory practices in the EU

The EBA will continue to promote the effective functioning of the single market through the development of policy products, provision of training and close support to supervisory colleges of the largest cross-border banking groups. In particular, in 2016, the focus will be on:

- monitoring supervisory convergence and in particular the implementation of the SREP guidelines;
- issuing policy products that complement the SREP guidelines, such as guidelines covering stress testing, the internal capital adequacy assessment process (ICAAP) and internal liquidity adequacy assessment process (ILAAP), the treatment of CVA risk under the SREP and ICT risk assessment;
- organising EBA training programmes (30 planned training events for 2016);
- engaging with supervisory colleges, focusing on the need for supervisors to consider how key risks identified by the EBA affect each large cross-border credit institution.

Conducting the 2016 EU-wide stress test and transparency exercises

In 2016, the EBA will again carry out the EU-wide stress test, designed to provide supervisors, banks and other market participants with a common analytical framework to consistently compare and assess the resilience of EU banks to economic shocks. In 2016, no pass/fail threshold has been included as



the objective is to use the stress test as a supervisory tool, the results of which will be discussed with individual banks in the SREP process, where mitigating actions may also be considered. The results of the stress test will be published in early Q3 2016, accompanied by the usual disclosure of bank-by-bank data.

Enhancing the consistency of RWAs

The EBA will continue to work on addressing possible inconsistencies in the calculation of RWAs across the EU single market with the aim of restoring confidence in EU banks' capital and internal models. The benchmarking exercises will take place annually, since they allow for the identification of a potential underestimation of capital requirements, thanks to their assessment of differences in RWAs across EU institutions.

Revised version of pillar 3

In 2016, the EBA will be working on guidelines to implement the revised pillar 3 framework in the EU.

Ensuring a consistent implementation of the new crisis management framework

With the bank recovery and resolution directive and the deposit guarantee schemes directive mostly implemented, the EBA will intensify its efforts to support and monitor the harmonised implementation of the crisis framework and contribute to the consistent development and coordination of effective resolution planning

across the EU. In order to achieve this objective, the EBA will, among other activities, produce a report on the MREL; focus on cooperation across resolution authorities; review and assess resolution cases; and provide training to resolution authorities.

Protecting consumers and monitoring financial innovation

In 2016, the EBA will produce several sets of regulatory requirements to address consumer detriment arising from the banking products that fall within its scope of action with specific focus on innovation but will also focus on promoting supervisory convergence. For example, the EBA will: consult on the draft RTS on the standardised terminology for the most common services with at least a majority of Member States; will consult on two ITSs for disclosure documents to facilitate the comparison of the costs of payment accounts; and will finalise its guidelines on the remuneration

of sales staff. In the area of financial innovation, the EBA will focus on innovative uses of consumer data by financial institutions with the aim of identifying the risks and benefits of these innovative uses of data, for both consumers and financial institutions.

Developing mandates under the revised payment services directive and the interchange fee regulation

A key activity for the EBA in 2016 will be the development of the RTSs and guidelines under the PSD2 and the interchange fee regulation (IFR). The PSD2 entered into force in January 2016 and will apply from January 2018 onwards. It confers 11 mandates on the EBA, some of which the EBA will have to deliver within 12 months of entry into force, while others are due within 18 or within 24 months.



Ensuring effective and transparent processes to support the EBA's work

Involving stakeholders in the EBA's regulatory work

A key part of the EBA's engagement with stakeholders is through its Banking Stakeholder Group (BSG). The BSG's view is sought on actions concerning RTS and ITS, guidelines and recommendations, to the extent that these do not concern individual financial institutions. In 2015, the BSG provided opinions on 24 consultation papers, including two submissions to the Joint Committee's consultation papers and four responses to EBA discussion papers e.g. in relation to consumer protection, securitisation, small and medium-sized enterprises (SME) supporting factors and IRB approach.

The second term of the BSG commenced on 15 October 2013 and is due to finish on 14 April 2016. Of the 30 members of the BSG, 10 are delegates from credit and investment institutions, three of which represent savings or cooperative banks, 10 are representatives of consumers and users, six are academics, two represent SMEs and two are employees' representatives.

Mediation and breach of European Union law

Although there have been several cases of disagreements between CAs, during 2015 the EBA has not been approached with a request to provide its assistance in one of these formal procedures on mediation. Nonetheless, the EBA played an important role in providing assistance to settle disagreements between CAs in an informal way.

Over 2015, nine cases of possible breach of European Union law have been evaluated. By the end of 2015, the majority of them were closed as the requests were found to be inadmissible, the status on the remaining will be decided during 2016 when their proper evaluation will be concluded. None of the requests addressed to the EBA under Article 17 of the EBA regula-



tion led in 2015 to the adoption of a breach of European Union law recommendation.

Conducting peer reviews

In 2014, all CAs underwent a peer review in relation to their adherence to the EBA guidelines on the assessment of the suitability of members of the management body and key function holders (EBA/GL/2012/06). This peer review started in the second half of 2014 and the final report was approved by the BoS in June 2015. The peer review consisted of a self-assessment undertaken by CAs, followed up by the review-by-peers phase. The EBA further conducted eight on-site visits to CAs based on the outcomes of the desk-based peer review of the guidelines to supplement its final assessment. The final report, listing all findings from the peer review and from the on-site visits, was published in July 2015.

Assessing costs and benefits

In 2015, the EBA published two reports monitoring the impact of the transposition of the Basel III requirements in the EU — in March for data as at June 2014 and in September for data as at December 2014, under a static balance sheet assumption. This exercise, run in parallel with the one conducted by the BCBS at a global level, gathered aggregate results on capital, risk weighted assets, liquidity and leverage ratio for banks in the EU. A total of 148 and 364 EU banks participated in the two exercises respectively, of which 40/53 banks form group 1 banks (the largest internationally active EU banks with a tier 1 capital exceeding EUR 3 billion).

Maintaining the interactive single rulebook

Much work has gone into answering questions from stakeholders regarding the interpretation and implementation of the single rulebook: at 31 December 2015 around 2 550 Q&As (compared to 1 700 at the end of 2014) had been submitted via the web interface. Of these, about 930 Q&As have been rejected or deleted (up from about 600 at the end of 2014), about 830 Q&As have been answered (up from about 580 at the end of 2014), while about 790 Q&As are under review (up from about 580 at the end of 2014). Furthermore, of the 790 Q&As that are under review, 90 are on the BRRD, the remaining are on the CRR-CRD, with the large majority (about 75 %) focusing

on reporting issues, followed by liquidity risk, credit risk and market risk.

These figures are indicative of the ever significant demand for clarity with respect to the legislative and regulatory frameworks that are covered within the scope of the Q&A tool and, more generally, for the single rulebook in banking.

Providing legal support and protecting personal data

Throughout 2015, legal assurance, analysis and quality control were provided on EBA regulatory products including technical standards, guidelines, recommendations, opinions and technical advice. The EBA also worked with the Commission, EIOPA and ESMA to establish working practices designed to ensure that technical standards can be endorsed and published by the Commission as swiftly as possible following their adoption by the BoS.

Legal support was also provided on operational issues for the Authority including matters related to the new seat of the Authority, human resources issues stemming from the staff regulations and the conditions of employment of other servants, agreements with EBA suppliers and requests from EU bodies such as the European Court of Auditors and European Ombudsman. In 2015, the EBA handled 24 formal complaints received directly from individuals or legal persons of which most concerned a variety of consumer protection issues.



Regarding data protection, in 2015, the designated officers within the EBA promoted the importance of data protection issues with the EBA staff, especially by raising the importance of data protection during induction sessions organised for new joiners.

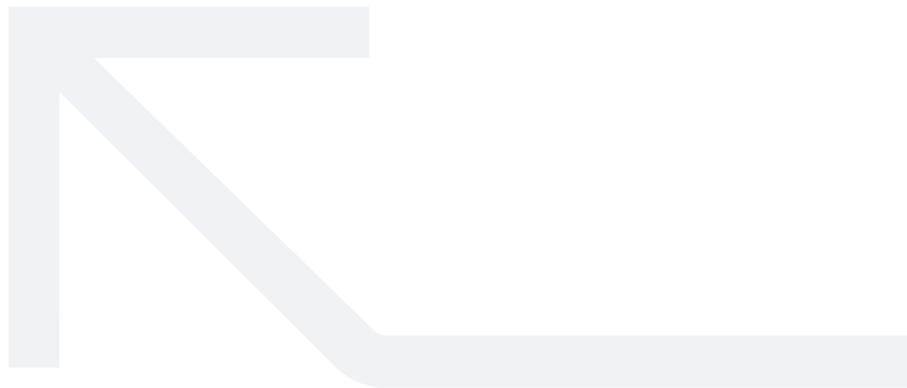
Delivering digital services to support the EBA's core functions and internal administration

In 2015, the IT focus has been on maintaining and supporting production systems for data collection and implementing a number of projects in line with the IT work programme. To enhance and support the implementation of the single rulebook, the EBA has implemented two releases of the ESP to extend the regulatory framework in financial and common reporting to COREP 2.1.0 and Finrep 2.1.3. Additionally, the project of notifications and sanctions was implemented to provide CAs with a secure platform to deliver notifications and sanctions to the EBA.

Communicating and promoting the EBA's work

Over the course of the year, the EBA started implementing tasks related to its new communications strategy which was adopted by the EBA Management Board in March 2015. There was an increase in the number of regular background briefings and interviews with members of the media throughout the EU. With 172 news items and press releases published in 2015, the EBA was in line in terms of reach-out activities with the previous years (175 in 2014 and 157 in 2013). Social media platforms such as Twitter, YouTube and LinkedIn were used to promote specific news on an ad hoc basis. By the end of the year, the Authority's Twitter account had attracted more than 2 000 followers, whereas the LinkedIn community following the EBA was averaging 6 159.

Quarterly newsletters targeted to the national press officers of central EU banks and to the media were started in 2015. In addition, during the second half of the year, communication activities focused intensely on the conference to mark the fifth anniversary of the EBA, which was held in London in February 2016. Throughout 2015, parts of the EBA public website were updated and reorganised to streamline information and help users navigate the site.



Internal management

Management Board

The BoS elected two new members of the Management Board in December 2015 and re-elected a third member for a second term. The Management Board in 2015 was composed of four members from participating single supervisory mechanism (SSM) Member States (Germany, Spain, Italy and the Netherlands) and two members from non-participating SSM Member States (Poland and the United Kingdom), who met five times at the EBA premises in London.

Major developments

In 2015, there were a few changes to the internal organisational structure of the EBA. In particular, as a result of new tasks mandated to the EBA as well as the need to separate supervisory and resolution tasks, a new and independent Resolution Unit was established as of 1 February 2015. As a consequence, all the resolution-related functions falling under the Regulation and Oversight Department were transferred onto the new unit and the old Recovery, Resolution and Registration Unit within the Regulation Department was dismantled.

In addition, the Home-Host Coordination Unit within the Oversight Department was renamed the Supervisory Convergence Unit and its functions refocused on supervisory convergence. In March 2015, the Consumer Protection and Financial Unit was also renamed the Consumer Protection, Financial Innovation and Payments Unit in order to reflect the increasing number of mandates on payments that the EBA started receiving.

At the end of 2014, the EBA successfully relocated to its new offices at 1 Canada Square, Canary Wharf, London. The relocation did not cause any service disruption and the move allowed the Authority to meet the technical and organisational requirements of the agency for its activities.

Budgetary and financial management

In 2015, the EBA repeated the almost full budget execution of the previous year, committing 99.3 % of the available funds, while reducing the level of carry forward to 9.7 %. This was achieved in difficult budgetary circumstances. Despite allocating the EBA higher staffing levels, the budgetary authority reduced the EBA's 2015 financial resources by approximately EUR 2 million (6 %) compared to the previous year. In addition, the euro lost significant value against the pound sterling over the course of the year, forcing the EBA to request an amending budget of EUR 1.9 million in order to enable it to meet its financial obligations. The amending budget was adopted in August 2015.

The 2016 budget has been significantly improved, resulting in a total budget of EUR 38 million. This represents a 20 % increase on the initial 2015 budget and results from both the EBA and the budgetary authority taking on board the lessons learned from the previous year's process.



Human resources management

During the course of 2015, the EBA organised 40 selection procedures, received 951 applications and interviewed 120 candidates. The total number of staff in 2015 went up to 156 including 118 temporary agents, 29 contract agents and 13 seconded national experts of broad geographical origins (26 EU nationalities) and gender balance (45 % females; 55 % males). For the first time since its establishment, the EBA' establishment plan was 1.7 % below its planned target of 120 temporary agent posts.

The total staff turnover due to resignation, non-renewal and contract expiry was 10.3 %. This was 2.6 % lower than in 2014 (12.9 %). Out of the 117 traineeship applications received, the EBA selected and provided traineeship opportunities to six trainees in 2015.

Assessment of audit results during the reporting year

In 2015, the Commission's Internal Audit Service performed a follow-up limited review on IT project management and an audit on human resources management. All observations and recommendations were accepted and appropriate action plans were developed by the EBA.

European Court of Auditors

The 2015 audit of the annual accounts was conducted partly by the European Court of Auditors and partly, for the second time, by an external audit firm (Moore Stephens). No critical recommendations were issued or closed and on 1 January 2016 there was no open critical recommendation.

Risk management

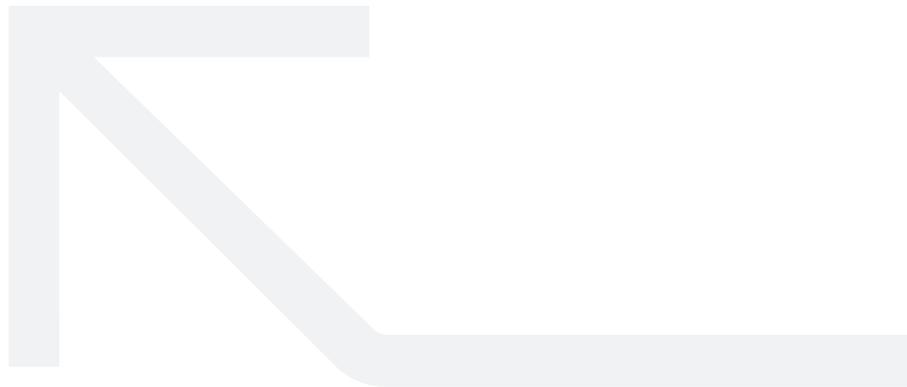
In 2015, the EBA conducted its risk assessment exercise to identify risks and types of exposures and propose mitigation measures. The result was a risk register where risks were categorised according to their significance. The highest risks for the agency were considered to be the ones relating to IT security incidents, enforcing controls in areas of responsibilities, unanticipated consequences of the single rulebook and vulnerabilities in the EU banking sector. Mitigating actions were developed for all identified risks.

Follow-up on observations from the discharge authority

On 11 April 2016, the discharge authority granted discharge to the EBA Executive Director in relation to the implementation of the Authority's budget for the financial year 2014. The adopted text of the 2014 discharge included 32 paragraphs of observations, of which the majority were either notes (with satisfaction) or acknowledgements. For the paragraphs that could be considered to constitute a call to action on the part of the EBA, as the discharge report has only recently been adopted, the EBA is still working to formulate its responses to the action points.

Assessment of the effectiveness of the internal control systems

To assist the Executive Director in implementing internal controls, the agency has adopted a set of internal control standards (ICS). Tangible improvement was made in 2015 in the following areas of ICS: ethical and organisational values; objectives and performance indicators; risk management process; document management; and information and communication.



Detailed list of EBA products delivered in 2015

Type of deliverable	Title
Guidelines	Guidelines on arrears and foreclosure
	Guidelines on the asset separation tool
	Guidelines on methods for calculating contributions to Deposit Guarantee Schemes (DGSs)
	Guidelines on triggers for resolution
	Guidelines on conditions for group financial support
	Guidelines on creditworthiness assessment under the MCD
	Guidelines on simplified obligations
	Guidelines on early intervention triggers
	Guidelines on recovery plans indicators
	Guidelines on DGS payment commitments
	Guidelines on minimum list of services or facilities necessary to enable a recipient to operate a business transferred to it under the BRRD
	Guidelines on product oversight and governance arrangements for retail banking products
	Guidelines on the sale of business tool under the BRRD
	Guidelines on national provisional lists of the most representative services linked to a payment account and subject to a fee under the Payment Accounts Directive
	Guidelines on management of interest rate risk arising from non-trading activities in the context of the SREP
Guidelines on passport notifications for credit intermediaries under the MCD	
Implementing technical standards	ITS on benchmarking portfolios
	ITS on disclosure of group financial support agreements
	2 ITS on credit assessments by External Credit Assessment Institutions (ECAIs)
	ITS on procedures, forms and templates for the provision of information for resolution plans
	ITS on uniform formats, templates and definitions for the identification and transmission of information by competent authorities and resolution authorities to the EBA
	Updated ITS on disclosure and supervisory reporting of leverage ratio for EU institutions
	Updated ITS on liquidity coverage ratio reporting
	Updated ITS on disclosure and supervisory reporting of leverage ratio for EU institutions
	Amended ITS on supervisory reporting for institutions
	Regulatory technical standards
3 RTS on prudential requirements for securities depositories (CSD)	
RTS on benchmarking portfolios	
RTS on conditions for the provision of group financial support	
RTS on contractual recognition of bail-in	
RTS on independent valuers	
RTS on business reorganisation plans	
RTS on MREL criteria	
RTS on notification and notice of suspension under the BRRD	
RTS on operational functioning of resolution colleges	
RTS on detailed records of financial contracts	
RTS on the assessment methodology for the validation of credit risk models	
RTS on the valuation of derivatives in resolution	

Type of deliverable	Title
Opinions/advice	Opinion on the functioning of the benchmarking process
	Opinion on a European framework for qualifying securitisation
	Opinion on contributions to the Single Resolution Fund
	Opinion on lending-based crowdfunding
	3 Opinions on the resolution framework for EU banks, covering the definition of critical functions and core business lines, as well as rules for the exclusion of liabilities from the application of the bail-in tool
	Opinion on ITS on additional liquidity monitoring metrics
	Opinion on RTS on derogations for currencies with constraints
	Opinion on CVA risk
	Opinion on MDA
	Opinion on good practices for mortgages
	Opinion on RTS on mortgage lending value
	Opinion on ITS on currencies with constraints on the availability of liquid assets
	Opinion on the application of proportionality
	Opinion on waiver addressing potential concentration problems for covered bonds
	Opinion on cooperation with third countries
	Opinion on the definition of eligible capital
	Opinion on protected arrangements in a resolution situation
Opinion on investment firms	
Published reports	Annual report 2014
	Report on the accomplishment of the EBA Colleges Action Plan for 2014 and establishment of the EBA Colleges Action Plan for 2015
	Report on the approach to determining critical functions and core business lines in recovery plans
	Report on consumer trends in 2015
	Annual report on convergence of supervisory practices
	Report on investment firms
	Report on potential implications of regulatory measures for banks' business models
	Report on the application of legal provisions on cooperation and information sharing between EU and non-EU supervisory authorities
	Report on asset encumbrance in 2015
	JC autumn Report on risks and vulnerabilities in the EU financial system
	JC Report on securitisation
	JC spring Report risk report on risks and vulnerabilities in the EU financial system (May 2015)
	Report on approved higher ratios for remuneration
	2 Reports on CRD IV – CRR / Basel III monitoring exercise
	Report on counterparty credit risk benchmarking exercise
	Report on benchmarking scenarios in recovery plans
	Report on CVA
	Report on institutions' exposures to shadow banking entities
	Report on qualifying securitisation
	Report on NSFR
	Report on the application of proportionality
	Report on synthetic securitisation
	Report on benchmarking of remuneration and on high earners (2013)
	Report on the use of allowances
	2 Reports on risk assessment of the European banking system
	Report on macroprudential policy measures
	Report on transparency exercise
	Report on the monitoring of Additional Tier 1 (AT1) instruments of EU institutions

Type of deliverable	Title
Recommendations	Recommendation on the equivalence of confidentiality regimes
	Amended Recommendation on the equivalence of confidentiality regimes
Peer reviews	Peer Review of the Guidelines on the assessment of the suitability of members of the management body and key function holders (EBA/GL/2012/06)
Consultation papers	CP on ITS on procedures, forms and templates for resolution planning
	CP on Guidelines on communication between competent authorities and auditors
	CP on Guidelines on risk factors and simplified and enhanced customer due diligence
	CP on Guidelines on limits to exposures to shadow banking entities
	CP on Guidelines on risk-based supervision
	CP on Guidelines on simplified due diligence
	CP on Guidelines on sound remuneration policies
	CP on RTS on criteria for a preferential treatment in cross-border intragroup financial support under LCR
	CP on Guidelines on the application of the definition of default
	CP on ITS on information exchanges between authorities regarding qualifying holdings
	CP on ITS on the mapping of External Credit Assessment Institutions' (ECAIs) credit assessments for securitisation positions.
	CP on RTS on assessment methodology for the IRB approach
	CP on RTS on prudential requirements for central securities depositories (CSDs)
	CP on RTS on exclusion from CVA of non-EU non-financial counterparties
	CP on RTS on conditions for capital requirements for mortgage exposures
	CP on RTS on risk weights for specialised lending exposures
	CP on RTS on risk mitigation techniques for OTC derivatives not cleared by a central counterparty (CCP)
	CP on Guidelines on passport notifications for credit intermediaries under the MCD
	CP on Guidelines on remuneration requirements for sales staff
	CP on RTS on the content and presentation of the key information documents (KIDs) for PRIIPs
	CP on RTS on separation of payment card scheme and processing entities under the IFR
	CP on RTS on cooperation and exchange of information for passporting under PSD2
	CP on benchmark rate under the MCD
	CP on Guidelines on CVA treatment under the SREP
	CP on Guidelines on internal capital adequacy assessment process (ICAAP) and internal liquidity adequacy assessment process (ILAAP)
	CP on Guidelines on cooperation agreements between deposit guarantee schemes
	CP on Guidelines on stress tests of DGS
	CP on Guidelines for disclosing confidential information under the BRRD
	CP on RTS on requirements for business reorganisation plans
	CP on RTS on detailed records of financial contracts
	CP on RTS on the valuation of derivatives in resolution
	CP on ITS on FINREP using IFRS 9
CP on Guidelines on stress testing and supervisory stress testing	
Discussion papers	DP on and call for evidence on SMEs and the SME supporting factor
	JC DP on automation in financial advice
	DP on the future of the IRB approach

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