

De bankenunie naar een grotere harmonisatie van het toezicht

Financieel Forum, 10 december 2014



Deze presentatie en de gegeven toelichting vertolken de persoonlijke mening van de spreker en verbinden de Nationale Bank van België niet.

Schema van de uiteenzetting

“3.600 banks, 18 countries, one system”

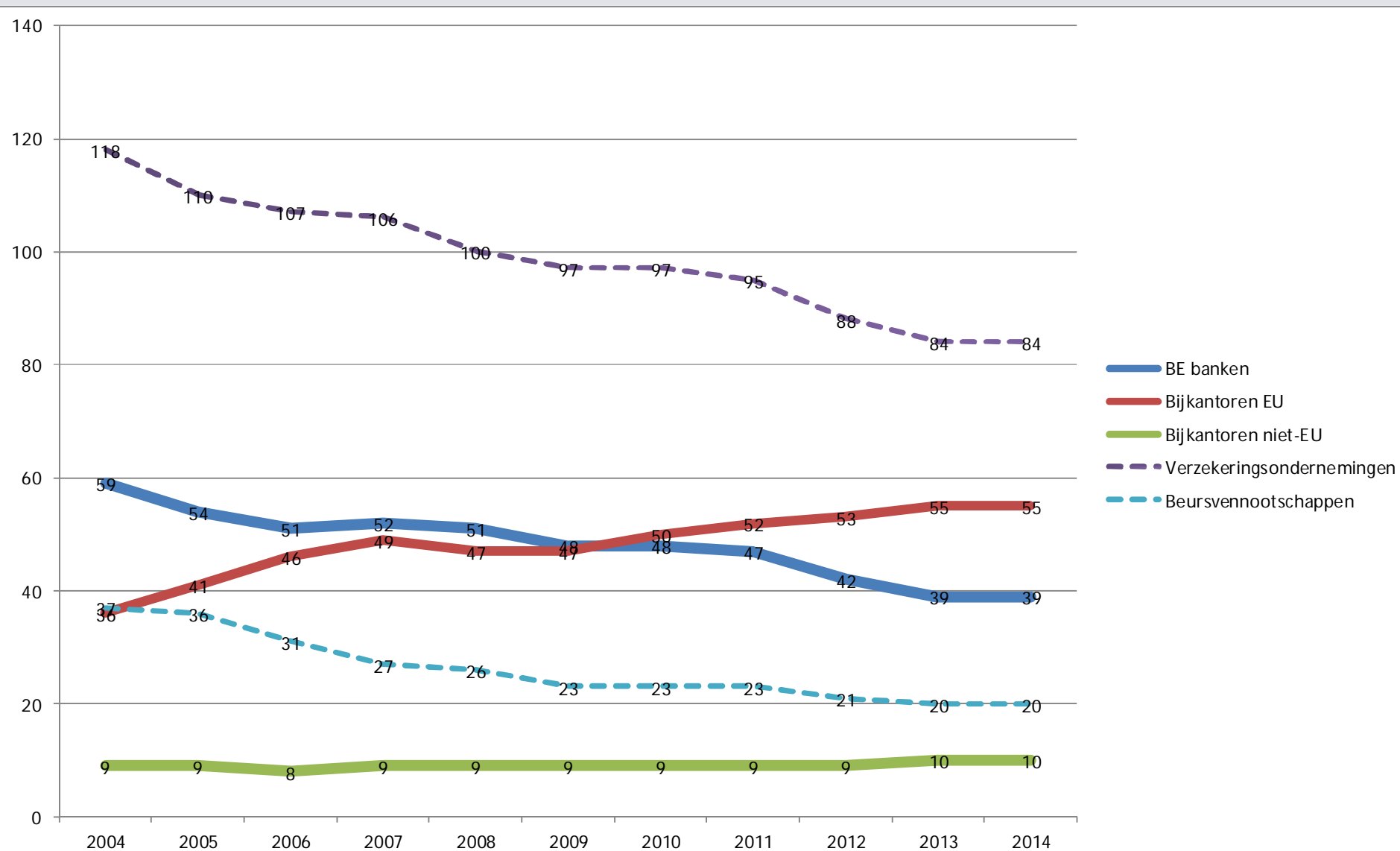
- ▶ Context bankenunie
- ▶ Bankenpopulatie
- ▶ Nieuwe
toezichtarchitectuur
- ▶ Gezondheidscheck 2014
- ▶ Toezichtagenda 2015



Context van de bankenunie



Evolutie van de BE bankenpopulatie (2004-2014)



BE Bankenpopulatie in het GTM

“belangrijke onder toezicht staande instellingen”

Wat België betreft:

- | | | |
|--------|---|-----------------------------------|
| “home” | } | 1. Argenta |
| | | 2. Axa Bank |
| | | 3. Bank Degroof |
| | | 4. Belfius |
| | | 5. Dexia |
| | | 6. KBC |
| | | 7. Bank of New York Mellon |
| “host” | } | 8. BNPP Fortis |
| | | 9. Crédit Mutuel |
| | | 10. ING Bank |
| | | 11. Monte Paschi |
| | | 12. Puilaetco |
| | | 13. Santander |
| “host” | } | 14. ABN AMRO (bijk) |
| | | 15. Deutsche Bank (bijk) |
| | | 16. Rabobank (bijk) |

SSM SI 120 groepen, 1200 entiteiten

Significance criteria	
Size	the total value of its assets exceeds €30 billion
Economic importance	for the specific country or the EU economy as a whole
Cross-border activities	the total value of its assets exceeds €5 billion and the ratio of its cross-border assets/liabilities in more than one other participating Member State to its total assets/liabilities is above 20%
Direct public financial assistance	it has requested or received funding from the European Stability Mechanism or the European Financial Stability Facility



Bankenpopulatie in het GTM

“minder belangrijke onder toezicht staande instellingen”

SSM LSI 3500 entiteiten

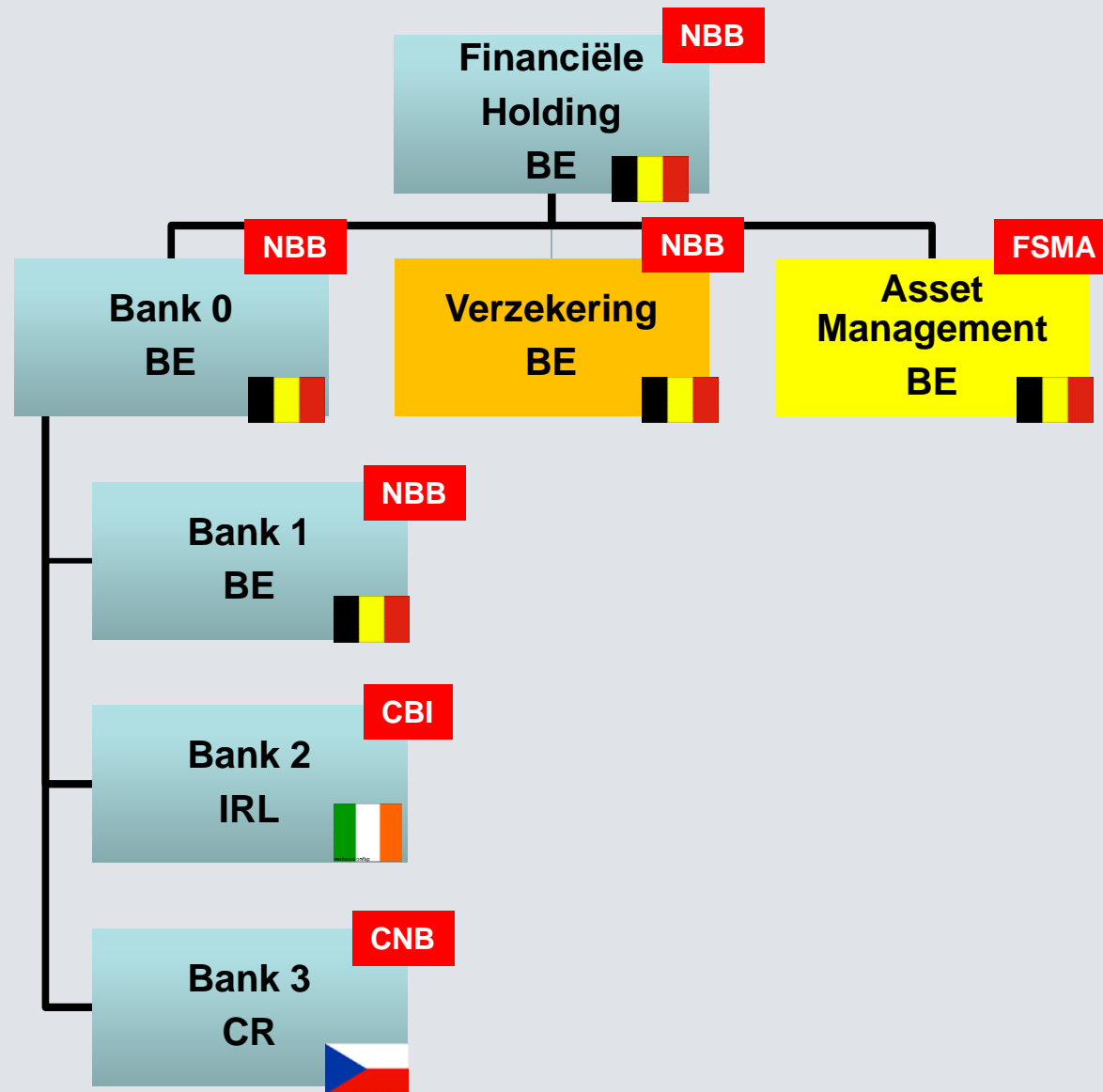
Wat België betreft:

30 in België gevestigde instellingen (holdings, banken, niet EU-bijkantoren)

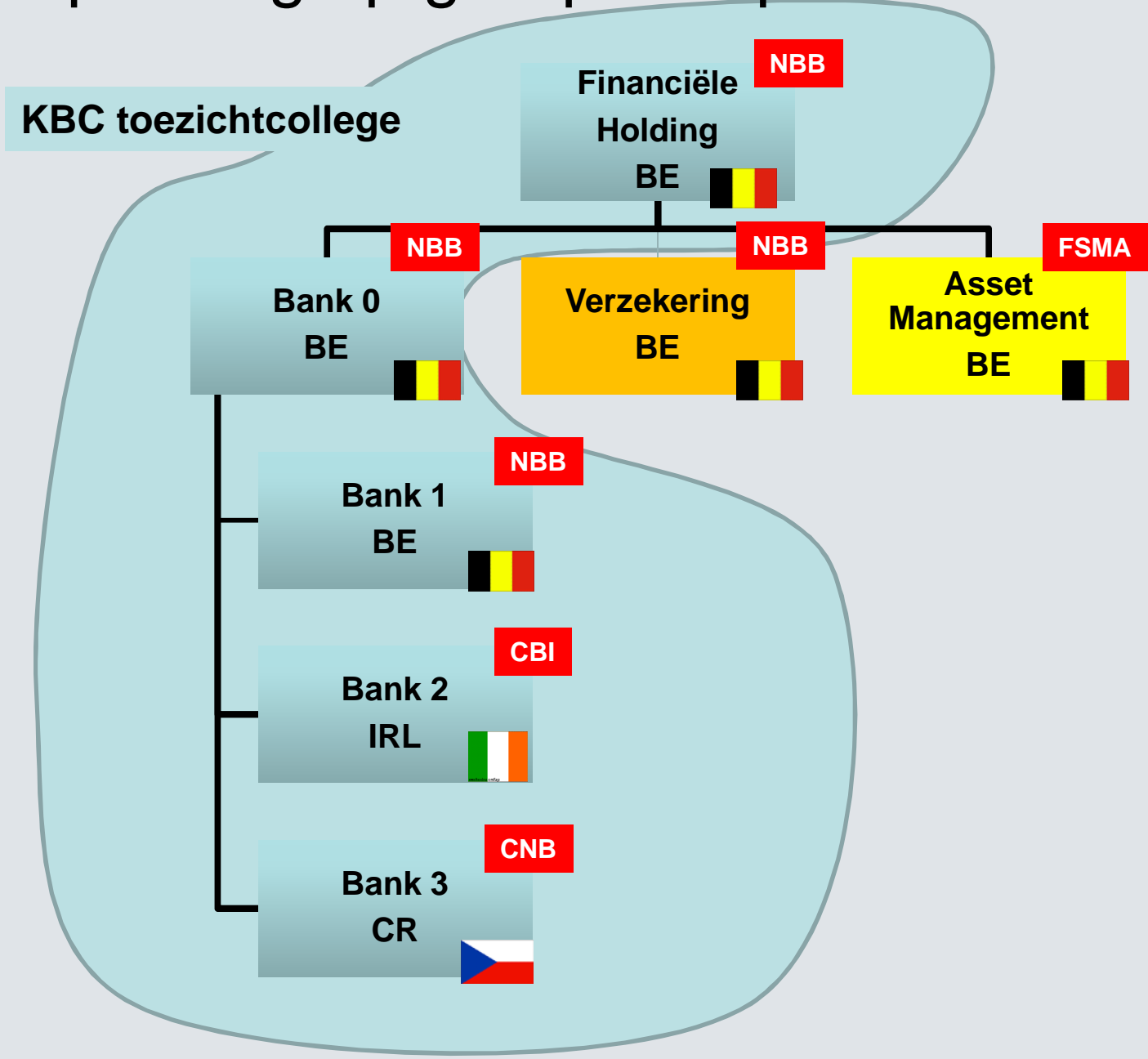
- **Datex, Finaxis, Optima Groep**
- **ABK, Bank van Breda, CPH, CKV, Delen, Crelan, Delta Lloyd, Dierickx Leys, Europabank, Keytrade, Optima, van de Put, VDK**
- **Byblos, Citibank, ENI, FCE, Hoist, HSBC, ICICI, JPM E, JPM Intl, Shizuoka, RBS, UTB,...**
- **Euroclear SA, Euroclear Bank**
- **bijkantoren in België van minder belangrijke instellingen**



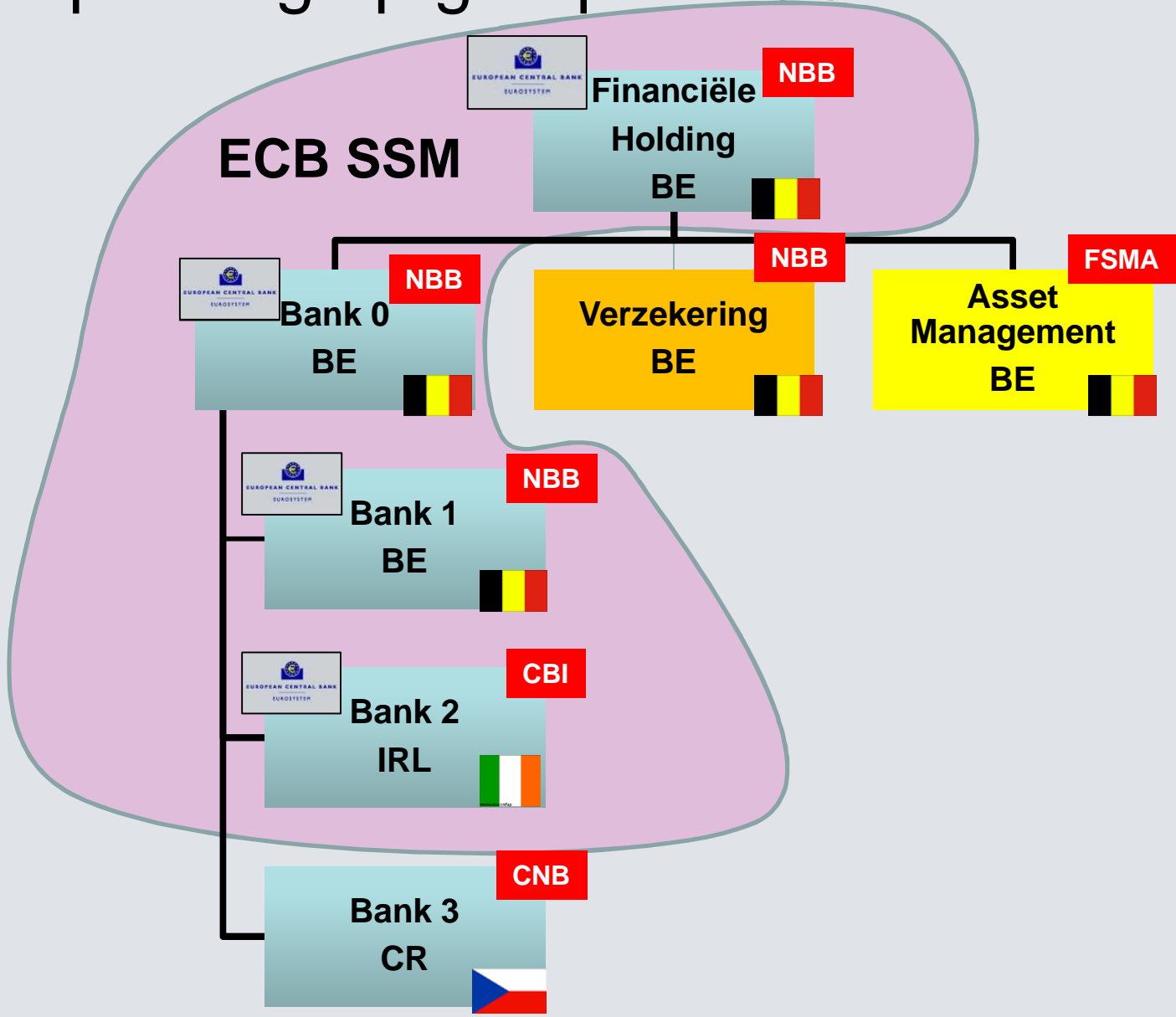
Toepassing op groepen – pre-SSM



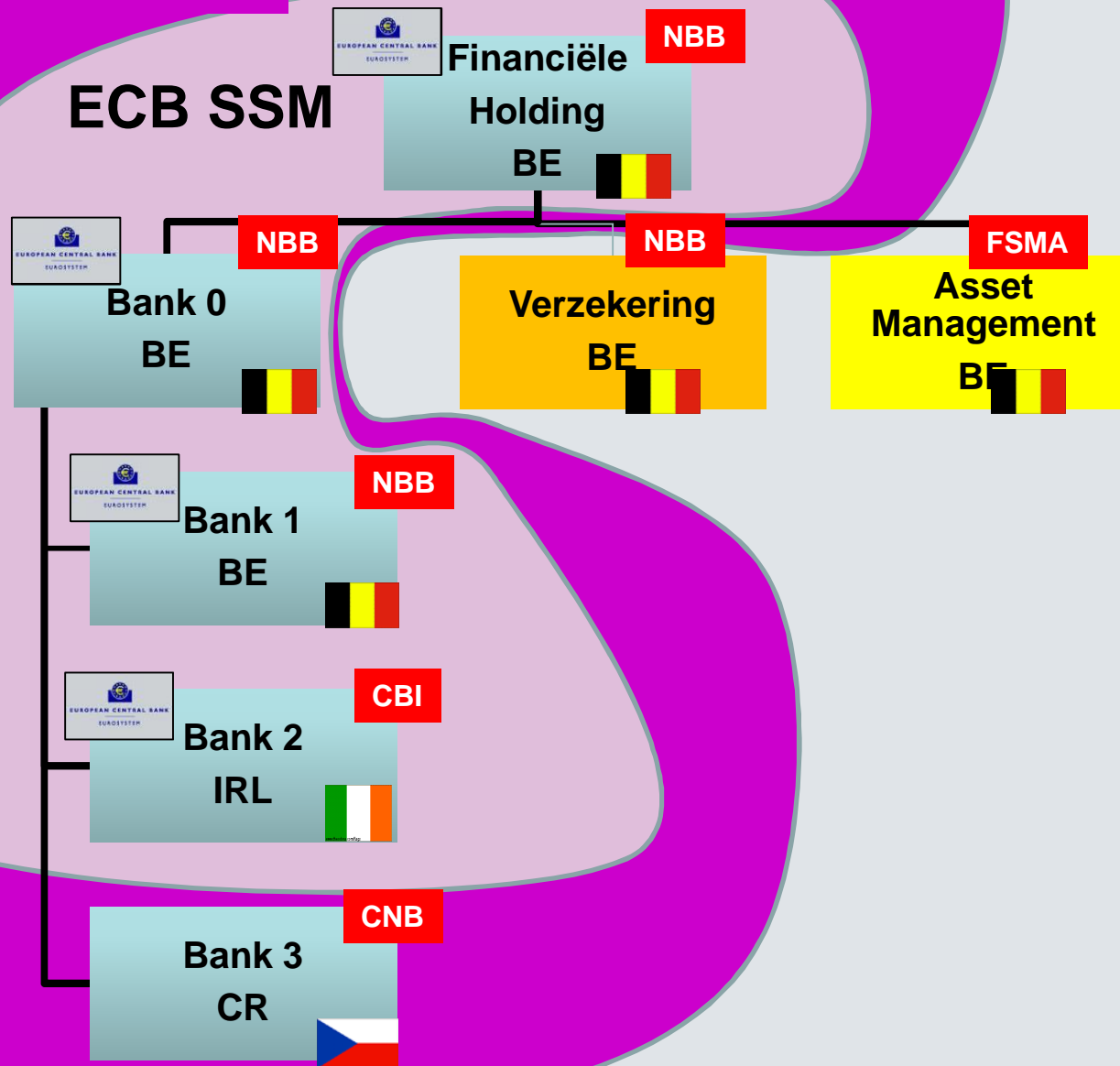
Toepassing op groepen – pre-SSM



Toepassing op groepen - SSM

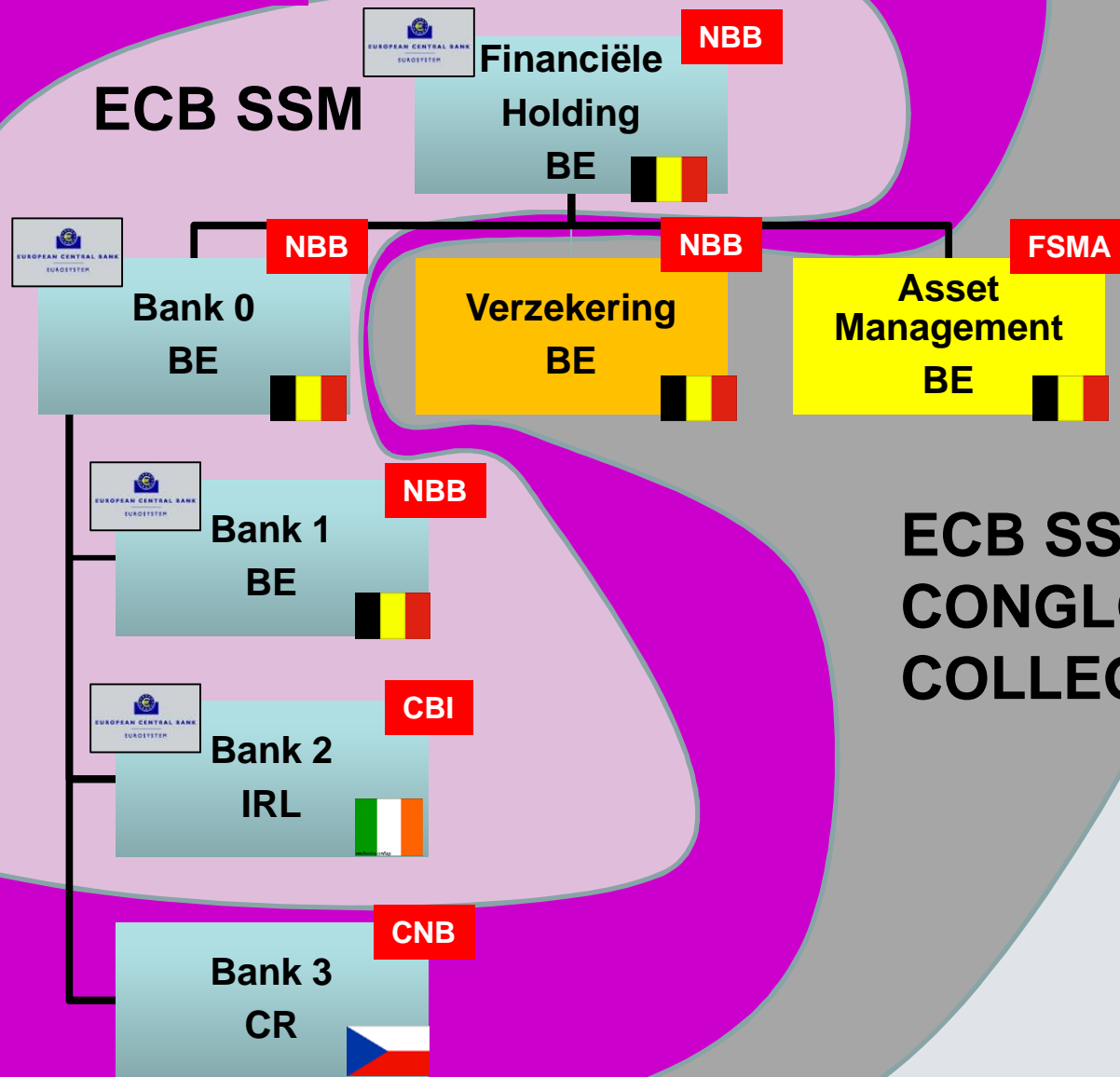


ECB - BANK TOEZICHTCOLLEGE



ECB - BANK TOEZICHTCOLLEGE

ECB SSM



ECB SSM CONGLOMERAAT COLLEGE

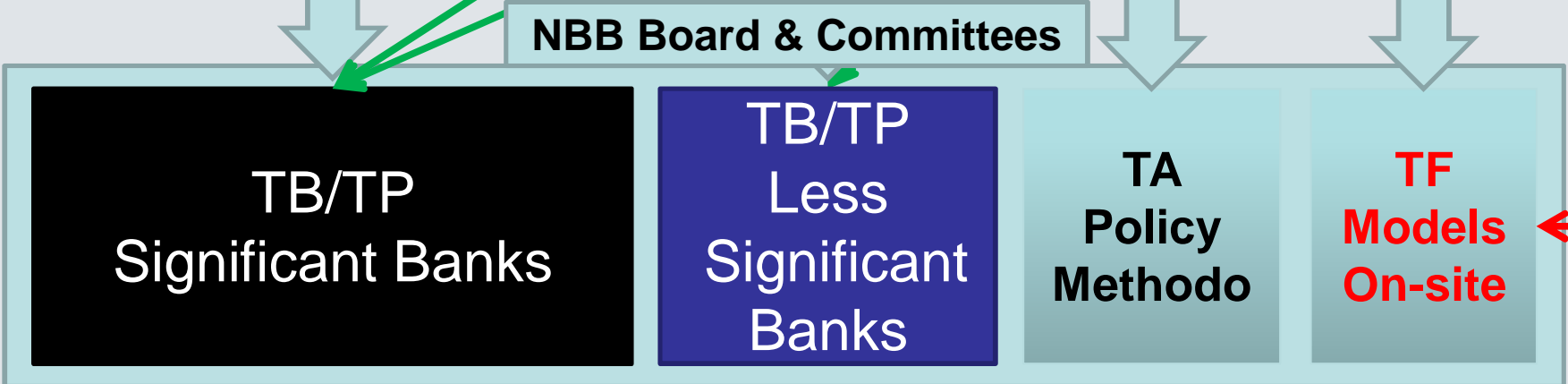


Governing Council Supervisory Board

ECB SSM

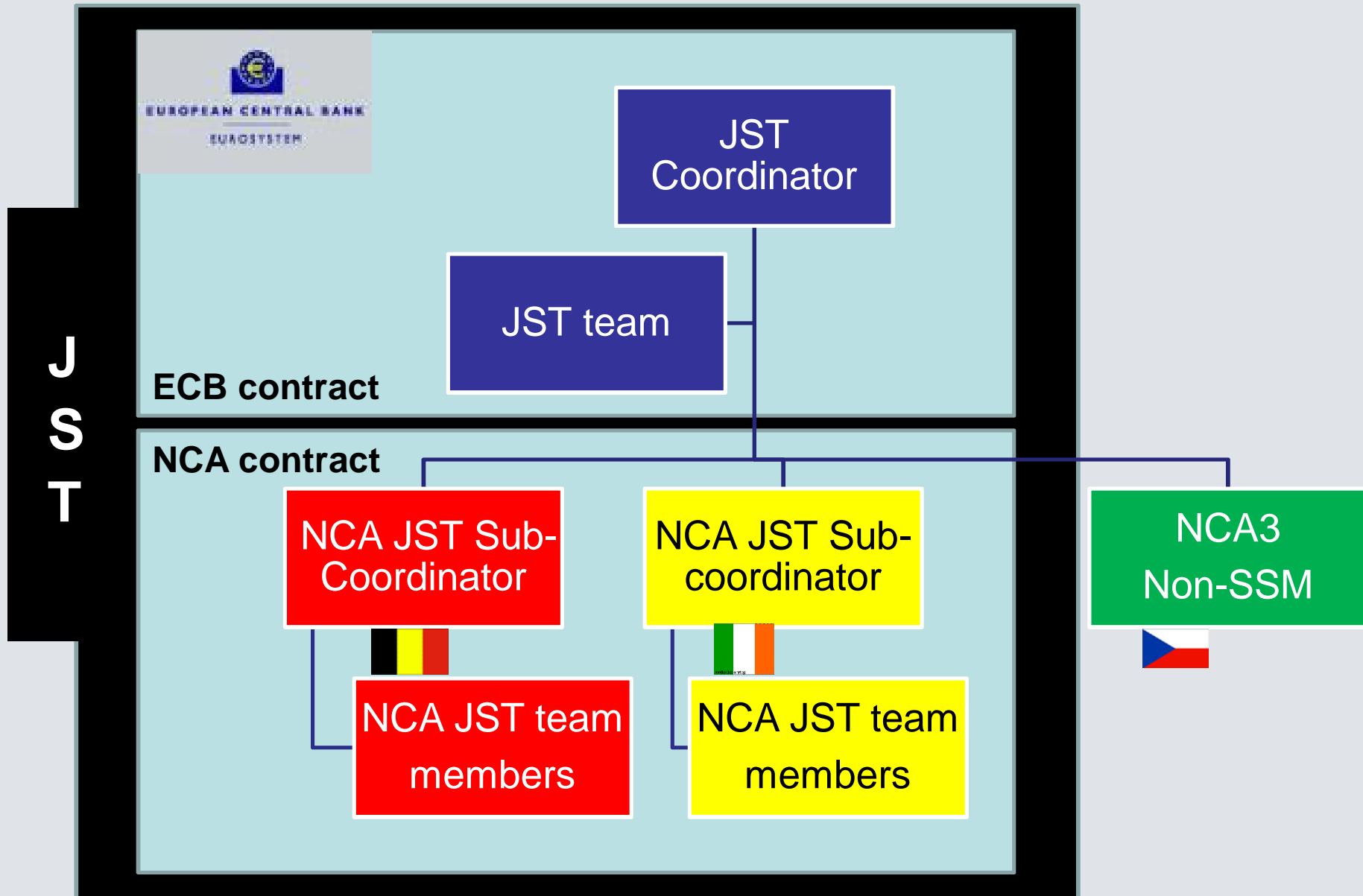


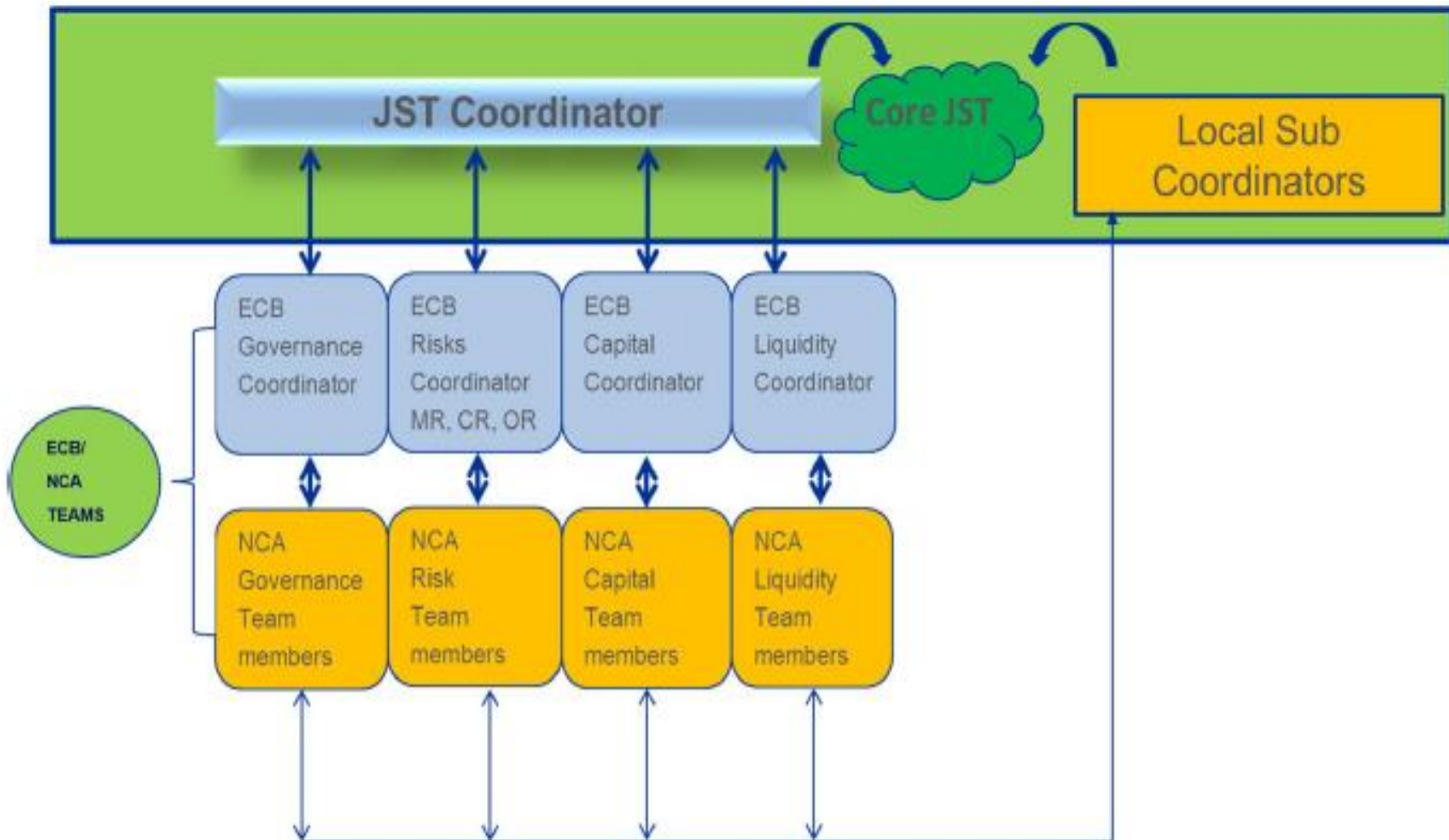
NBB



NBB Board & Committees

ECB SSM SI “Joint Supervisory Teams”





- **JST Coordinator fully empowered with clear lines of accountability**
- **Strong ECB/NCA teams integrated by major risks across group**
- **Local Sub Coordinators integrated into core JST structure**
- **Local Sub Coordinators support JST locally and fully informed of their respective staff activities**

Toezichtmodel Less Significant Institutions

DG III

Division Institutional and Sectoral Oversight

Country Desk 1

Germany, Luxembourg, Belgium, Latvia, Malta, Estonia (6 countries, 1732 institutions, with 2500 bn total assets)

Country Desk 2

Italy, France, Ireland, Finland, Slovenia, Cyprus (6 countries, 674 institutions, 775 bn total assets)

Country Desk 3

Austria, Spain, Netherlands, Portugal, Greece, Slovakia (6 countries, 676 institutions, 780 bn total assets)

The Country Desks will reflect relative significance of LSIs for particular countries
Monitoring of the ECB will be focused on high priority banks (high risk – high impact)



NCA Divisions in charge of LSIs

NCA Divisions in charge of LSIs

NCA Divisions in charge of LSIs

NBB in SSM modus

- ▶ Micro & macroprudentieel toezicht: budget is de laatste jaren gestegen naar > 250 VTE verdeeld over de prudentiële toezichtdiensten (banken, verzekeringsondernemingen, marktinfrastructuren en betalingsinstellingen, specifieke functies (modellen, on-site) en prudentieel beleid en financiële stabiliteit)
- ▶ Bankentoezicht: budget verdeeld over
 - “significant” (60%)
 - “local & specialised” instellingen + non-SSM (30% VTE)
 - Coördinatie en support (10%)
- ▶ Multidisciplinaire teams
 - Toegewezen aan één of meerdere SI
 - Portefeuille van instellingen igv LSI en non-SSM
- ▶ Aanpassing procedures & governance NBB



Gezondheidscheck 2014



Gezondheidscheck 2014

- ▶ Comprehensive assessment/Omvattende beoordeling
- ▶ Voorafgaand aan operationele start van het GTM (november 2013 – oktober 2014):
 - Risicobeoordeling (RAS)
 - Activakwaliteitsbeoordeling (AQR)
 - Stress test op schokbestendigheid (baseline – adverse)
- ▶ 1 methodologie, centraal aangestuurd maar decentraal uitgevoerd
- ▶ NBB: belangrijke mobilisatie van toezichtmiddelen (coördinatie, off-site, on-site) met beroep op consultant en audit kantoren



Key Comprehensive Assessment principles and work blocks

Main objectives of the exercise

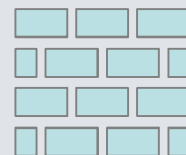


The assessment is an important step in preparing the single supervisory mechanism and towards bringing about greater transparency of banks' balance sheets and consistency of supervisory practices within Europe

- 1. Transparency:** enhancing the quality of information available on the condition of banks
- 2. Repair:** identifying and implementing any necessary corrective action
- 3. Confidence building:** assuring all stakeholders that banks are fundamentally sound and trustworthy

Source: "Note on Comprehensive assessment", ECB, October 2013

Work blocks



The comprehensive assessment consists of three closely interlinked components

- A. Supervisory Risk Assessment:** review of key risks such as liquidity, leverage and funding
- B. Asset Quality Review:** enhancement of the transparency of bank exposures by reviewing the quality of banks' assets, including the adequacy of asset and collateral valuation and related provisions
- C. Stress test:** Forward-looking picture of the resilience of banks' balance sheets to stress scenarios
(in co-operation with the EBA)



A robust quality assurance process has been set up to ensure the highest quality of deliverables

Asset Quality Review

- ▶ AQR methodology and **technical assistance** has been provided by the ECB
- ▶ AQR has been executed by **external auditors** specifically hired for this exercise, which have performed a **first layer of Quality Assurance** by separated teams
- ▶ A **second layer of Quality Assurance** has been performed by the NBB
 - Weekly meetings with auditors and banks
 - Bi-weekly meetings with auditors
 - Cross-bank benchmarking of results
- ▶ A **third layer of Quality Assurance** has been performed by the ECB by transversal comparison across banks and countries

Stress Test

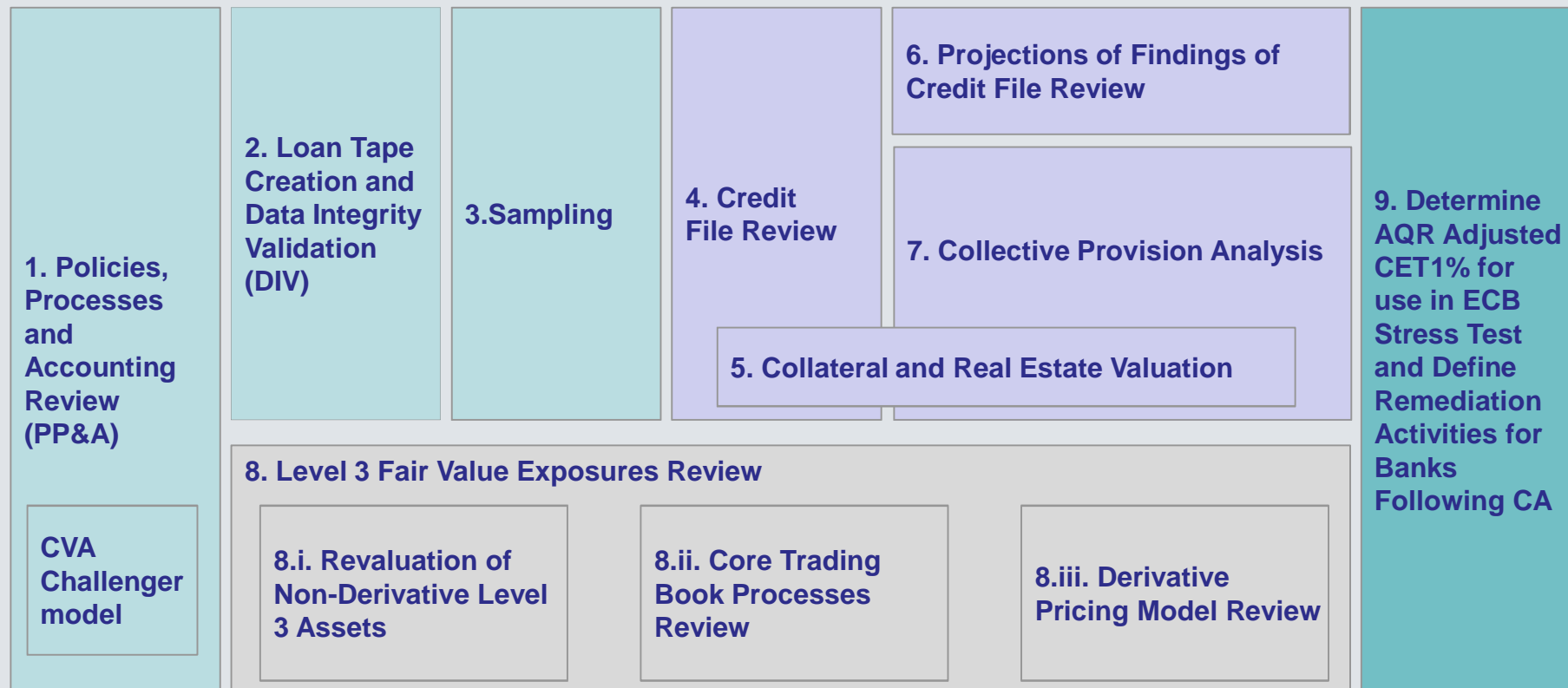
- ▶ Stress Test methodology has been provided by the EBA, with additional guidance and benchmark from the ECB
- ▶ Stress Test exercise has been **performed by the banks** with technical guidance from the NBB and the EBA
- ▶ A **first layer of Quality Assurance** has been performed by the NBB
 - Three meeting with banks organized before initial submission
 - Cross-bank benchmarking of results
- ▶ A **second layer of Quality Assurance** has been performed by the ECB
 - Automated Quality Assurance checks
 - Top-down benchmarking of results



The ECB designed a prescriptive AQR methodology based on 9 work blocks covering banking and trading books

January 2014

August 2014



Data quality and accounting policies
 Illiquid assets and derivative valuation

Credit provisions
 AQR adjustment calculation

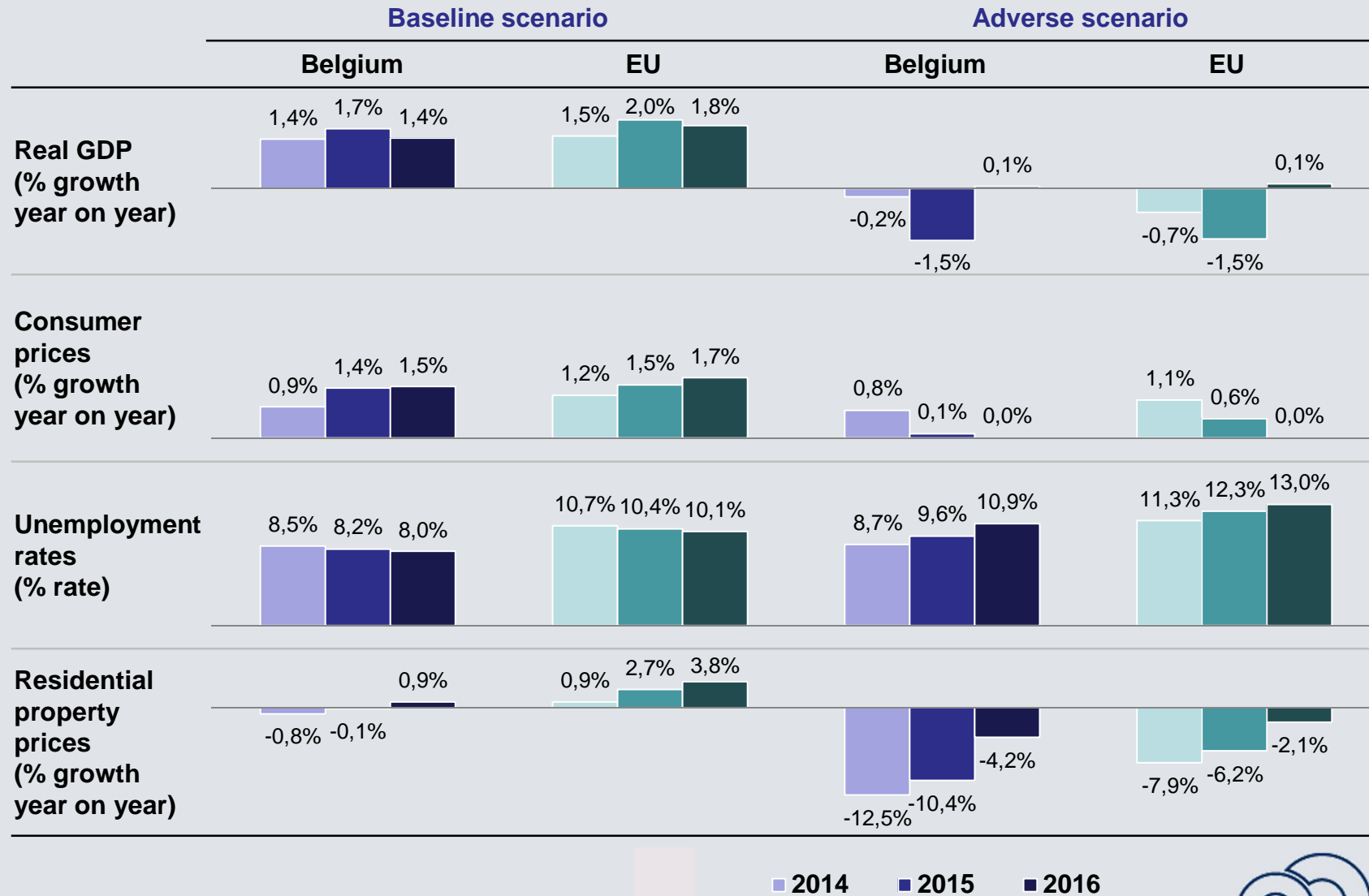


2014 EU-wide Stress Test exercise is performed on the basis of a common set of rules defined by the EBA in close collaboration with ECB

- ▶ Common **baseline and adverse macroeconomic scenarios** have been provided by EBA along with benchmarks and guidelines on the key risk parameters and variables
- ▶ Banks are required to stress test a **common set of risks**: credit risk, market risk, sovereign risk, securitisation and cost of funding (further details on stress test methodology on
- ▶ Stress test projections are carried out on the basis of the consolidated year-end 2013 figures and cover a **three-year period** (2014–2016)
- ▶ **Static balance sheet** is assumed (specific exemption can be awarded to banks undergoing restructuring plans approved by the European Commission)
- ▶ EBA Stress Test has been designed in close collaboration with the ECB to allow for **results join-up with AQR exercise** as part of the SSM transition



Comparison of macroeconomic scenarios between Belgium and European Union average



Source: EBA Stress Test macroeconomic scenario



A capital plan will be required for banks that fail the Comprehensive Assessment exercise

- ▶ The following CET1 ratio thresholds have been defined by the ECB to assess the outcome of the Comprehensive Assessment:
 - AQR-adjusted 2013 CET1 ratio: **8.0%**
 - Baseline projection of CET1 ratio¹: **8.0%**
 - Adverse projection of CET1 ratio¹: **5.5%**

- ▶ Banks displaying a capital shortfall against those thresholds will be required to present a **capital plan** within 2 weeks

- ▶ **Capital measures** taken by the banks between January 1st 2014 and September 30th 2014 are not taken into account in the Comprehensive Assessment outcome
 - Impact of those measures is disclosed as part of disclosure templates
 - If sufficient to cover the capital shortfall, those measures can constitute the capital plan
 - Capital measures such as asset sales are not part of disclosure templates but can be included in the capital plans

1. Lowest CET1 ratio over the stress test horizon (2014-2016)



Six Belgian banks were in scope for the Comprehensive Assessment

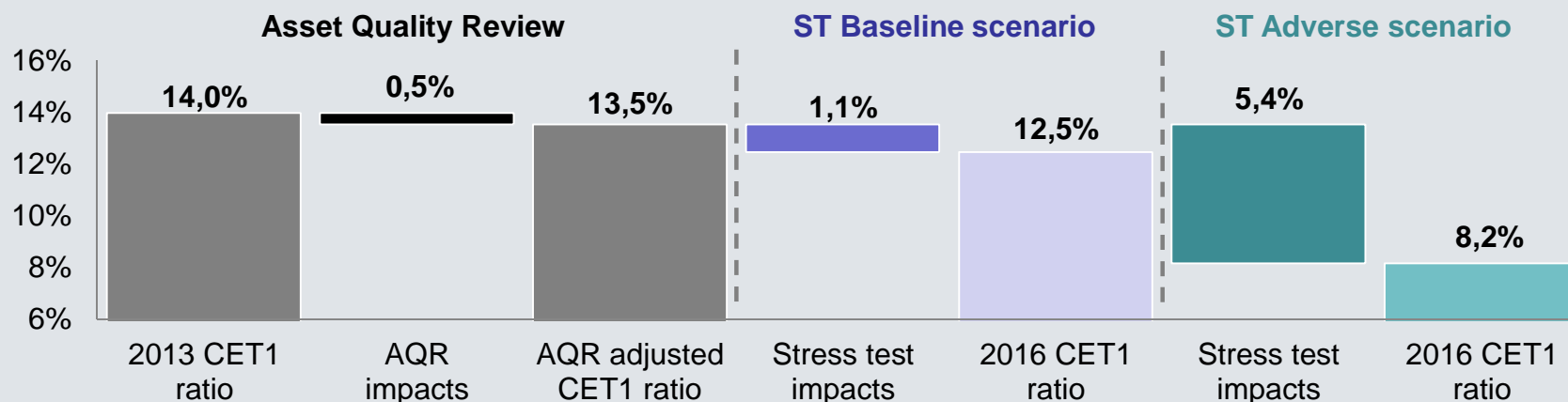
- ▶ **Comprehensive Assessment performed by the NBB on six home banks**
 - Investar (holding of Argenta Bank- Verzekeringsgroep)
 - Axa Bank Europe SA
 - Belfius Banque SA
 - The Bank of New York Mellon SA
 - Dexia NV
 - KBC Group NV

- ▶ **In addition, NBB supported the Asset Quality Review on two host banks (exercise led by home authorities)**
 - BNP Paribas Fortis (home authority: ACPR)
 - ING Belgium (home authority: DNB)



Excluding Dexia, Belgian banks display an average decrease in CET1 ratio of 5.8% under adverse scenario

Average CET1 ratio for Belgian banks (excluding Dexia)



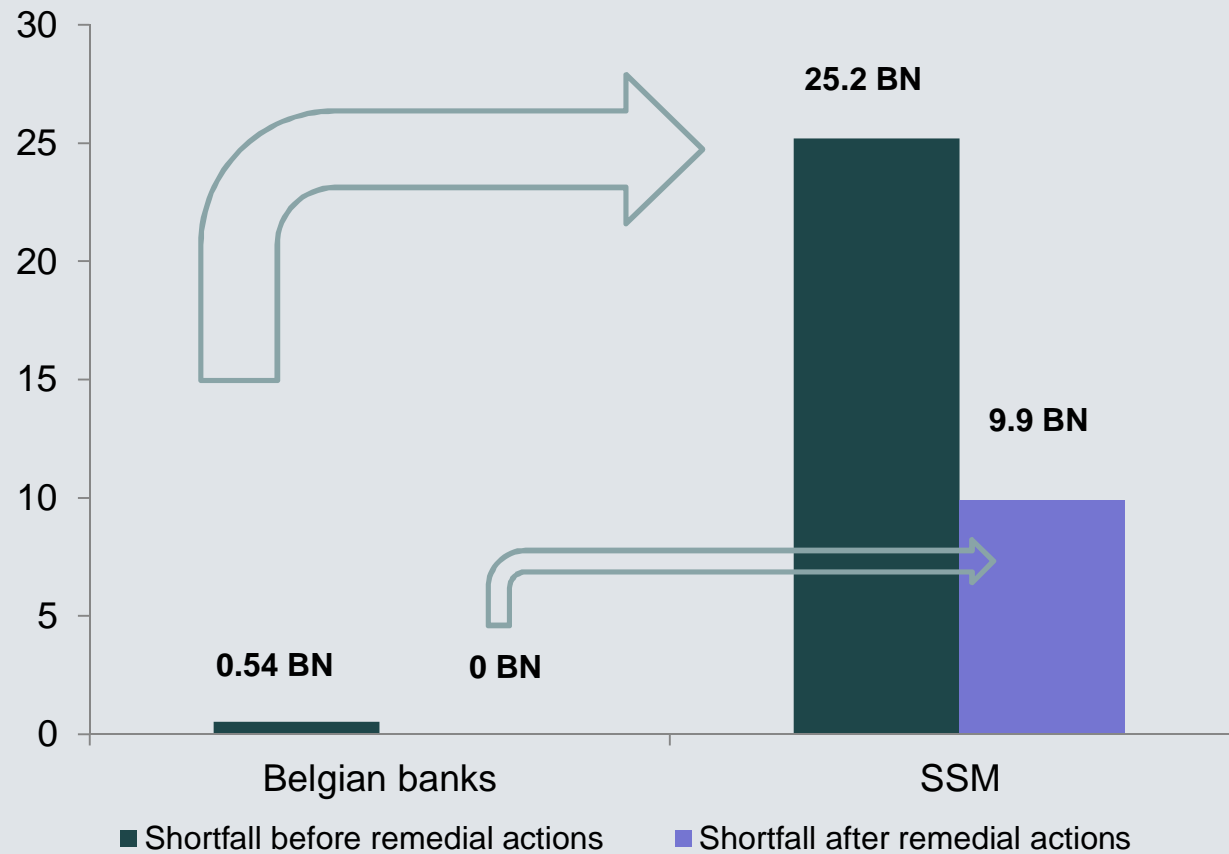
- ▶ AQR impact is **limited to 0.5%** and driven by the specific methodology, results confirm the correct application of accounting standards in Belgium
- ▶ Under the baseline scenario, the Belgian banking sector remains **well above the threshold** confirming the improvement of its financial position in recent years. The negative impact is **mainly due to repayment of state aid**
- ▶ In the adverse scenario, the Belgian banking sector remains on average above the threshold with a **comfortable capital buffer** remaining: no post-Comprehensive Assessment capital measures are needed

Source: Comprehensive Assessment disclosure templates, NBB calculations



Belgian banks represent 2% of total SSM capital shortfalls identified by the Comprehensive Assessment

Total capital shortfalls identified by the Comprehensive Assessment



Source: ECB Comprehensive Assessment report



Beyond quantitative impacts, the AQR highlighted some qualitative shortcomings in banks' practices

Main topics

Areas for improvement

1 Data quality

- Available information on collateral and credit profile of clients
- Reconciliation of data sources
- Correctness of assets classification and portfolio

2 Credit risk

- Implementation of non-performing loans and forbearance identification standards
- Collateral management practices
- Documentation of provisioning model key parameters

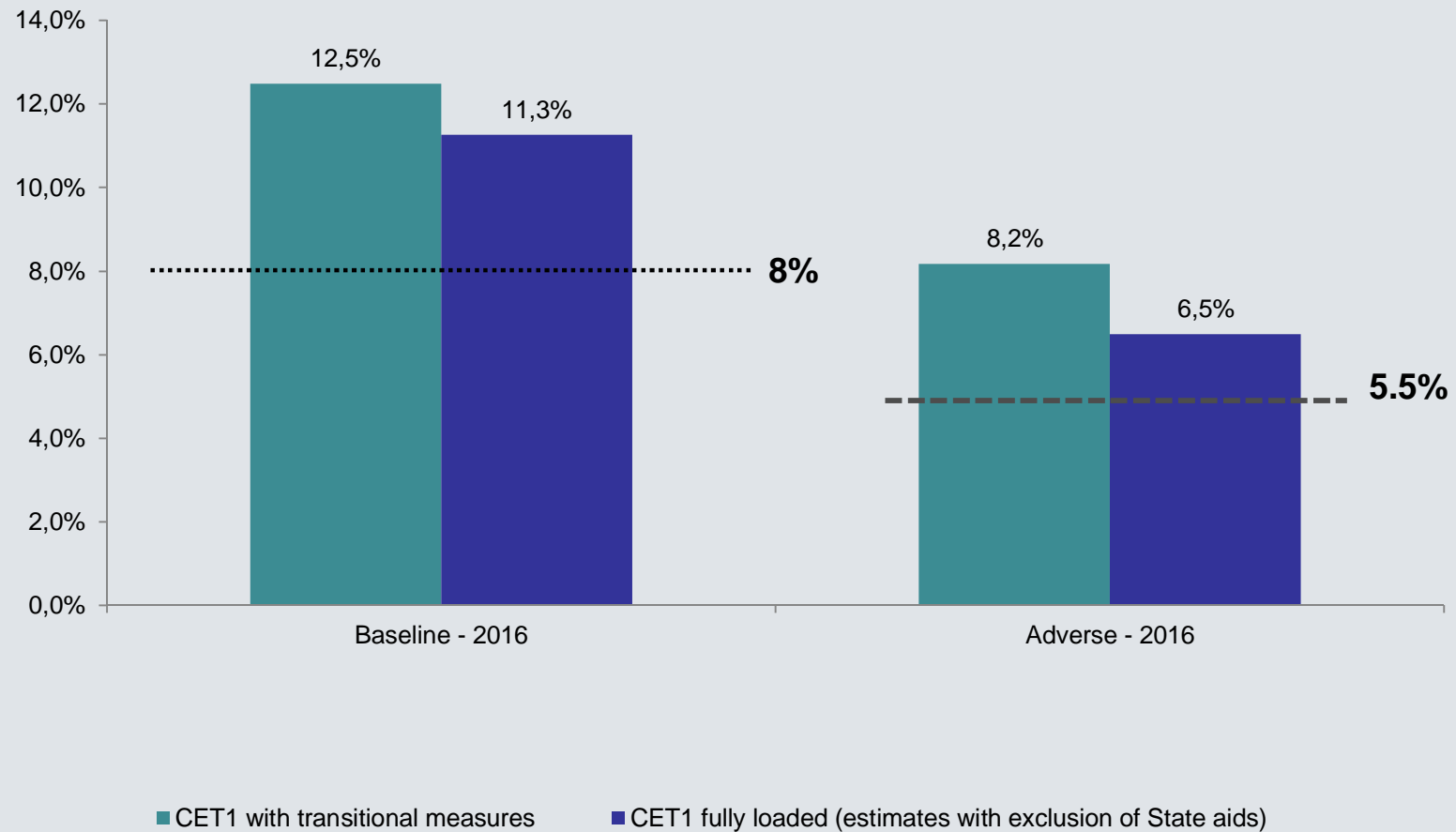


The Stress test results reflect the general characteristics and the business models of Belgian banking sector

Main topics	Stress test highlights
1 Legacy items	<ul style="list-style-type: none">• Severe impact from shock applied to portfolios that are in run-off or already sold• Incorporation of full state aid repayment
2 Credit portfolio	<ul style="list-style-type: none">• Main driver of results, given Belgian banks' focus on real estate credit activities and significant foreign credit portfolios
3 Market activities	<ul style="list-style-type: none">• Limited trading activities of Belgian banks• Impact driven by counterparty credit risk, including CVA and default of largest counterparty
4 Sovereign portfolio	<ul style="list-style-type: none">• Impact driven by large sovereign portfolio holdings• Gradual removal of prudential filters taken into account
5 Profit generation	<ul style="list-style-type: none">• Sector level baseline profitability comparable to EU peers although heterogeneities are observed• Significant impact from shock assumptions on retail funding cost reflecting banks business models relying in savings deposits



Belgian banks are already above the 5,5% threshold under fully-loaded CET1 definition even after stress conditions



Source: stress test templates, NBB calculations
Note: figures excluding Dexia



Toezichtagenda 2015



Toezichtagenda 2015

- ▶ Operationaliseren SSM (zal 2 à 3 jaar duren)
 - Werking SSM en JSTs: governance, toezichtplannen, staffing
 - Convergentie toezicht en regels (“national discretions”)
- ▶ Omvangrijke nieuwe regelgeving in toepassing brengen
 - Nieuwe bankwet 25 april 2013
 - Nieuwe kapitaalregels “Basel III”
 - Afwikkeling (resolution)
- ▶ Samenwerking actoren van het toezicht
 - Microprudentieel – macroprudentieel
 - Going concern – concern gone
- ▶ Hoe zullen de banken zelf op de SSM reageren?

