



# THE EUROPEAN BANKING AUTHORITY AT A GLANCE

**EBA**

EUROPEAN  
BANKING  
AUTHORITY





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## THE EUROPEAN BANKING AUTHORITY

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The European Banking Authority (EBA) is a specialised agency of the European Union set up to achieve a more integrated approach to banking supervision across the EU. Among its core tasks is the establishment of a single set of rules applicable to all banking institutions in the EU in the same manner, which is the basis for the creation of an EU single market in the banking sector. The EBA also seeks to ensure that these common rules are all understood and applied by banking supervisors across the EU in a consistent and harmonised way. Its work aims at upgrading the quality and consistency of

supervision across the EU, as well as at strengthening oversight of cross-border groups, i.e. those banking groups which operate in more than one EU Member State.

The EBA acts as the cornerstone of a consistent and transparent single market for EU banking that is beneficial to all: businesses, consumers and the broader EU economy. By providing the regulatory framework for the integrity and efficiency of banking in the EU, the EBA also contributes to financial stability across the Union.

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## ESTABLISHMENT

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The EBA was established on 1 January 2011 as part of the European System of Financial Supervision (ESFS). It took over all existing responsibilities and tasks of its predecessor, the Committee of European Banking Supervisors.



### The European System of Financial Supervision

The ESFS is comprised of the three European supervisory authorities (ESAs): the EBA, the European Securities and Markets Authority (ESMA), the European Insurance and Occupational Pensions Authority (EIOPA), as well as the European Systemic Risk Board (ESRB), the Joint Committee of the ESAs, the European Central Bank (ECB) and the Member States' competent supervisory authorities.

The main purpose of the ESFS is to ensure the efficient functioning of the single market through a regulatory and supervisory framework that can be applied evenly in all 28 EU Member States. While supervisory authorities remain in charge of supervising individual financial institutions across EU jurisdictions, the three ESAs improve the functioning of the internal market by providing pan-EU regulation and harmonising supervisory practices in the EU. The task of the ESAs is to bring uniform rules and common supervisory approaches across the bloc.

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## LEGISLATIVE FRAMEWORK

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The core component of the European Union policy in relation to financial services is to achieve an integrated market for financial institutions, to address the need for stronger synergies within the EU and to face an increasingly globalised world market. Soundly regulated and safe financial institutions are crucial for financial stability in the EU.

The rules developed by the EBA for the banking sector enable appropriate prudential oversight of credit institutions and investment firms and foster the harmonisation of supervisory standards and practices amongst EU

banking supervisors. In addition, the EBA has an important role in promoting consumer protection in relation to financial products and services offered by payment institutions, e-money issuers and mortgage credit providers.

The tasks of the EBA are defined in a wide variety of EU regulations and directives in the area of financial and banking regulation, which are all aimed at fostering the single market approach. These include, among others, the capital requirements framework (consisting of the capital requirements directive (CRD IV) and the capital requirements regulation (CRR)), the bank recov-



ery and resolution directive (BRRD), the deposit guarantee schemes directive (DGSD), the revised directive on payment services (PSD2), the mortgage credit directive (MCD), the payment accounts directive (PAD), the regulation on key information documents for packaged retail and insurance-based investment products (PRIIPs), the fourth anti-money laundering directive (AMLD), the electronic money directive (EMD), the EU market infrastructure regulation (EMIR), the financial conglomerates directive (FICOD), the directive on central securities depositories (CSD), the markets in financial instruments directive (MiFID II) and the interchange fee regulation (IFR).

The common framework developed by the EBA on the basis of EU legislation creates the conditions for all institutions operating in the EU single market to efficiently and safely fulfil their role of lending into the real economy.



## Recovery, resolution and deposit guarantee scheme

The BRRD (Directive 2014/59/EU) deals with crisis prevention, management and resolution of failing banking institutions and investment firms. The ultimate objective of this framework is to preserve financial stability, reduce moral hazard, protect customers and critical financial services, save public money and ensure the smooth functioning of the internal market for financial services.

The BRRD assigns various regulatory and oversight tasks to the EBA in order to make this framework function in an efficient and consistent manner across the EU. In particular, it requires the EBA to develop a wide range of technical standards, guidelines and reports on key areas of recovery and resolution, with the aim of ensuring effective and consistent procedures across the EU, in particular with respect to cross-border financial institutions.

This framework is complemented by the DGSD, which requires the EBA to develop additional guidelines and reports on various matters affecting how deposit guarantee schemes work. Complementary regulatory initiatives addressing financial institutions other than banks, which assign further tasks to the competent ESAs, are being developed.

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# THE ROLE OF THE EBA

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## COMMON RULES UNDERPINNING THE EU SINGLE MARKET IN BANKING

The main task of the EBA is to contribute to the creation of a single market for the EU banking sector. The authority is in charge of developing the common regulatory framework which is applicable to all banking institutions and investment firms across the EU in the same manner: the EU single rulebook on banking.

### The single rulebook

This set of rules forms the regulatory infrastructure underpinning a single market in banking which is consistent across the EU. The single rulebook arises out of the legislative framework proposed by the European Commission. The EBA builds on it by developing technical standards (TSs), guidelines and recommendations addressed to banking institutions and EU supervisors. Furthermore, the EBA has established a question and answer (Q&A) tool, which clarifies questions from stakeholders and concerned parties in relation to the practical application of the regulatory framework. Together, all these EBA products promote a truly unified application of EU legislation.

The single rulebook applies throughout the EU and it ensures that the core principles of the Basel interna-

tional standards for banking are applied in all EU Member States in a uniform manner. It also closes regulatory loopholes and contributes to the more effective functioning of the internal market.

The rules in the single rulebook remove a large number of national options and discretions, and allow Member States to apply different requirements only where these are justified through a process which ensures input from EU bodies including the EBA.



## Ensuring a common pan-EU approach to banking supervision

As the agency tasked with ensuring the safety and efficiency of the EU banking sector, the EBA also has an important role in promoting pan-EU convergence of banking supervisory practices. Creating a common EU culture of banking supervision is vital to ensure that the single rulebook is applied consistently by EU banking supervisors, reinforcing the efficiency of the EU single market.

In order to promote supervisory convergence, the EBA develops regulatory standards which define supervisory methodologies, as well as the functioning of colleges of supervisors (for those banks which operate on a cross-border basis). The EBA has also laid the foundations for the functioning of colleges that facilitate the reaching of joint decisions in approving internal models used by institutions across Member States. The common framework proposed by the EBA for the Union's supervisory review and evaluation process (SREP) provides a common approach for assessing funding plans across the EU. These regulatory standards represent major progress in establishing consistent supervisory practices across the single market and in strengthening the basis and functioning of cross-border supervision in colleges. They form the so-called single supervisory handbook.

## Monitoring the health of EU banks: the stress test

Given its technical expertise on banking, the EBA is also tasked with the assessment of potential risks and vulnerabilities in the EU banking sector. In particular, the authority has a prominent role in the EU-wide stress test exercise. This is a major risk assessment tool that examines the resilience of financial institutions with regard to adverse market developments, as well as any systemic risks in the EU financial system overall.

The EBA initiates and coordinates stress tests in the EU. In cooperation with the ESRB, the ECB and the Commission, the EBA defines for each edition of the stress test a common pan-EU methodology which specifically allows for the testing of the resilience of banks in case of plausible financial crisis scenarios at a given time and the identification of structural weaknesses in the EU banking sector. The EBA's EU-wide stress tests are conducted in a bottom-up fashion, using consistent methodologies, scenarios and key assumptions developed in cooperation with the ESRB, the ECB and the Commission. The main objective in conducting an EU stress test in the banking sector is to provide a clear and transparent picture of how well EU banks are capitalised and whether they are likely to withstand financial downturns.



## Disclosing information to investors globally

The EBA works extensively on a disclosure framework applicable to all EU banks, which defines the common methodology for issuing and reporting the information. Through harmonised disclosure, institutions make available to the public essential data on their capital positions, shedding light on their health.

A transparent and reliable single market where everyone discloses the same information in the same manner boosts the confidence of potential investors, who can see for themselves the true picture regarding the health of EU banks. This confidence provides in turn the conditions for EU banks to efficiently deliver on their core purpose of supporting the real economy by providing finance to EU citizens and businesses.



## The SREP framework

The SREP framework allows supervisors within the EU to assess risk profiles of institutions, their risk management, control and governance arrangements, business models, capital and liquidity adequacies.

The outcomes of this assessment can lead to the application of supervisory measures or early intervention measures to address any shortcomings. This common SREP framework aims to increase the consistency of supervisory practices and outcomes in the banking sector across the EU. It also provides a solid foundation for the work of supervisory colleges in their annual joint risk assessments and in reaching joint decisions on institution-specific prudential requirements.

Through the SREP framework, the EBA provides a fundamental tool to prevent inconsistencies in how supervisors across various Member States may undertake their reviews and apply supervisory measures. This prevents any inconsistencies in supervisory conclusions when risk and measures for EU banks are assessed.

## Developing a harmonised resolution framework

The BRRD, which came into effect in mid 2014, required the EBA to develop an extensive series of technical standards and guidelines. These continue to build on the primary legislative provisions of the directive and establish a cohesive EU framework for dealing with any failing banking or investment firm. As a framework it provides the foundation for delivering common practices across Member States and within it the EBA also seeks to minimise divergent approaches that may emerge in resolution authorities. The EBA strategy for an efficient EU resolution framework is two-pronged and foresees: (a) the provision of training, technical assistance and other support services to authorities; and (b) the regular monitoring of how requirements are being applied 'on the ground' (i.e. by attending resolution colleges or carrying out peer reviews). Where an institution does fail, primary responsibility for dealing with it rests with the relevant resolution authority/ies. The EBA is tasked to monitor these cases to ensure that cross-border aspects of resolution are working satisfactorily. In the event of disputes arising between resolution authorities, the EBA provides assistance to address the problem, using its binding and non-binding mediation powers.

## Correct application and breach of EU law

The EBA also investigates alleged breaches or non-applications of EU law, either upon request by one or more competent authorities or EU institutions or on its own initiative. The outcome of the EBA investigations into alleged breaches usually consists of recommendations addressed to the competent authority concerned, setting out the actions that must be followed to comply with EU law.

## Mediation

The EBA has a role in settling disagreements between competent EU authorities in cross-border situations; that is in the supervision or resolution of those institutions that operate in more than one Member State. Upon the request of the competent authorities concerned, or on the EBA's own initiative, the EBA will assist in reaching an agreement. If this cannot be achieved the EBA can then take binding decisions requiring that specific actions are taken, in order to ensure compliance with EU law.

## Consumer Protection, Financial Innovation and Payments

The EBA promotes a transparent, simple and fair internal market for consumers in financial products and services. It fosters consumer protection in financial services across the EU by identifying and addressing detriment consumers may experience, or are at risk of experiencing, in their dealings with financial firms. Ensuring that EU consumers have confidence in financial and banking systems across the EU is an essential aspect for the efficiency and smooth running of the EU banking sector. The EBA provides the pan-EU regulatory framework, which guarantees that financial innovation in the EU banking sector is beneficial for both institutions and consumers.

The work of the EBA in the field of consumer issues applies to a wider range of banking and financial institutions, including credit intermediaries, non-bank creditors, payment institutions, mortgage credit providers and electronic money institutions. The EBA looks into key areas for EU consumers: from mortgages to credit and saving products, including credit cards and payment services, as well as emerging issues such as virtual currencies. In these sectors, the EBA is also called on to monitor financial innovation in order to provide early assessments on a wide-ranging set of potential risks that may arise, such as regulatory arbitrage, money laundering, financial crime, financial stability and market confidence, as well as consumer detriment.



The role and tasks of the EBA related to consumer protection and financial activities are wide, and include: reporting on consumer trends in the EU, reviewing financial literacy and education initiatives, developing training standards for the industry, monitoring existing and new financial activities and issuing warnings if a financial activity poses serious threats.

The EBA also contributes to the development of a regulatory framework that is aimed at ensuring secure, efficient and easy retail payments across the single market.

### Action in emergency situations

The EBA is also called on to coordinate the activities of EU supervisory authorities in the case of any adverse developments which may seriously jeopardise the orderly functioning and integrity of financial markets or the stability of the financial system in the EU.

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## HOW DOES THE EBA WORK?

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### Board of Supervisors

The main decision-making body of the EBA is its Board of Supervisors (BoS), which brings together the banking supervisors of the 28 EU Member States. They vote on the outputs and regulatory deliverables prepared by the EBA experts, working groups and committees, including recommendations, opinions and decisions in cases of breach of EU law, investigations and mediation. The Chairperson of the EBA, representatives of the Commission, the ESRB, the ECB, EIOPA and ESMA participate as non-voting members. Also, representatives of the Single Resolution Board (SRB) and supervisors from EEA (European Economic Area) and EFTA (European Free Trade Area) countries are invited as observers.

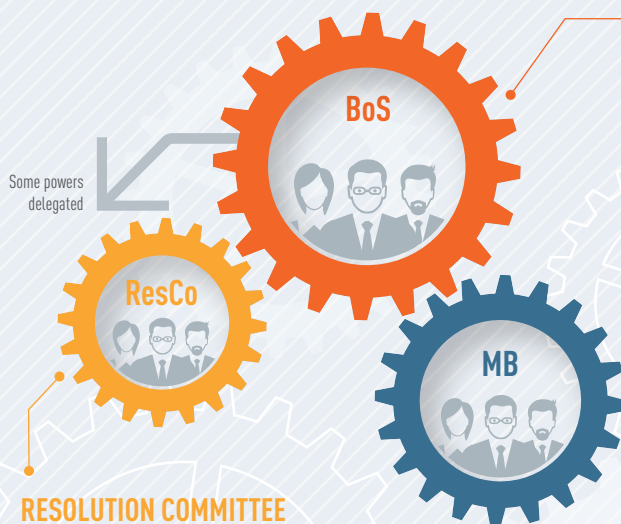
The EBA BoS is responsible for all of the policy decisions of the EBA and is led by the EBA Chairperson, whereas the EBA Management Board ensures that the authority carries out its mission and tasks and the EBA Executive Director manages the operational work.

### Working groups and standing committees

All of the EBA's deliverables are typically defined and discussed in technical working groups and standing committees, composed of technical experts from the EBA's staff and EU supervisory and resolution authorities who provide their input into the EBA's work. The EBA also cooperates with many other institutions and bodies at EU, international and Member State levels. This is often the case when dealing with cross-sectoral topics, where the EBA is called on to work jointly with the other ESAs.

### Resolution Committee

The Resolution Committee (ResCo) is a permanent internal committee of the EBA set up according to the requirements of the BRRD. It deals with decisions related to the tasks conferred on resolution authorities as prescribed in the directive. The ResCo is composed of a Chairperson and the heads of resolution authorities from 28 EU Member States. Its meetings are also attended by observers from resolution authorities of the EEA and EFTA, as well as representatives of the Commission, the SRB, the ESRB, the ECB, ESMA and EIOPA.



## RESOLUTION COMMITTEE

The Resolution Committee (ResCo) has delegated powers to make decisions on resolution matters.

**Roles.** Empowered to make decisions on specific matters related to resolution of financial institutions that have been delegated to them by the BoS. It deals with tasks related to the role of EU resolution authorities, as prescribed in the BRRD.

**Composition.** A Chairperson, 28 heads of national resolution authorities who are members with voting rights and observers who do not have voting rights.

**Decision-making mechanism.** The proposals shall be subject to the vote of the ResCo, according to the same rules of procedure that apply to the BoS. The decisions voted by the ResCo will be submitted to the BoS in accordance with the non-objection procedure. In other cases (where the ResCo does not have an exclusive mandate) the ResCo will act as other standing committees and provide its opinion to the BoS, which will make its final decision.

## BOARD OF SUPERVISORS

The Board of Supervisors (BoS) is the ultimate decision-making body of the EBA.

**Roles.** The BoS takes all policy decisions of the EBA, including the adoption of draft technical standards, guidelines, opinions and reports. It also takes the final decision on the EBA's budget.

**Composition.** The EBA's Chairperson and heads of the national banking supervisors from the 28 Member States of the European Union. The BoS members act independently and in the EU's interest.

**Decision-making mechanism.** Depending on the type, decisions are taken through voting by simple majority/double simple majority/qualified majority including double simple majority\* (the EBA Chairman does not get to vote).

\* Specific voting modalities are provided for in Article 44 of the EBA's founding regulation.

## MANAGEMENT BOARD

The Management Board (MB) takes decisions on operational matters of the EBA and is responsible for implementing its work programme.

**Roles.** To ensure that the EBA carries out its mission and performs the tasks assigned to it in accordance with its regulation.

**Composition.** The EBA's Chairperson and six members who are elected from the BoS. The Executive Director and a representative of the European Commission participate in the meetings of the MB.

**Decision-making mechanism.** The MB decides by simple majority. It has the competence, amongst others, to propose the annual and multiannual work programmes, as well as the annual report, to exercise certain budgetary powers, to adopt the Authority's staff policy plan and to adopt special provisions on the right to access documents.

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## COOPERATION WITH STAKEHOLDERS

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The EBA ultimately works for the benefit of the broader EU economy and remains mindful of the specificities of the EU banking sector. In order to ensure that the deliverables adequately mirror the needs of all parties concerned with EU banking, the EBA consults the public on all its regulatory products. Additionally, the EBA usually conducts cost-benefit analyses on its proposals.



### Banking Stakeholders Group

The EBA also proactively seeks advice from its Banking Stakeholders Group, the permanent body that facilitates consultations with banking stakeholders and is composed of representatives from credit and investment institutions, their employees' representatives, consumers, users of banking services and top-ranking academics.

### Public consultations

Open public consultations and public hearings are conducted on regulatory products (technical standards, guidelines, etc.) to ensure stakeholders and all interested parties can provide their input on future banking standards and guidelines.

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## AN OVERVIEW OF THE EBA'S TASKS AND DELIVERABLES

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Final decisions are generally adopted by the EBA BoS, which votes by simple majority, except in the case of regulatory products (technical standards, guidelines and recommendations) where the voting is by qualified majority, similarly to the rules applied in the Council of the European Union. Since the establishment of the Single Supervisory Mechanism (SSM), a simple majority of both SSM members and non-SSM members is also required in order to achieve a qualified majority vote for the adoption of regulatory products. The EBA's technical

standards are subject to endorsement by the Commission and, in some cases, scrutiny by the European Parliament and the Council, following which they become directly applicable and binding across the EU.

Finally, the EBA can also issue regulatory tools (such as guidelines and recommendations) on its own initiative in all those cases where it deems it necessary to do so for the sake of the correct and consistent application of EU law and supervisory practices.



## Guidelines and recommendations

Establishing a set of consistent, efficient and effective supervisory practices across the EU is of fundamental importance to ensure uniform application of EU law. The EBA produces regulatory guidelines and recommendations with the purpose of providing guidance to banking institutions, investment firms and competent supervisory authorities on the application of EU regulations and directives. Authorities and financial institutions across the EU are required to make every effort to comply with the EBA guidelines and recommendations.

Within 2 months of publishing guidelines and recommendations in all EU official languages on the EBA website, competent authorities across the EU must inform the EBA whether they comply or intend to comply with the guidelines or recommendations. If a competent authority does not comply or does not intend to comply, it must inform the EBA of this and state reasons for non-compliance, as prescribed by the 'comply or explain' principle. If specified in the guidelines or recommendations, banking institutions and investment firms might also have to report as to whether or not they comply.

## Technical standards

The EBA is mandated by EU legislative texts such as the CRD IV package and the BRRD to produce TSs. TSs are legal acts which specify particular aspects of an EU legislative text (directive or regulation) and aim at ensuring consistent harmonisation in specific areas. The EBA drafts TSs adopted in the form of binding regulations and decisions, which are submitted to the European Commission for final endorsement. They contribute to the development of the single rulebook for banks in the EU.

The draft TSs are formally adopted by the European Commission, usually within a few months, and published in the *Official Journal of the European Union* — unless they are considered disproportionate or incompatible with EU law. The European Parliament and the Council also have the right to scrutinise certain types of TSs.

Following their publication in the Official Journal, these standards become legally binding and apply directly in all Member States. This means that, on the date of their entry into force, they become part of the national law of the Member States.



## Opinions

Through its opinions, the EBA provides its views on supervisory and regulatory matters to EU institutions and national authorities. This includes technical advice which the EBA provides to the Commission when preparing delegated acts to supplement level 1 EU legislative text (directives and regulations). These delegated acts provide additional detail on certain legislative aspects and ensure that the work of EU policymakers is informed by expert technical advice.

## Reports

The EBA publishes a wide range of reports for identifying and analysing trends in the financial and banking sectors. These usually look at potential risks and vulnerabilities stemming from the micro-prudential level and provides an assessment of them with a perspective that goes across borders and sectors. For example, impact assessment studies provide the factual evidence that contributes to discussions taking place in the context of EBA work and ultimately ensures that the EBA's regulatory work is well grounded in the reality of the EU banking sector.



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## ABBREVIATIONS

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<b>AMLD</b>	Anti-Money Laundering Directive	<b>MCD</b>	Mortgage Credit Directive
<b>BoS</b>	Board of Supervisors	<b>MiFID II</b>	Markets in Financial Instruments Directive
<b>BRRD</b>	Banking Recovery and Resolution Directive	<b>PAD</b>	Payments Accounts Directive
<b>CRD IV</b>	Capital Requirements Directive	<b>PRIIPs</b>	Packaged Retail and Insurance-based Investment Products
<b>CRR</b>	Capital Requirements Regulation	<b>PSD2</b>	Directive on Payment Services
<b>CSD</b>	Central Securities Depositories	<b>ResCo</b>	Resolution Committee
<b>DGSD</b>	Deposit Guarantee Schemes Directive	<b>SREP</b>	Supervisory Review and Evaluation Process
<b>ECB</b>	The European Central Bank	<b>SRB</b>	Single Resolution Board
<b>EEA</b>	European Economic Area	<b>SSM</b>	Single Supervisory Mechanism
<b>EFTA</b>	European Free Trade Area	<b>TSs</b>	Technical Standards
<b>EIOPA</b>	European Insurance and Occupational Pensions Authority		
<b>EMD</b>	Electronic Money Directive		
<b>EMIR</b>	EU Market Infrastructure Regulation		
<b>ESAs</b>	European Supervisory Authorities		
<b>ESFS</b>	European System of Financial Supervision		
<b>ESMA</b>	European Securities Market Authority		
<b>ESRB</b>	European Systemic Risk Board		
<b>EU</b>	European Union		
<b>FICOD</b>	Financial Conglomerates Directive		
<b>IFR</b>	Interchange Free Regulation		
<b>MB</b>	Management Board		

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