

# Interview with the Alternate Chairperson

**1.** You have been sitting at the EBA Board of Supervisors (BoS) table for some time now and for some years as Alternate Chairperson. How would you describe the cooperation between competent authorities and the EBA?

It is a privilege to sit at the BoS table and to have the opportunity to exchange views and take decisions within such a group of distinguished colleagues, with such different and complementary professional experiences and with the same objective of protecting the public interest by contributing to the stability and effectiveness of the EU financial system. The decision-making process with 28 Member States is not always straightforward and sometimes it is difficult to reach a final decision, as was obvious in the most acute moments of the financial crisis. But, fortunately, those type of situations are much more the exception than the rule.

The cooperation between national competent authorities and the EBA has been always extremely good and efficient. As a matter of fact, there is a continuous interaction at all levels of the ladder: ad hoc groups, task forces, committees and, finally, the Board of Supervisors. There are plenty of opportunities for national competent authorities to participate in, contribute to and influence the final positions of the EBA. It is also clear that the knowledge and accumulated experience that national authorities bring to the EBA table is a decisive contribution to the merit and technical robustness of the final positions of the EBA. From my point of view, as a BoS member, I always found from the EBA side total openness to be engaged – either in physical or telco ad hoc meetings, or through technical memos – in exchange of views in critical issues. I am convinced that, without such a close dialogue and without a clear understanding of the different perspectives of the national competent authorities, many important commitments would not have been possible.

**2.** What are, in your view, the key milestones this Authority has reached over the last few years?

Let me just start by highlighting the fact that, since its creation, the EBA has managed to create the image of an open, transparent and accountable organisation. Open in the way it engaged in meetings with industry representatives and associations of consumers, as well as in the fruitful interaction with the Banking Stakeholder Group. Transparent in the way public consultations have taken place thanks to a structured and formal interaction between the EBA and the stakeholders. Finally, accountable to the European institutions.



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I would also like to highlight what is probably the most demanding and permanent exercise of the EBA as the guardian of the Single Rulebook, with the continuous focus on the development of a single set of harmonised prudential and conduct rules for EU financial institutions, as the only way to achieve a level playing field in the European space.

In this context, the work aimed to achieve a uniform definition of capital, through the adoption of common definitions and the rigorous monitoring of issuances of new capital instruments, has been extremely important. The EBA has also played a central role in implementing the key principle of 'more and better' capital – one of the key lessons drawn from the financial crisis, as the amount of good-quality, loss-absorbing capital was clearly inadequate – which is today reflected in a much more capitalised and resilient European banking sector. In addition, the annual transparency exercise – which, by the way, is a somewhat unique exercise – has been a very successful instrument to promote information on the European banking sector.

### 3. How would you see the role of the EBA going forward also in the light of the European Supervisory Authorities' (ESAs') review?

In my view, the priorities for the EBA's work in the near future are the following: the reduction of the excessive variability in risk-weighted asset (RWA) modelling, now even more urgent given the recent Basel developments, and the consolidation of a multiple-metrics approach to adequacy of capital, through the increased use of the leverage ratio as a complementary indicator to the capital adequacy measures more frequently used; the need for a gradual minimum requirement for own funds and eligible liabilities (MREL) implementation, in the context of an incomplete Banking Union and the need to address the placement of the in-

herent market instruments across retail customers, in very close cooperation with the European Securities and Markets Authority (ESMA) and the European Insurance and Occupational Pensions Authority (EIOPA); in a context in which the regulatory reform is almost completed, supervision is supposed to have a more prominent role and, therefore, the convergence of supervisory practices – for instance, through the conduct of peer reviews – becomes more and more important; finally, consumer protection and financial innovation requires an extra effort by the EBA, as this is an area in which national regulatory and supervisory practices are very heterogeneous.

The strengthening of the EBA mandate on consumer protection is, fortunately, included in the legislative proposals on the review of the European Financial Stability Facility (EFSF). The strengthening of its role in monitoring and implementing equivalence decisions as well as in the development of a resolution handbook is also worth mentioning.

### 4. You have recently been appointed as the chairman of the EBA's Committee on Consumer Protection and Financial Innovation (SCConFin). How do you see the work of the EBA in the fields of consumer protection and financial literacy?

Consumer protection ranks very high in the priorities of the EBA. Financial and technological innovation raise new challenges for the protection of clients of financial services as well as for the current business models, which is why it should be a priority for the EBA. The SCCo-nFin is the natural place to discuss and develop the most important initiatives of the EBA in the fields of consumer protection and financial literacy and I am very happy to chair this committee and to have the opportunity to interact closely with the EBA staff and the representatives of the national competent authorities.

The work that the SCConFin has conducted over the last couple of years is very important. Many examples illustrate this point: the Consumer Trends Report, the Financial Education Report, the work on supervisory convergence – which is particularly important given the fact that conduct supervision is a recent development in most EU countries – a wide range of guidelines on good practices, as well as a set of important warnings. In addition, and beyond the SCConFin, the roadmap on financial technology (FinTech) has also been a very important contribution of the EBA. I also find very fruitful the cooperation within the Joint Committee – as consumer protection requires a complete and consistent approach by the three supervisors of competing financial products – as well as with the Banking Stakeholder Group on consumer protection issues.

The EBA has a leading role in promoting transparency and fairness in the market for consumer financial services across the internal market. Going forward, it is my expectation – and also my wish – that consumer protection issues and digital banking/FinTech-related issues will become increasingly more important in the agenda of the EBA.

**5.** You completed two mandates as the chair of the Risk Sub-Committee in charge of the production of the Joint Committee Report on Risks and Vulnerabilities in the EU Financial System. How do you see the interaction between the ESAs and the usefulness of those reports?

I had the opportunity to work very closely with the staff of the EBA, EIOPA and ESMA – as well as the staff from the European Central Bank (ECB), the European Systemic Risk Board (ESRB) and national competent authorities – on the identification of the key cross-sectoral risks and vulnerabilities of the European financial system and on the required policy

measures to mitigate the impact of those risks and to overcome the identified vulnerabilities. It has been an extremely rewarding experience for me, as it is precisely this cross-sectoral approach that makes this report unique and particularly useful for market participants, supervisors and policy-makers.

The nature of the risks identified has, naturally, varied over time and has covered a wide range of situations. The report has also the distinctive characteristic of recommending specific actions to financial market participants, regulators and supervisors with the purpose of overcoming the identified vulnerabilities and mitigating the possible adverse effects triggered by the main identified risks. This report has gained increased interest from the press, market participants and policy-makers. Let me take this opportunity to thank all participants in the sub-committee, in particular the colleagues from the ESAs and my colleagues at Banco de Portugal who have given me direct support in the production of the risk reports and have so closely liaised with the members of the sub-committee.