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'I/A' ITEM NOTE

From: General Secretariat of the Council
To: Permanent Representatives Committee/Council

Subject: Special Report of the European Court of Auditors No 10/2019 “EU-wide stress tests for banks: unparalleled amount of information on banks provided but greater coordination and focus on risks needed”
- Draft Council Conclusions

1. On 4 September 2019, the Permanent Representatives Committee designated the Financial Services Committee to examine the Special Report of the European Court of Auditors No 10/2019 “EU-wide stress tests for banks: unparalleled amount of information on banks provided but greater coordination and focus on risks needed”
2. The Financial Services Committee examined the report at its meeting on 18 September 2019 and agreed on the attached text of draft Council conclusions via written procedure. The Economic and Financial Committee agreed the text of the draft Council conclusions on 28 October 2019, as set out in the Annex of this note.
3. The Permanent Representatives Committee is therefore invited to approve these draft Council conclusions and to submit them to the Council for adoption.

Draft COUNCIL CONCLUSIONS

on

Special Report of the European Court of Auditors No 10/2019 “EU-wide stress tests for banks: unparalleled amount of information on banks provided but greater coordination and focus on risks needed”

THE COUNCIL OF THE EUROPEAN UNION:

1. WELCOMES the Special Report of the European Court of Auditors No 10/2019 “EU-wide stress tests for banks: unparalleled amount of information on banks provided, but greater coordination and focus on risks needed”.
2. HIGHLIGHTS the importance of the EU-wide bank stress test as a supervisory tool in order to safeguard financial stability and enhance transparency.
3. ACKNOWLEDGES the considerable work undertaken by the EBA, ESRB and the competent supervisory and macroprudential authorities in order to facilitate an appropriate, EU-wide stress test.
4. TAKES NOTE of EBA’s and the Commission’s replies to the findings of the Court of Auditors presented in the Special Report, as well as, of the good cooperation that took place between the EBA, the Commission, the ESRB, the Court of Auditors, and the competent supervisory and macroprudential authorities.
5. UNDERLINES the importance of conducting an EU-wide stress test which meets the challenges highlighted in the Court of Auditors Special Report, in particular in respect to the establishment of an appropriate, European perspective. That includes, inter alia, appropriate definitions of risks, including the ones stemming from the EU banking sector itself, and their respective coverage within stress scenarios.

6. UNDERLINES that the selection of banks should also be based on their systemic relevance and risk profile and ensure appropriate geographical coverage. Furthermore, a minimum level of stress for all Member States as well as the EU as a whole should be ensured. The population of banks subject to the test should therefore be sufficiently broadened.

7. UNDERLINES further that a satisfactory level of control over the process by EBA should be exercised by aligning methodological choices with the resources allocated for the exercise. The communication of stress test results should take place in a comprehensible and coordinated manner throughout the Union, assuring the provision of key data and information to market participants and the general public.

8. STRESSES the importance of ensuring the highest standards in terms of accuracy, effectiveness, transparency of the EU-wide stress test and WELCOMES in this regard, EBA's response to the recommendations and its intentions to consider them in its ongoing discussion on possible longer-term changes to the EU-wide stress test.
