

EBA BSG 2024 031

Banking Stakeholder Group

16 July 2024 | 09:30 – 15:00

Location: teleconference

Banking Stakeholder Group

Minutes of the conference call on 16 July 2024

Agenda item 1: Welcome and approval of the agenda

1. The EBA Chairperson welcomed the members to the first conference call of the Banking Stakeholder Group (BSG) in its current composition.
2. The EBA Chairperson asked the members whether they had any comments on the agenda of the conference call. The members did not raise any comments.

Conclusion

3. The BSG approved the agenda of the meeting by consensus.

Agenda item 2: Tour de table – Introduction of BSG Members

4. The EBA Chairperson invited each of the BSG members to introduce themselves, give a brief overview of their professional background, and provide their expectations on what they could provide to the work of the BSG.
5. The members presented themselves.

Agenda item 3: Introduction to the EBA organisation and priorities

6. The EBA Chairperson introduced the item by noting that while the Members were familiar with the EBA's mandate, the aim of the tabled presentation was to point out some aspects, whether related to the EBA's mission, set-up or work programme and to further focus on EBA priorities for 2024 and 2025.
7. The EBA Head of Governance and External Affairs Unit (GEA) continued by providing an overview of the EBA's role, mission, organisation and relationship with external bodies. He then elaborated on the 2024 and 2025 EBA priorities, to be considered by the Members in their future work.

8. The Members welcomed the presentation. One Member asked about the state of EBA preparation for DORA supervisory priorities and the level of cooperation with the other ESAs. The Member also noted the priority given to the implementation of the banking package in the coming years and asked whether the review of the Investment firms regime would also be included in the 2025 work programme of the EBA. The Head of the GEA confirmed that the implementation of the banking package would be at the forefront of the EBA work programme in the coming years but not exclusively and that the review of the investment firms' regimes would also be considered in the EBA work programme.
9. Another Member asked how the EBA would be involved in the digital Euro scheme. The EBA Chairperson explained that the EBA has not received direct mandates with regards to the digital Euro but was looking at its impact on the banking sector overall and was therefore collecting feedback from financial institutions for that purpose. A Member suggested to also consider the impact of the digital Euro on payment institutions.
10. Another Member asked about the relationships outside of the EBA, especially with third countries. The Head of the GEA explained that the EBA was interacting with Third country authorities at different levels: as part of its ongoing engagement with stakeholders outside the EU but also within the EU regulatory framework on (i) confidentiality and professionally secrecy and (ii) regulatory and supervisory equivalence which was led by the European Commission (EC) with support from the EBA.
11. A Member asked about the EBA interactions with the Basel Committee on Supervision (BCBS). The EBA Chairperson explained that the EBA has been contributing to the work of the BCBS through its technical expert groups and was participating to the meeting of the BCBS. He also underlined that the EBA played a substantial role in coordinating positions between EU MS at the BCBS meetings.
12. Another Member suggested to provide regular updates on the implementation of the banking package so that stakeholders could prepare for upcoming consultations. The Head of the GEA explained that the EBA issued in December 2023 a roadmap on the implementation of the banking package, which was presented on the EBA website in a manner that should facilitate the planning of financial institutions. Moreover, he informed the Members that regular updates on the upcoming consultations to be published by the EBA, beyond the banking package mandates, would be provided to BSG members so that they could organise their answers to public consultations.
13. A Member asked the role of proportionality in the EBA work and whether it was a priority for the coming years. The Head of the GEA explained that the EBA had been very active on proportionality in the recent years, especially through its Advisory Committee on Proportionality (ACP) where the BSG was represented by its Chairperson. He also encouraged BSG members to reflect as a group on how to channel their input to the EBA work on proportionality via this Committee.

14. The EBA Chairperson concluded by noting the Members' comments and interest for the EBA's upcoming tasks and welcomed their contribution to this work throughout their mandate.

Agenda item 4: Presentation of the BSG role and contribution to the EBA work

15. The EBA Chairperson introduced the item by stressing the importance of the dialogue between the EBA and its stakeholders in which the BSG had a crucial role.
16. The Head of GEA continued by presenting the role of the BSG and explaining their specific task related to the EBA regulatory products. In particular, he underlined the expectation that the BSG provided a response to every consultation/discussion paper published by the EBA, and to consultation/discussion papers jointly published by the ESAs. For that purpose, he noted that regular updates on upcoming consultations would be provided to BSG Members to facilitate the planning and preparation of their input to consultation/discussion papers.
17. A Member asked about the interactions with the other stakeholders' groups of ESMA and EIOPA. The Head of the GEA explained that Members were encouraged to interact with other ESAs' stakeholders' group, in particular with regards to horizontal or cross-sectoral regulatory products or activities that may require a joint answer from the ESAs' stakeholders' groups. Other Members who were also part of the BSG in its previous composition explained that such interaction was for instance put in place during the previous BSG mandate with regards to DORA mandates and public consultations. BSG Members agreed that close cooperation between the ESAs' stakeholder groups was important.
18. The EBA Chairperson concluded by noting the will of the group to contribute to the work of the EBA, to be facilitated by regular updates on the upcoming consultations by EBA staff.

Agenda item 5: Rules of Procedure of the BSG

19. The EBA Chairperson informed the members that the tabled BSG Rules of Procedure (RoPs) governed the BSG's organisation and working procedures.
20. The Head of GEA continued by listing and explaining the provisions of the RoPs.
21. One Member noted that article 3 – "Convening and location of meetings" should be adjusted to reflect that regular BSG meetings could be held by videoconference. Another Member asked whether the rules on conflict of interest that applied to BSG Members were assessed for an entire meeting or on an ad hoc basis per agenda item. The Member also asked whether the identification of a conflict of interest implied that the conflicted Member was stepping out of the meeting or attending it but staying silent. The Head of GEA clarified that the rules on conflict of interest were assessed on a case-by-case basis for each agenda

item. The Member was not required to leave the meeting but must abstain from discussing and voting on the relevant item.

22. One Member noted that other ESAs' stakeholder groups offer the possibility for two vice-chairs and asked whether it would be possible to introduce this possibility in the BSG's RoPs. The EBA Chairperson welcomed the proposal and supported its inclusion in the RoPs.
23. The Chairperson concluded by noting the Members' support for the RoPs with two amendments to be introduced in the final draft to take into account the possibility for holding virtual meetings and having two vice Chairs.

Conclusion

24. The BSG approved the BSG Rules of Procedure.

Agenda item 6: EBA Reimbursement policy for external persons

25. The EBA Expert presented the EBA Decision on reimbursement and allowances for external persons which was a legal basis for the reimbursement of the BSG Members. He explained conditions that had to be met for a Member to be eligible to receive reimbursements and allowances and as well as related processes and procedures.
26. The Members welcomed the presentation. One Member asked whether the 180 EUR ceiling per hotel was per night or in total. The EBA expert confirmed that this ceiling was per night.
27. The Chairperson concluded that the presentation covered the needs of BSG Members who nevertheless could liaise with EBA staff on an ongoing basis to obtain further details or information.

Agenda Item 7: Launch call for interest BSG Chairperson and Vice-Chairperson

28. The EBA Chairperson informed the members that according to the EBA Regulation, the members of the BSG would need to elect a Chairperson and Vice-Chairperson.
29. The Head of GEA continued by outlining the procedure for the selection of the BSG Chairperson and Vice-Chairperson. He explained that Members could apply to be Chairperson, vice-Chairperson, or both. The election would be held by secret ballot and required a simple majority of the Members present. If there were multiple candidates a ballot would be held between the two candidates with the highest votes. The Chairperson would be elected first, followed by a vote for the vice-Chairperson or vice-Chairpersons if there were enough candidates and considering the earlier agreement to offer the possibility for two vice-Chairpersons.
30. The EBA Chairperson concluded by saying that the BSG Members were invited to express their interest or nominate other BSG Members by sending an email to the EBA Chairperson

before 25 September 2024. The election of the BSG Chairperson and Vice-Chairperson would take place at the next BSG meeting on 15 October 2024.

Agenda item 7: EBA Chairperson update on the latest developments

31. The Chairperson updated the Members on the EBA's latest publications and planned events.
32. Firstly, the Chairperson informed the Members about the recent publication in June and July of the EBA Risk Dashboard and Risk Assessment Questionnaire accompanied by a new interactive data visualisation tool publicly available on the EBA website, as well as the MREL dashboard which discloses aggregated statistical information for 333 EU/EEA banks earmarked for resolution.
33. Then, he informed the Members that in line with the MiCAR implementation plans, all 18 EBA mandates with a deadline of June 2024 have been completed and, where relevant, submitted to the EC. In view of the coming into application of the MiCAR regime for issuers, offerors, and persons seeking admission to trading of ARTs and EMTs from 30 June 2024, the EBA published a statement aiming at highlighting the new regime. The statement was also drawing the attention of issuers, offerors and other relevant persons to the measures set out in the EBA's guidelines and, pending adoption by the EC, the draft technical standards available on the EBA's website, and guiding consumers to elements to check before acquiring ARTs/EMTs. Finally, it informed other stakeholders (such as trading platforms and exchanges) that they themselves may be carrying out activities (such as offering to the public) that were regulated under MiCAR, and encouraging competent authorities to convey, on a best-efforts basis, relevant information to entities they know to have commenced, or intend to commence, ART/EMT activities, and to also publish on their websites relevant information, including for consumer.
34. The EBA Chairperson then explained that the DORA mandates have also been completed by the EBA and the other ESAs. He mentioned that the ESAs launched a dry run with the industry to assess their state of preparedness. The Chairperson then underlined that according to Article 21 of DORA, the ESAs should prepare a report assessing the feasibility of further centralisation of incident reporting through the establishment of a single EU Hub for major ICT-related incident reporting by financial entities. In substitution of the consultation period and public hearing with the industry, the ESAs have agreed to consult the respective stakeholders' groups through a questionnaire which would be sent to the BSG Members. The feedback received would feed into the finalisation of the report which shall be submitted to the European Parliament, the Council and the EC by 17 January 2025 as set out in DORA legal text.
35. He then informed the Members that the EBA launched on 06 June 2024 a consultation on three sets of draft RTS aiming to standardise the collection and the record of operational risk losses and to provide clarity on the exemptions for the calculation of the annual

operational risk losses and on the adjustments to the loss data set that banks must perform in case of merged or acquired entities or activities. He concluded this topic by underlying that this work was a part of the implementation of the EU Banking Package and the consultation runs until 06 September 2024.

36. The EBA Chairperson continued by providing an update on the 2025 EU-wide stress tests for which the EBA was currently in the preparatory phase and recently published an informal consultation on the draft methodology, templates, and guidance for the exercise. He noted that the publication of the final methodology was planned for the end of 2024, with a launch of the exercise in January 2025 and a release the results by the end of July 2025.
37. Finally, he invited the Members to attend the Joint ESAs consumer protection day organised by all three ESAs once a year. He noted that it had become a good tradition that each year, together with the other ESAs, they organise a Consumer Protection Day. He specified that the 2024 event is taking place in Budapest, Hungary on 03 October 2024.
38. A Member commented on the stress test methodology and timeline, asking whether the entry into force of the banking package would have an impact on the implementation and the results of the exercise. The EBA Chairperson explained that the EBA was aware and trying to accommodate as much as possible, having in mind that a postponement of the exercise was not envisaged as it would disrupt the SREP process that followed the disclosure of the results.
39. A Member asked about the state of preparation for MICA reports that the EBA should finalise by the end of 2024 as it had an impact on e-money tokens (EMTs). The Member asked in particular whether the BSG would be involved in the preparation of those reports. Another Member welcomed the July EBA statement on MICAR but regretted that it was issued after the entry into force of the framework. The Member encouraged the EBA to be more pro-active to provide guidance on time to crypto players so that they could be compliant with EU rules. The EBA Chairperson acknowledged the issue but reminded that to enter into force, such pieces of regulation had to be adopted by the EC. He also underlined that the EBA has set in October 2023 a crypto coordination group with all EU competent authorities to ensure a coordinated approach between national supervisors on MICA related matters.

Agenda item 8: Risks and Vulnerabilities in the EU

40. The EBA Senior Bank Sector Analyst (Analyst) updated the Members on the latest developments in the EU related to risks and vulnerabilities. He summarised the main Q1 2024 observations and said that profitability remained resilient for EU/EEA banks. He then noted that net interest margins widened a bit more in Q1, and banks managed to retain their cost base stable. However, going forward the sustainability of the robust profitability levels remains a challenge, in particular as the interest rates presumably reached their peak, and

several central banks started with monetary easing. The Analyst continued by noting that EU/EEA banks' CET1 ratio remained almost unchanged compared to Q4 2023, liquid assets increased, and banks still reduced their outstanding loans to households and NFCs. With regard to asset quality, the Analyst acknowledged that credit risks further materialised in Q1 2024. On operational risk, he said that risk of fraud has become the third most relevant driver of this risk category according to the EBA Risk Assessment Questionnaire (RAQ). Cyber risks and data security rank the highest among operational risks and there were indications that cyber-attacks have been on the rise, including successful ones, and that their sophistication has been increasing. Funding markets showed some wobbles very recently, after having performed well until May, but they seem to recover now again. He pointed to rising interest in significant risk transfer transactions (SRTs). He also covered the asset and liability trend going forward, based on EU/EEA banks' funding plan data. The Analyst concluded by noting that stakeholders of the banking sector increasingly refer to geopolitical risks which could have an adverse impact on credit, market and operational risk as well as many other areas. RAQ results showed that political risks – which were only part of geopolitical risks – have been the third most important driver to build provisioning overlays.

41. The Members welcomed the update. One Member explained that the market sentiment matched the one presented by the EBA with an overall positive outlook. The Member also pointed to elevated activity in securitisation markets, also asking if the rise in SRT transactions could also inherit certain risks. The Analyst confirmed that also SRT transactions could pose a risk, e.g. in case of a synthetic transaction when the counterpart defaults. It might also become untransparent where the actual risks were “moving”.
42. Another Member appreciated the move from traditional risk to geopolitical risks as there was a need to prepare banks for the unexpected. He encouraged to also think about mitigation techniques such as diversification. On funding, the Member noted that funding mix was changing in general and pointed to the ECB's new operational framework. The Analyst commented that even with the end of the TLTRO and the new operational framework, the ECB remained a lender of last resort in case of e.g. market stress. He also underlined that in all recent crises, as well as during the market volatility in June amid the French elections – there had not been any major rise in ECB bank funding through e.g. MRO or TLTRO.
43. Another Member picked up on asset quality concerns and noted negative news on leverage loans markets. He referred to a report on SRT markets issued by the ESRB at the end of 2023 pointing at possible interconnection risks, impacting banks and NBFIs. He asked the EBA whether there was visibility on possible contagion and interconnection risks in this area and how it was monitored. The Analyst agreed that SRT levels have increased and that there are some concerns with regards to SRTs held by NBFIs, for instance, that may not be able to absorb losses that could materialise.

44. Another Member noted that countercyclical buffers have been rising over the last two years and asked whether this mean that credit risk is rising faster than the potential of banks to assess it. He also asked whether the EBA has identified concentration of risks in portfolios. The Analyst explained that the buffers' rise was due to potentially rising systemic risks and that the buffer needed to be built before risks might materialise. On concentration in loan portfolios, he noted that there were for instance specialised lenders in the CRE segment that were facing concentration, but there was no major concern about concentration in certain areas overall.
45. Another Member underlined that EBA risks presentation should also consider the impact of banks on consumers. The EBA Chairperson took note of this comment and said that consumer's perspective was frequently taken into account in the EBA work that was presented to the BSG. Other past BSG Members confirmed that for instance, assessment of the impact of the interest rates' increase over the last years were presented and discussed with the BSG in 2023.
46. Regarding the rise of operational risk and geopolitical network, another member underlined the important need for consumers to have access to cash via the ATM network for instance. Another BSG Member commented that in some member states, this risk was mitigated by the possibility to draw cash from grocery stores as well.
47. The EBA Chairperson concluded by noting the Members' high interest for this type of discussion which will be a recurring item in upcoming BSG meetings.

Agenda item 9: AOB

48. The EBA Chairperson announced the upcoming BSG meetings on 15 October (BSG only) and 16 October (Joint BoS/BSG) which would be held as physical meetings in Paris while the 04 December meeting of the BSG would be a conference call.

Annex 1: Attendance list

Participants of the Banking Stakeholder Group conference call on 16 July 2024

Attending

First Name	Surname	Institution	Country
Alin Eugen	Iacob	AURSF	Romania
Anna-Delia	Papenberg	Nordic Financial Union	Germany
Caroline	Liesegang	AFME	Germany
Christian	Stiefmueller	Finance Watch	Germany
Dermott	Jewell	Consumers' association of Ireland (CAI)	Ireland
Dominique	Carriou	European Savings Banks Group	France
Edgar	Loew	Frankfurt School of Finance and Management	Germany
Erik Isak	Bengtzboe	Eurofinas - European Federation of Finance House Associations	Sweden
Gema	Diaz-Ufano Navarro	Santander	Spain
Gonzalo	Gasos	European Banking Federation	Spain
Guillermo	De la Fuente	European Association of Corporate Treasurers	Spain
Henrik	Ramlau-Hausen	Copenhagen Business School	Denmark
Jekaterina	Govina	Amlyze	Lithuania
Joshua	Kaplan	Satisfay	France
Julia	Strau	Raffeißen	Austria
Kęstutis	Kupšys	Lithuanian Consumers Alliance	Lithuania
Laura	Grassi	Politecnico di Milano	Italy
Laura	Nieri	University of Genova	Italy
Luis Domingos	Silva Morais	Lisbon Law Faculty	Portugal
Lyubomir	Karimansky	International Banking Institute	Bulgaria
Maria	Angiulli	Italian Banking Association	Italy
Marieke	Van Berkel	European Association of Cooperative Banks	Netherlands
Paolo Giuseppe	Grinaschi	Italian trade union for financial sector	Italy
Patricia	Bogard	Crédit Agricole	France
Patricia	Suarez Ramirez	ASUFIN	Spain
Riina	Salpakari	Nordea	Finland
Sandra	Burggraf	FIA – European Principal Traders Association	France

Sangeeta	Goswami	Human Security Collective	United Kingdom
Thaer	Sabri	Electronic Money Association	United Kingdom
Vinay	Pranjivan	DECO	Portugal

EBA

Chairperson Jose Manuel Campa

Head of Unit Philippe Allard

Experts	Sebastian Deka Laura Iarca Anssi Lindqvist Andreas Pfeil
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For the Banking Stakeholder Group

Done at Paris on 23 September 2024

[signed]

José Manuel Campa

EBA Chairperson