



EBA BSG 2021 047

Banking Stakeholder Group

29 April 2021

Location: Teleconference

EBA regular use

Banking Stakeholder Group – Draft minutes

Agenda Item 1: Adoption of the minutes of the last meeting and of the agenda

1. The BSG chair welcomed the Members of the Banking Stakeholder Group (BSG), in particular those recently appointed as BSG members: Maria Ruiz and Marc Thevenin (Financial institutions), Alin Iacob and Poul Kjaer (Users of banking services).
2. The BSG chair informed that the minutes of the 9 February meeting were sent for comments by written procedure and that no drafting suggestions were received.

Conclusion

3. The agenda and the minutes from the 9 February meeting were approved.

Agenda Item 2: BSG update on the latest developments (A-point)

4. The BSG chair referred to the 28 April presentation of the joint BoS/BSG meeting and subsequently gave the floor to the coordinators of the different working groups for an update on their current work.

Agenda Item 3: EBA update on general developments (A-point)

5. The EBA chairperson echoed the welcome to the new BSG members and provided an update on the EBA developments since the last BSG meeting.
 6. He announced the organisation of a high-level conference on 26 October to celebrate the EBA 10-year anniversary. He also presented an outline of the recent and upcoming consultations in the areas of investment firms, consumer and depositor protection and AML. The EBA chairperson also informed BSG members on the EBA's state of play on the EU Commission call
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for advice on digital finance and the reception of another call for advice on funding in resolution and insolvency, which is part of the upcoming review of the crisis management and deposit insurance framework. Moreover, the EBA chairperson reminded of the ongoing stress test exercise and outlined its next steps and mentioned the recent BoS decision of making the QIS Basel Exercise mandatory. Finally, the EBA chairperson mentioned the Commission's public consultation on supervisory convergence and the single rulebook to which the EBA was preparing a response.

7. One member asked whether the sample of the mandatory QIS Basel exercise included third countries subsidiaries of foreign entities; made a consideration around making CCyB as usable in the stress test exercise and asked whether there were any plans to update the RTS on prudent valuation. The EBA Chairperson clarified that the EBA QIS Basel III monitoring exercise included a few consolidated subgroups at the highest level of consolidation in the EU. He took note of the consideration around CCyB. Moreover, regarding the RTS on valuation, he answered that some changes were made in the COVID-19 RTS amendment but for the time being, the EBA had not committed to making any further changes.
8. Another member observed that the delay in answering questions in the EBA Q&A tool has increased over the last months. The head of policy coordination explained that such increase had been identified and was mainly resulting from the changes introduced in the Q&A process since 1st January 2020 by the ESAs review. However, he explained that measures had been taken over the last months to adjust the process in order to provide a timely answer to the questions submitted.
9. One member enquired whether supervisors had in mind a timeline for the rebuilt of buffers and whether a coordination initiative was foreseen across EU to help converge the different paces of recovery.
10. The EBA chairperson responded that, with regards to COVID19 crisis and its path to recovery, the core regulatory framework was robust and applicable.

Agenda Item 4: Update on risks and vulnerabilities in the EU (B-Point)

11. EBA staff made a presentation on risks and vulnerabilities in the banking sector based on latest available supervisory data (Q4 2020) and analysts forecast. The presentation touched upon: capital levels which had increased and remained comfortably above capital requirements; loan growth decline and early indication of asset quality deterioration that so far reflected for instance in stage 2 allocation; and asset quality of loans under moratoria and continued growth of PGS loans. EBA staff also made a deep dive comparison between US and EU cost of risk calculation. Furthermore, it was said that bank profitability was hit by impairments and that while high liquidity and decent funding conditions prevailed, wholesale operations were limited. Finally, the need for banks to deal with the COVID-19 aftermath in addition to their ongoing structural changes remains a key priority.

12. One member opined that lifting measures from moratoria required not only a good design but also a close coordination in the EU/EEA.
13. A member suggested to have more data and analysis regarding households and SMEs.
14. On the subject of NPLs, there were several reactions from BSG members. A member enquired about loans moving to stage 2 and whether there were different practices identified on provision policies across banks. Another member demanded further information on loans related to consumer credit regarding volume and asset quality trends. A member affirmed that there was no negative evolution of consumer credit for Q1 2021 in his jurisdiction, and that the situation was being monitored and that the categorisation of clients, mentioned by the EBA chairperson in the previous agenda item, was indeed under way.
15. Regarding the EU-US comparison in provisioning practices, one member raised a question regarding the provisioning trends of 1H 2020 and the day-one effect in the US amid the change to CECL. The member pointed out that, in discussions with US banks, it was assumed that anticipating provisions resulted in unintended procyclicality.
16. Regarding the evolution of the loan to deposit ratio, and the magnitude of the risk support, one BSG member said that there had been an increase in deposits more than decrease of loans. It was suggested that DGS pricing needed to take into account the higher deposit volumes.
17. Another member highlighted the differences in spread for consumers and NFCs, that once adjusted for risk, were a key issue regarding EU and Eurozone integration. The member opined that while the subject needed to be centerstage in the Banking Union debate, it did not seem to be properly addressed.
18. EBA staff explained that the work on benchmark of IFRS9 provisioning was ongoing, and that further results would follow this year. Regarding the loan volume trends analysis, EBA staff said that while NFC loans were contracting loans with PGS were increasing and that the increase of NPLs would not materialise until several quarters after the beginning of the crisis. With regards to NIM correlation and the cost of risk, some banks might indeed be using their position to charge higher rates more than others. EBA staff noted all comments to improve future risk presentations and agreed to relay input to relevant colleagues.

Agenda Item 5: Update on the Call for advice on taxonomy aligned disclosures and Pillar 3 ITS on ESG disclosures (B-Point)

19. In follow-up to the EBA presentation at the Dec BSG meeting, EBA staff updated members on the final version of the advice to the Commission on KPIs for disclosures on taxonomy aligned activities and the Consultation Paper on Pillar 3 ITS on ESG disclosures. It was reminded that the latter would close for consultation 1 June and its expected finalisation was Q4 2021.

20. One member underscored the potential risk of double counting in the case of climate change physical risk, in such instances where the same asset can be exposed to acute and chronic physical risk.
21. Another member raised issues with the use of proxies. This member also raised that proportionality considerations in virtue of the GL on loan origination and that monitoring should be better considered, in particular for the collection of SMEs data.
22. EBA staff acknowledged the risk of double counting in the case of physical risk and explained that this risk will be addressed in the final ITS. EBA staff said that the use of proxies and estimates during the transitional period would encourage banks to get ready for the final disclosures. It was underscored that this was an interim period and that future work would address the work on potential proxies. EBA staff also informed of the coordination efforts made at both EU and international level, and concretely the EBA's involvement in the BCBS work on this topic.

Agenda Item 6: Consumer Trends report (CRT) 2020-2021 (B-Point)

23. The Head of the COPAC unit reminded the BSG of the presentation made to this group during drafting stages of this report and confirmed that their comments were taken on board. He explained that the goal of his presentation was to receive ideas for topics to cover and how the EBA could address, over the next two years, the topical issues identified in the report.
24. The findings of the biennial CTR 2020-2021 were presented to the BSG. It was highlighted that additional chapters were added compared to previous editions of the CTR: the EBA's response to COVID-19, contactless payments, and how the EBA has addressed the issues that had been identified in the 2018-2019 CTR. The CTR 2020-21 identified six topical issues: i) indebtedness, responsible lending and creditworthiness assessment, ii) payments transactions and security, iii) access to bank accounts, iv) digitalisation and digital services, v) selling practices, and vi) fees and charges.
25. Several members agreed that the topic of fees and charges was very relevant. One member mentioned the example of divergent practices amongst MS due to national legislation and argued that the concept of "services" needed to be defined in the Payment Accounts Directive (PAD) to address the issue. Other suggestions were made around the need to ensure clear communications on charges and to perform a mapping exercise of fees and charges in the EU.
26. Another member raised the issue of customers affected by loans, such as mortgages, that they had taken out not in their national but another currency and the repayments of which were affected by subsequent changes to the currency exchange rate.
27. Several members raised concerns about the decrease in the quality of customer service quality by banks. For example, instances where customers were not being duly assisted by robots and were unable to contact advisors when their issues remained unresolved. More broadly, several members highlighted changes in banks' business models (e.g. increase in the number of calls

centers, reduction of branches) and identified a need to monitor the operational resilience issues stemming from these changes.

28. Two members pointed at issues around selling practices and misleading advertising. They suggested to set KPIs to evaluate consumer harm and to carry out mystery shopping activities.

29. One member deemed important to monitor the effects of moratoria on consumer indebtedness and digitalisation. Another member mentioned creditworthiness assessments carried out by artificial intelligence and the risks posed around this.

30. The head of the COPAC unit explained that the EBA was aware that banking services were not defined in the Payment Accounts Directive (PAD) and regretted that it is not within its remit to fill this gap, thus said that it would need to be brought to the Commission's attention. Regarding COVID-19, the EBA acknowledged concerns around moratoria and the reported increase of undisclosed fees for debit card users. BSG members were reminded of the EBA initiatives to mitigate its impact such as the publication of GL on legislative and non-legislative moratoria on loan repayments applied in the light of the COVID-19 pandemic and the statement on consumer and payment issues in light of pandemic.

31. The EBA's Head of Unit also elaborated on issues arising from the implementation by payment service providers of the RTS on SCA & CSC under PSD2, and in particular two-factor authentication (TFA), where, in some cases, customers were unable to access their online bank accounts because the bank required the customer to use a mobile phone or a smart phone, and some customers chose not to have one. He clarified that neither the PSD2 nor the EBA's technical standards prescribe the use of mobile phones or smartphones, and that it was instead a result of the particular choice made by some banks as a way to comply with TFA requirements. He mentioned that many other means existed and were used by other banks (such as card reader devices). Notwithstanding, he explained that the EBA would be looking into this issue and referred to the EU Commission's retail payments strategy, in which it was announced that the Commission will be addressing this issue in PSD3. Furthermore, he said that the EBA was aware of issues around foreign currency loans and explained that the Mortgage Credit Directive (MCD), which came into being in 2016, had specific provisions to address this but, of course, legacy issues existed as these do not apply to mortgages granted prior to 2016. He said these issues were with national courts and are not within the consumer protection remit of the EBA.

Agenda Item 7: Progress update on EBA work on de-risking (b-point)

32. An EBA policy expert made a presentation on the EBA's work on de-risking. She recalled that in July 2020, EBA staff presented at a BSG meeting the EBA's initial steps to tackle the issue of de-risking, in particular, the launch of a public Call for input. More than 300 respondents from a wide range of backgrounds shared their experience with taking de-risking decisions or being affected by them. Also, she reminded that the EBA organised, in addition to this Call, in September 2020, a virtual panel with NPOs that gathered 60+ attendees.

33. As a result of this fact-findings exercise, the EBA staff reported that three legal instruments have addressed the issue since, namely: i) Opinion on ML/TF risk; ii) the revised ML/TF Risk factors GL, iii) CP on the revised risk based supervision GL.
34. The EBA staff presented next steps foreseen for this exercise, which included further analysis of the responses received in last year's Call for input, with a view to identify which, if any, additional measures were warranted.
35. Many BSG members underlined the challenge to reconcile legitimate checks and measures stemming from legal requirements under AMLD and ensuring basic financial needs of an individual, such as access to a bank account.
36. One member wondered which types of customers were mostly affected by de-risking and how onboarding practices have evolved in recent years. The member underlined the need to understand what issues were affecting different categories of customers.
37. Another member underlined that it would be useful to map more comprehensively the issue of de-risking across the EU and provide further guidance for banks, by pointing out at best practices and examples. The role of trade associations was emphasized in this regard, in particular, in raising understanding among groups of clients (eg. NPOs).
38. A BSG member enquired from which angle the EBA intended to tackle de-risking and whether there was a particular geographical scope it would consider.
39. Regarding the issues encountered by rejected customers, a member pointed out to limitations to effectively communicate to rejected customers the reasons behind the decision made to de-risk (i.e., as tipping off is prohibited under the AMLD) and wondered what was considered as sufficient time to provide a response to customers so as to find an alternative.
40. A member informed of the situation in his jurisdiction, which suggested that the issue was of particular concern and underlined the need to supervise how banks are tackling this problem and avoid unfair situations where customers are denied access to bank accounts.
41. Another member argued that the cost to banks for performing checks to onboard a new customer were sometime high and not worthwhile.
42. Members underlined that, overall⁶ there was a need to better understand the views provided in the context of the EBA's call for input.
43. EBA staff informed members that the EBA was intending to continue to tackle the issue of de-risking from various angles (i.e., AML, but also in relation to financial inclusion and market competition) and was considering issuing an Opinion addressed to NCAs and EU institutions with recommendations on how to mitigate unwarranted de-risking. BSG members were promised to be kept informed.

Agenda Item 8: Reports on the 2020 benchmarking exercise (B-point)

44. EBA staff presented the annual report on the 2020 benchmarking exercise for both credit and market risk and the changes compared to the previous exercise.
45. One member pointed out that expectations showed a sharper increase in PDs, LGDs, RWs due to mandatory multipliers after TRIM inspections and sharp increase in CCF as well.
46. Another member praised the exercise and referred to the 2016 BCBS hypothetical portfolio exercise and wondered why the EBA dropped the idea of such an exercise. EBA staff explained that this was discussed when setting up the benchmarking but was finally disregarded as banks need customer and exposure specific information for the assignment of an obligor to a rating grade. As this is not possible for hypothetical obligors, the EBA relevant group decided to benchmark IRB parameters on common obligors for large corporates and to otherwise compare IRB parameters on portfolios with comparable characteristics.

Agenda Item: AoB

47. One BSG member mentioned the Commission's targeted consultation on the supervisory convergence and the single rulebook. In this targeted consultation, the Commission was collecting views of a wide range of stakeholders and their input would be welcome input by 21 May 2021.
48. An EBA legal officer intervened to provide a state of play on the EBA's input to the said consultation.

List of participants:**Consumers**

Monica	Calu	Asociatia Consumers United/Consumatorii Uniti	Romania
Tomas	Kybartas	The Alliance of Lithuanian consumer organisations	Lithuania
Jennifer	Long	International Monetary Fund	Ireland
Vinay	Pranjivan	Associação Portuguesa para a Defesa do Consumidor	Portugal
Patricia	Suárez Ramírez	Asufin	Spain
Martin	Schmalzried	Confederation of Family Organisations in the EU	Czech Republic
Christian	Stiefmueller	Finance Watch AISBL	Austria

Employees' representatives of financial services

Leonhard	Regneri	Input Consulting Gmbh UILCA Italian Labor Union - credit and insurance sector	Denmark
Andrea	Sità		Italy

Financial institutions

Eduardo	Avila Zaragoza	BBVA Group	Spain
Sébastien	De Brouwer	European Banking Federation	Belgium
Erik	De Gunst	ABN AMRO Bank	Netherlands
Søren	Holm	Nykredit Realkredit	Denmark
Christian	König	Association of private Bausparkassen	Germany
Julia	Kriz	Raiffeisen bank International AG	Austria
Johanna	Lybeck Lilja	Nordea Bank	Sweden
Véronique	Ormezzano	BNP Paribas	France
Maria	Ruiz de Velasco	SIBS	Spain
Christian	Stiefmueller	Finance Watch AISBL	Austria
Sebastian	Stodulka	European Savings and Retail Banking Group (ESBG) & World Savings and Retail Banking Institute (WSBI)	Austria
Lars	Trunin	TransferWise	Estonia

Representatives of SMEs

Constantinos	Avgoustou	Founder and Non-Executive Director of several enterprises	Cyprus
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Top-ranking academics

Rym	Ayadi	City University of London, Business School and CEPS	Tunisia
Concetta	Brescia Morra	University Roma Tre	Italy
Edgar	Löw	Frankfurt School of Finance & Management	Germany
Monika	Marcinkowska	University of Lodz	Portugal

Users of Banking Services

Alin Eugen	Iacob	Association of Romanian Financial Services Users	Romania
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**BANKING
STAKEHOLDER
GROUP**

Poul Rens	Kjær Van Tilburg	Copenhagen Business School Sustainable Finance Lab	Denmark Netherlands
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EBA

José Manuel	Campa	Chairperson
François-Louis	Michaud	Executive Director
Philippe	Allard	Head of Policy Coordination
Dirk	Haubrich	Head of Conduct, Payments and Consumers
Meri	Rimannen	Head of Reporting, Loans Management and Transparency
Andreas	Pfiel	Senior policy expert, RAST
Pilar	Gutiérrez	Senior policy expert, RLMT
Amandine	Scherrer	AML expert, COPAC
Susanne	Roehrig	Senior policy expert, RBM
Michele	Zarpellon	Policy Expert RBM
Juan Manuel	Rodriguez	Senior Legal officer, Legal and Compliance
Erika	Solé	Policy Coordinator, PAC