



EBA BSG 2021 022

Banking Stakeholder Group

9 February 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).
2. The BSG chair informed that the minutes of the 16 December meeting were submitted for comments to the BSG by written procedure ahead of the meeting and that none had been received.

Conclusion

3. The BSG approved both the agenda and the minutes of the meeting.

Agenda Item 2: BSG update on the latest developments

4. The BSG chair welcomed Sebastian Stodulka to his first meeting.
5. Moreover, following Christophe Nijdam's recent appointment as Director General of the French Association of Institutional Investors (Af2i), the BSG chair informed that the EBA had to reassess whether this new occupation was compatible with his BSG mandate and concluded that his current position was not compatible with the requirements of the "users of banking services" category. Christophe had presented his resignation to the BSG. The BSG chair thanked Christophe for his contributions to the group thus far.

Agenda Item 3: EBA update on general developments

6. The EBA chair echoed the welcome to Sebastian Stodulka and the gratitude to Christoph Nijdam for his contributions to the BSG. He also announced that the EBA Board of Supervisors (BoS) had
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just approved the addition of two new members following resignations, namely Maria Ruiz de Velasco and Alin Iacob.

7. The EBA chair informed of developments since the last meeting in December and in particular on: i) the launch of the EBA EU-wide stress test exercise, ii) the publication of a report providing additional clarifications on the application of the prudential framework in response to issues raised as a consequence of the COVID-19 pandemic, iii) the receipt by the European Supervisory Authority (ESAs) of a call for advice on digital finance and related issues.

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

8. EBA staff made a presentation risks and vulnerabilities in the banking sector based on latest available supervisory data (Q3 2020) and analysts forecast.
9. A member informed that the performance of expired moratoria outside EU seemed acceptable and that the situation in Spain was still to be assessed since the local moratoria had not yet expired. Expectations were that Q4 brought an increase in stage 2 loans, especially for those still under moratoria.
10. Another member enquired whether new loans were related to the production of new goods or services or whether these just related to the refinancing of existing loans.
11. One member expressed concerns on the loss of labor force in light of the consolidation of banking system.
12. A member requested more information on drivers for mortgage lending in Nordic countries, while another complemented that, in the case of Denmark, the mortgage market was strong due to the low interest rate environment.
13. EBA staff informed that even though when banks say that 90-95% of loans exiting moratoria were going back to normal, the 5-10% that were not and that was something to be concerned about. EBA staff also acknowledged that most of new loans were presumably related to refinancing of existing ones, and rather working capital financing than CAPEX ones, as for instance also the ECB Bank Lending Survey partially indicated. In aggregated terms, workforce reduction due to branch closure was somewhat compensated by increasing of staff in other business areas such as online banking. EBA staff confirmed their opinion that the driver for loan increases in the Nordic market was due to the performance of residential real estate (RRE) markets.
14. Another member enquired whether it was possible to have a more holistic view for some of the information provided, in particular, the distribution of guaranteed loans between NFCs and households and explanations on why German loans with guarantees of 100% were not included in banks' balance sheets.

15. One member enquired what would happen to those consumers whose loans would be securitised.
16. The BSG chair enquired whether more granular information on sectorial and country data was available and what were the drivers for profitability.
17. The EBA staff pointed out to the Risk Assessment Report (RAR) and Risk Dashboard (RDB), which provide granular data on moratoria and guaranteed loans, profitability, lending, etc. by country at a point in time. He underlined that profitability was driven by reduction of cost of risk (CoR).
18. Concerning securitisation, EBA staff mentioned that EBA Guidelines emphasised consumer protection aspects but noted that ultimately the eventual treatment of these loans depended on national legislation.

Agenda Item 5: EBA update on the cost of compliance study on supervisory reporting (B-Point)

19. EBA staff informed that the objective of the cost of compliance study, as mandated by Article 430 (8) CRR, is to assess the cost and benefits of supervisory reporting, with a view to making recommendations how the cost of compliance with supervisory reporting requirements can be reduced by 10% - 20% at least (but not necessarily only) for small and non-complex institutions. Information collected in the context of the cost of compliance study also fed into the feasibility study on integrated reporting.
20. One member called for better alignment of reporting requirements, formats and deadlines across different authorities requesting/collecting reporting and also to make sure that we are not collecting same (or similar datapoints) in the new reports compared to older ones. Furthermore expressed strong support for the integrated reporting, where supervisors could extract data from the industry systems using APIs.
21. Another member echoed previous comments, elaborating that reporting frameworks should be not only stable over time, but forward-looking and cater for upcoming changes, including thinking on digital currencies. Furthermore suggested rolling out changes to the reporting systems in smaller trial batches identifying initial minimum success stories, and then rolling out wider reporting changes building on those success stories (sand boxing of reporting requirements).
22. One member asked about planned changes to the ITS on supervisory reporting based on the outcomes of the study, and also queried about specific problems faced by the SNCI as revealed by the study compared to other types of the institutions. Also checked on the idea of reducing reporting requirements and frequencies for institutions demonstrating higher ratios – sound well briefed on the discussions with the industry. Also expressed support for the integrated reporting idea.

23. Another called on supervisors to be very practical in setting the reporting requirements and ad hoc information requests and to have involvement of IT experts to help design reporting requirements in a manner that are easier to implement by the institutions.
24. A member considered that all difficult issues that were identified in the current reporting framework were also true for larger banks and their smaller subsidiaries, so if the EBA improved something for SNCI, then larger banks will also benefit. Expressed support for integrated reporting and better coordination between all stakeholders requesting reporting, including ECB, and statistical authorities. Stressed that the complexity of regulation was also a challenge for supervisors. Identified as biggest concern the ad hoc information requests, their granularity definitions and timelines (always short and high priority). In conclusion, made a request for better coordination and more time for responding to ad hoc requests.
25. Another member called for longer implementation time for changes to allow for better budgeting and IT development needed to implement changes into the reporting frameworks. Also commented on the bigger issue regarding complexity of the regulation, calling for better regulation and introducing 'sanity checks' when developing regulations and also in trilogies.

Conclusion

26. BSG to provide input on i) identifying the most challenging/costly areas in the current supervisory reporting framework and ii) on possible changes that can be made in the reporting process that could help reducing cost in reporting of a tune 10-20%.

Agenda Item 6: Update on the feasibility study on integrated reporting (B-Point)

27. Article 430c of the CRR 2 mandates the EBA to prepare a feasibility report for the development of a consistent and integrated system for collecting statistical, resolution and prudential data, as well as to involve the relevant authorities in the preparation of the report. The main objective of the project is to find efficiencies in the whole reporting ecosystem, not only to reduce costs for banks but also increase efficiencies in use of data on the authorities side. The discussion paper publication is foreseen for March 2021.
28. One member enquired how this projected related to BIRD project of the ECB.
29. Another member pointed out that a common terminology was the biggest challenge, and this should be standardised amongst players. The same encouraged to foster development in light of the digital finance strategy.
30. EBA staff explained that there was a close cooperation among authorities and other stakeholders. The EBA had participated also in the discussions on data strategy with the European Commission and had discussions with experts, from different authorities, on data dictionary.

Conclusion

31. The BSG agreed that they would provide input to this discussion paper.

Agenda Item 7: Update on the work conducted by the Advisory Committee on Proportionality (ACP) (A-point)

32. The co-chair of the ACP reported on the work conducted by the ACP since its installation in spring 2020 and whose main task was to assess the draft work programme of the EBA for the coming year. Members were reminded that the BSG chair had an observer role in the ACP. BSG members were also informed that the Committee had a workshop with industry representatives in October 2020 with the scope to gather feedback from the industry. The co-chair also reported that the ACP was close to finalising a revised Impact Assessment (IA) methodology.

Conclusions

33. It was agreed that BSG members could channel proportionality issues to the ACP via the BSG chair. Conversely, the co-chair of the ACP offered to give a preview of IA methodology.

Agenda Item 8: Discussion on the accounting treatment of Public Guarantee Schemes and moratoria (B-point)

34. A BSG member provided a presentation on governmental guaranteed loans and moratoria, with great focus on the accounting treatment, and potential questions around the relevant aspects to consider when reflecting these transactions on bank's financial statements.

35. In particular, the following aspects were covered: (i) accounting treatment of public guarantees; (ii) accounting treatment of a loans indirectly guaranteed via a promotional bank (case study - Germany); (iii) impact of public guarantees in the estimation of expected credit losses; and (iv) recognition and de-recognition of financial assets when moratoria measures are applied (contractual modification).

36. EBA discussants complemented by reminding that the EBA already highlighted some of these issues at the outbreak of the pandemic crisis in 2020, also in the context of the preparation of the March public statement on IFRS 9. In general, the EBA staff provided an overview on the main aspects on which there is alignment with the views expressed by the BSG member. They also mentioned the on-going EBA work on monitoring and modelling aspects of IFRS 9.

37. Concerning the treatment of guarantees granted in the context of the covid-19 crisis, the EBA staff had also mentioned that information on this and other related aspects was collected via two questionnaires recently filled by a sample of banks. On the accounting treatment of a loan indirectly guaranteed via a promotional bank, given the specificities of the case presented, there was a brief exchange of information on the details of such transactions.

38. One member acknowledged the difference in the accounting treatment of loans guaranteed via promotional banks depending on the coverage of the guarantee.



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39. Another member mentioned that the IFRS 9 impairment model could have some pro-cyclical implications due to the cliff-effect stemming from the transfer from Stage 1 to Stage 2. However, in the context of the current pandemic, such an effect is mitigated by the impact of the public supporting measures introduced in the different European Countries.

40. The EBA chair highlighted the importance of some particular aspects that should be subject to continuous assessment in the current context of crisis (potential cliff effect) and reminded BSG members on the IFRS 9 monitoring activities currently on-going at the EBA.

Agenda Item: AoB.

41. Members raised no questions. The BSG chair concluded the meeting and reminded that the next meeting would be a joint BSG/BoS meeting on 28 April, followed by a BSG only meeting on 29 April.

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
Martin	Schmalzried	Confederation of Family Organisations in the EU	Czech Republic
Christian	Stiefmueller	Finance Watch AISBL	Austria
Patricia	Ramírez	Suarez Suárez	Spain
		Asufin	

Employees' representatives of financial services

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

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
Julia	Kriz	Raiffeisen bank International AG	Austria
Johanna	Lybeck Lilja	Nordea Bank	Sweden
Véronique	Ormezzano	BNP Paribas	France
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	Denmark
Monika	Marcinkowska	University of Lodz	Portugal

Users of Banking Services

Rens	Van Tilburg	Sustainable Finance Lab	Netherlands
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EBA

José Manuel	Campa	Chairperson
François-Louis	Michaud	Executive Director
Mario	Quagliariello	Director of Economic Analysis and Statistics
Isabelle	Vaillant	Director Prudential Regulation and Supervisory Policy
Philippe	Allard	Head of Policy Coordination
Angel	Monzon	Head of Risk Analysis and Stress testing
Meri	Rimannen	Head of Reporting, Loans Management and Transparency
Andreas	Pfiel	Senior policy expert, RAST
Oleg	Shmeljov	Senior policy expert, RLMT
Anja	Bautz	Policy expert, RLMT
Diana	Gaibor	Reporting specialist, RLMT
Valerie	de Bruyckere	Policy expert, RBM
Raquel	Ferreira	Senior policy expert, LILLAC
Antonio	Schifino	Senior policy expert, LILLAC
Lampros	Kalyvas	Senior policy expert, EAIA
Tijmen	Swank	Policy Coordinator, PAC
Erika	Solé	Policy Coordinator, PAC