



Banking Stakeholder Group

BSG 2011 28

27 October 2011

Minutes

3rd meeting of the Banking Stakeholder Group

14 September 2011

1. Greeting and Approval of Agenda

1. The BSG Chair and Vice-Chair welcomed the members of the group to the EBA's offices and the agenda for the meeting agenda was approved.
2. The BSG Chair provided a briefing on his cover note on the main issues to be discussed during the meeting which are addressed in the agenda items.

2. Horizontal Issues: Developing Matters of Concern to the BSG, Regulations and State of EU Banking

3. Adam Farkas explained that the EBA is to play a crucial role in the technical implementation and application of the new regulatory rules and will therefore focus its work on accomplishing the drafting of extensive binding technical standards under the proposed CRDIV/CRR framework. Detailed analysis has been carried out on the scale of the EBA's task.
4. BSG members expressed some concern about macro-level uncertainty stemming from the lack of clarity around national discretion, including on capital buffers, quality of capital assets and liquidity. The point was made that systemic risk is the principal upside risk of financial institutions, mainly driven by sovereign risk and in particular by large aggregated sovereign exposures.
5. The point was made that the current crisis has shown a need for more advanced and coordinated crisis-prevention and crisis-resolution arrangements and tools. The EBA is expected to play an important role in this regard. Members noted moreover that, in contrast to the USA's Dodd-Frank Act, there is still flexibility in the EU for authorities to provide for different actions, which is positively perceived.
6. The BSG members agreed that "*horizontal issues*" should be a regular agenda item and could usefully be regarded as an early warning system.

The purpose should be to highlight members' concerns about emerging issues which should be drawn to the attention of the EBA.

Action points:

- **Horizontal issues to be a regular agenda item**

3. Burning Issues and Developments in the EU Banking System: Since the Last Meeting

7. Andrea Enria gave a brief update on the 2011 EBA EU-wide stress test exercise. The stress test was a partial success. Supervisors gained significant insights into the sector and market participants noted the exercise's analytical rigour and transparency, which added significant value to their own analyses. The positives were: strengthening banks' capital position; gaining analytical insight into the sensitivities of credit and funding risks; and additional disclosure of data. But the exercise did not address or alleviate all market concerns about the EU banking system, in particular regarding sovereign and liquidity risk.
8. The BSG Members set out some expectations regarding future stress testing exercises. Their points included: the need to stress test all the EU's banks; increasing the scope of disclosure; increased standardisation of the stress test methodology (limiting divergent requirements across Member States); higher conservatism of assumptions (sovereign bonds); and improving data structure (mainly liquidity).
9. Some BSG Members noted that the current stress testing exercise revealed a much higher correlation of the bond market than expected and most of that correlation is being covered by the sovereign bonds market. Moreover the current exercise had contributed to the improvement of the quality of data on liquidity.

4. ESRB Consultation on FX lending

10. It was noted that the ESRB is seeking the views of EBA's BSG regarding its forthcoming Recommendation on foreign currency lending. The proposed recommendations tackle the identified macro-prudential risks with currently available tools, addressing the roots of the problem (e.g. asymmetric information, risk mispricing), while enhancing the resilience of the financial sector. The recommendations cover the following topics: risk awareness of borrowers', borrowers' creditworthiness, credit growth induced by FX lending, internal risk management, capital requirements, liquidity and funding, reciprocity.
11. The BSG members welcomed the content of the recommendations and considered them to be a coherent set, although they claimed some would be more effective than others in driving the flow of loans in foreign currencies to more sustainable levels. BSG members also expressed some questions on the following two limitations: (i) lack of distinction between SME and retail mortgage lending (though it was clarified that the recommendations were addressed to unhedged borrowers); (ii) the possible perception that recommendations would arrive too late.

5. Incorporating Consumer Protection into EBA Work

12. The BSG Vice-chair presented his note for the meeting on Consumer Protection. The following issues have been raised: legal powers of the EBA for consumer protection; the scope and main areas of consumer protection; areas of potential demarcation with the other two ESAs; and an outline of what the BSG might contribute in this area and how members might approach it.
13. Despina Chatzimanoli updated the Group on current Standing Committee for Financial Innovation (SCFI) developments. Discussions in the second SCFI meeting had focussed on the plans of the two SCFI sub-groups for organising their work with a view to feeding into a report on major concerns. For that purpose SCFI has already begun a survey amongst authorities on current supervisory concerns and new trends in the market. The SCFI and its sub-group on Consumer Protection (SGCP) are planning to get in contact with consumer organisations in due course on specific topics, but they would welcome the preliminary views of the BSG on issues of concern in this area. Despina also informed the Group that the three ESAs had established a joint committee on consumer issues.
14. The BSG members raised some issues for the consideration of both the BSG Vice-Chair and the SGCP, including: the combined reference in art. 8(1) of the EBA founding Regulation to credit trends to both SMEs and householders; cooperation between ESAs, the need to focus on some specific topics; benchmarking with US developments in this area; focussing on more pragmatic solutions (no longer limited to information disclosure); information sharing with BSG; being more forward-looking; creating a level playing field across MSs; the trade off between more consumer protection regulation and consumers' access to finance.
15. The BSG members agreed to establish a technical working group on consumer protection issues. The mandate, composition and duration will be further investigated. It was also agreed that informal contact between the BSG Chair and Vice-Chair and the Chairs of SCFI and its SGs needs to be established in order to share views on consumer protection and financial innovation issues.

Action points:

- **EBA staff to organise a meeting between BSG Chair and Vice-Chair and Chairs of SCFI and its SGs;**
- **BSG members to provide further comments and drafting suggestions on the note on consumer issues provided by Vice-Chair;**
- **BSG Vice-Chair to take forward the establishment of the technical working group on consumer protection issues.**

6. EBA Update on Work Program, Forthcoming Issues, Priorities and Request for BSG Inputs

16. Arnoud Vossen presented an overview of some of the EBA's main regulatory developments in terms of: (i) GL currently in consultation; (ii) BTS/GL to be consulted on in 2011; (iii) BTS/GL to be consulted on in 2012; (iv) BTS/GL to

be consulted on after the end of 2012. It was pointed out that the CRD IV negotiation is still ongoing; as a result EBA mandates stemming from the latest version of CRR/CRDIV are not yet stable. Moreover the EBA is currently in the process of allocating and planning its work for 2012. The main priorities in the regulatory field will include: capital and capital buffers; liquidity; remuneration; leverage ratio; crisis prevention and resolution arrangements; and promoting transparency, simplicity and fairness in the market for consumer financial products.

17. Andrea Enria confirmed that the BSG will be expected to provide its opinion regarding BTS and GL during the consultation process (after endorsement of the papers by the BoS), but is also encouraged to be more proactive and send opinions and advice on any issue related to the EBA's remit.

- **EBA staff to provide EBA work program for 2012 when available.**

7. Substantive Issues: Liquidity

18. Andrea Resti provided a briefing on his note on the new liquidity requirements and their impact on the provision and price of banking services.

19. The members agreed to establish a technical working group on liquidity requirements. The mandate, composition and duration will be further investigated. It was suggested that a draft position paper be presented to the BSG by mid 2012.

Action points:

- **BSG members to provide further comments and drafting suggestions on the note on liquidity requirements;**
- **Andrea Resti to take forward the establishment of the technical working group on liquidity requirements;**
- **EBA staff to further investigate the confidentiality arrangements with members of the technical working groups.**

8. BSG Role, Working Methods and Priorities

20. The BSG Chair noted that some BSG members have not yet provided their feedback as to at least one issue for which he or she would like to take responsibility, including for related expertise, timeline and suggested outcome. Current survey results reveal that suggested topics as well as available time capacity are varied.

21. The BSG Chair concluded that the main priorities of the BSG are consumer protection, liquidity and capital. Other topics and working methodologies will be explored further.

22. Andrea Enria noted that following forthcoming recruitment rounds and the practices of the other two ESAs, the level of EBA Staff support for the BSG will be further extended.

9. AOB

23. Five meetings of the BSG and two joint meeting of EBA Board of Supervisors and BSG will be held in 2012, as follows on: (i) 7 February; (ii) 20 April; (iii) 5 July; (iv) 24 September; (v) 29 November. It was also proposed to organise one meeting in Vienna. Moreover two half day (in the morning) joint meetings of the EBA Board of Supervisors and the BSG will be held in 2012, as follows on: (i) 8 February; (ii) 25 September.
24. It was confirmed that as the BSG members act in their personal capacity, they cannot consequently be accompanied or represented by other people.
25. EBA staff clarified that the reimbursement policy should follow the simple and well-established rules for EBA staff. For that purpose the reimbursement of transportation means only flight/train/coach tickets. Costs of public transport will not be reimbursed because the small amounts are hard to monitor and it the assumption is that the daily allowance covers those amounts.

Participants at 3rd meeting of the Banking Stakeholder Group

London, 14th September 2011

Name	Representing
Andrea Cesare Resti	Top-ranking academic
Andrew Thomas Procter	Industry
Arnold Kuijpers	Industry
Birgit Roos	Industry
Bostjan Krisper	Consumers
Christian Lajoie	Industry
Daniel Gros	Top-ranking academics
David T Llewellyn (Vice-Chairperson)	Top-ranking academics
Erik Berggren	SMEs
Giles Williams	Users of banking services
Giovanni Ferri	Top-ranking academic
Guglielmo Zadra	Industry
Hiltrud Thelen-Pischke	Users of banking services
Holger Schwannecke	SMEs
Javier De Andrés	Top-ranking academics
Louise Lindgren	Industry
Lubomir Christov	Consumers
Magdolna Szőke	Industry
Marcin Kawiński	Consumers
Michelle Brennan	Users of banking services
Mónica Cueva Diaz	Industry
Oliver Schuetz	Industry
Pamela Walkden	Industry

Robin Jarvis	SMEs
Rudi Vander Vennet	Top-ranking academics
Sony Kapoor (Chairperson)	Consumers
Sylvie Bourguignon	Users of banking services
Ute Meyenberg	Trade unions
Francesco Mazzaferro	ESRB
Ana Rita Mateus	ESRB
Piotr Szpunar	Narodowy Bank Polski
Andrea Enria	EBA
Adam Farkas	EBA
Arnoud Vossen	EBA
Despina Chatzimanoli	EBA
Tomasz Nastarowicz	EBA