



Banking Stakeholder Group

BSG 2012 19

27 March 2012

Minutes

5th meeting of the Banking Stakeholder Group

7 February 2012

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 was approved.

2. State of the EU Banking System, Challenges and Key Issues and Priorities for joint BSG/BoS

2. The BSG Chair provided his view on the main issues for discussion on the agenda items for the meeting.
3. The main issues raised by the BSG Chair, and which were discussed by BSG members were: (i) sovereign-bank inter-linkages; (ii) increasing spread and scope of the Euro crisis; (iii) funding difficulties, in particular lack of dollar funding; (iv) potential pro-cyclicality of regulatory framework and lack of necessary transitional period; (v) regulation vs. resolution rules and potential substitutability; (vi) variability of risk weights across different institutions; (vii) potential macroeconomic impact of bank deleveraging; (viii) inappropriate bank remuneration practices; (ix) potential difficulties consequences of current policy measures and increasing dependence on support; and (x) consumer protection issues in terms of the diminishing availability of credit to the real economy (mainly for SMEs).
4. The Executive Director of the EBA noted that the EBA's recapitalisation and stress testing exercises, together with the ECB's liquidity interventions, should limit the negative sovereign-bank feedback loop and are expected to contribute to restoring market confidence. Further, the EBA is also conducting an analysis of risk weights, focusing in particular on SMEs. Moreover, the regulatory changes are currently being introduced with transitional period in order to minimise pro-cyclicality.
5. BSG members considered which of these issues should be prioritised for discussion with the EBA's Board of Supervisors at the joint meeting on the following day.

3. EBA draft Consultation Paper on the assessment of members of the management body and key function holders

6. EBA Staff delivered a short presentation on the intended content of the EBA draft Guidelines on the assessment of the suitability of members of the management body and other key function holders. The public consultation on these guidelines is expected to start in April 2012. BSG members could use this opportunity to raise initial comments and provide any written submissions within the public consultation period.
7. BSG members made the following preliminary comments: (i) difficulties in assessing the skills of persons through interviews; (ii) the need for harmonised exams/accreditations to be taken into account; (iii) keeping burdens (e.g. of documentation etc.) reasonable to ensure the final product can be properly implemented; (iv) the need for proportionality in requirements for different institutions; (v) consideration that a culture of lifelong learning is needed; and (vi) the requirement to have sufficient management experience might impinge on the chances of staff being promoted.
8. EBA Staff confirmed that both qualifications and actual experience are considered within the assessment of suitability. Further a harmonised list of exams was not intended to be published. If staff members should be selected for management board positions the need to have sufficient management experience, such experience can be gained in positions outside the management body. Furthermore, the proportionality of requirements for different size of institutions is a general principle of European Regulation and will be addressed in guidelines.

Action point:

- **BSG to provide its opinion on the EBA Consultation Paper on draft Guidelines for assessing the suitability of members of the management body and key function holders of a credit institution, during the public consultation**

4. EBA Consultation paper on draft ITS on supervisory reporting requirements for institutions

9. EBA Staff presented the EBA's Consultation Paper on draft implementing technical standards on supervisory reporting requirements for institutions (CP 50). This relates to Articles 95 (own funds and financial information) and 96 (losses stemming from lending collateralised by immovable property) of the proposed CRR. BSG members were invited to raise individual comments on this CP by 20 March 2012.
10. BSG members made the following preliminary comments on this CP: (i) proportionality of the requirements; (ii) level playing field issues around the collection of data, comparing the position in Europe to that in the USA); (iii) concerns about the short timeline proposed for adapting of this ITS – in particular regarding changes to IT systems; (iv) support for a uniform

reporting framework; (v) concerns regarding remittance periods being too short; and (vi) certain inconsistencies between COREP and FINREP.

11. EBA Staff confirmed that the reporting standards introduce changes in data requirements which are due to (i) CRD IV (ii) harmonisation of data definitions and (iii) EBA/ESRB data requirements. Feedback on the level and lack of detail regarding data definitions are sought during the consultation which are seen invaluable input by the industry. Several thresholds were developed in order to address proportionality. Feedback on the practical implications of these thresholds and their ability to reduce reporting burden will play an important role in revising the relevant requirements.

Action point:

- **BSG to provide its written opinion on the EBA Consultation Paper on draft ITS on Supervisory reporting requirements for institutions (CP 50).**

5. Technical Working Group on Consumer Protection Issues

12. Robin Jarvis gave a presentation on the organisation of the BSG Technical Working Group on Consumer Protection Issues (TWGCPI), outlining working methodology, communication with EBA and consumer stakeholder groups and available resources.
13. In response to EBA's publication 'Financial Innovation and Consumer Protection', BSG members agreed to select 3 or 4 issues for which the TWGCPI will produce a draft analysis. The final paper will be endorsed by all BSG members and circulated to the EBA and other relevant EU bodies. The members noted the need for close cooperation here with the EBA's Consumer Protection Unit and Financial Services User Group (FSUG).
14. BSG members voiced some strong concerns regarding the adequacy of the BSG Members' financial compensation, which in the view of certain members does not allow non-industry representatives to play a full part in the debate, particularly given limited EBA staff support for BSG. In this regard EBA's Executive Director clarified that the EBA budget for 2013, discussed with the EU Commission, allocates 0.5 of one person to support the BSG and this is in line with practices of ESMA and EIOPA. Moreover the reimbursements policy for BSG members is also in line with the EBA budget.
15. The Executive Director of the EBA also confirmed that consumer protection is one of the EBA's priorities for 2012 and that the EBA is currently recruiting two temporary agents to its newly established Consumer Protection Unit. Further, the BSG's support on consumer protection issues is highly appreciated.
16. BSG Members concluded that they should approach the EU Commission with regard to the EBA's budget for providing adequate reimbursement for certain categories of their members and the matter of EBA staff support for BSG.

Action points:

- **Robin Jarvis to take forward the establishment of the TWGCPI, in particular the identification of a suitable timeline, with planned short and long-term deliverables.**
- **BSG Members to contact the EU Commission about the EBA budget for BSG Members' reimbursement and levels of EBA staff support.**

6. Technical Working Group on Liquidity

17. Andrea Resti presented an update on the organisation of the BSG technical working group on liquidity (TWGL). The working group will interact with EBA workstreams on: (i) uniform reporting formats, (ii) quantitative criteria for liquid assets; (iii) deposit outflows; (iv) currencies with constraint availability of liquid assets; (v) outflows from derivative positions; and (vi) impact assessment, and is also seeking leverage to EBA's data and maximise the BSG's contribution.
18. BSG members noted the distinction between micro and macro issues here, and the importance of addressing macro perspective. They also suggested concentrating on the EBA RTS, focussing on the denominator for the LCR and the appropriate elaboration of process and deliverables.
19. Andrea Resti concluded that the final output will be a BSG opinion to the EBA on its draft RTS, including empirical evidence in support of the impact assessment. The macro perspective will be also considered.
20. The Executive Director of the EBA indicated his support for the planned work of TWGL. It was noted that the plan is ambitious and that close cooperation with the EBA will be necessary, in particular to understand the timeframe and data availability.

Action points:

- **Andrea Resti to further coordinate the TWGL work plan with regard to the EBA mandates and to organise its meetings.**
- **Each member of TWGL to draft a short paper (10-15 pages maximum) on the relevant liquidity issues (areas or standards).**

7. Technical Working Group on Capital

21. Louise Lindgren delivered a presentation on the organisation of the BSG Technical Working Group on Capital (TWGC). Noting the scale of the work in this area she suggested that the working group can chose to either follow the structure of the standards that the EBA are to deliver during the coming years or focus on the areas of the new capital requirements that the working group considers most relevant, e.g. harmonisation, capital buffers, supervisory co-ordination, reporting, stress-tests, and where relevant use the coming standards as a base.

22. BSG members expressed the view that the TWGC work should follow the EBA developments and ideally the input should be provided before publication by the EBA of certain consultation papers on draft technical standards.
23. The Executive Director of the EBA noted that the EBA Regulation requires the BSG to be asked for its opinion on EBA's consultation papers on draft technical standards, guidelines and recommendations. However he supported the idea of an ad hoc meeting to discuss the current issues, if the timing allows.

Action points:

- **Louise Lindgren to take forward the establishment of the TWGC, in particular identification of a suitable timeline, with planned short and long term deliverables.**
- **Each member of TWGC to draft a short paper (maximum 10-15 pages each) on a relevant capital issues (areas or standards).**

8. Technical Working Group on Systemic Issues

24. Sony Kapoor presented an overview of the organisation of the BSG Technical Working Group on Systemic Issues (TWGSI). Some current matters have been identified as potential topic of interests: (i) Commission interest in the structural issues in banking; (ii) links to Dodd-Frank and the Vickers Commission; (iii) sustainability of EU banking models; (iv) exit from ECB funding; (v) fragmentation of EU banking system; (vi) sovereign-bank linkages; (vii) bank stress tests, design and impact; (viii) macroeconomic impacts of deleveraging; (ix) remuneration & incentives in banks; and (x) crisis mitigation and resolution.
25. BSG members raised the following issues for further consideration: (i) how best to contribute effectively to the legislative process; (ii) shadow banking remuneration, crisis management and recapitalisation plans.

Action points:

- **Sony Kapoor to take forward the establishment of the TWGSI, in particularly identification of a suitable timeline, with planned short and long term deliverables.**

9. EBA Secretariat Support, Financial Matters

26. Since the EBA Secretariat support and financial matters had already been discussed under agenda item 5, BSG members focussed here on the BSG's role. It was agreed that BSG members can express opinions in their personal capacities but can also present a consensus 'BSG view'. Further it is

important that all views are clearly expressed as being either individual or collective BSG positions.

27. The Executive Director of the EBA stressed the importance of the explicit role granted to the BSG by the EBA Regulation as set out in Article 37, as well as in Articles 10-16, where it is clear that the BSG's advice and opinions should be sought in relation to the EBA's development of all of its draft Technical Standards, guidelines and recommendations. Moreover, the EBA will make public the opinions and advice of the BSG and the results of its consultations.

10. AOB

28. EBA Staff updated the BSG on the complaints to the EU Ombudsman on the BSG's composition. The EBA has now submitted very detailed information on the selection process and interpretation of certain categories of BSG members. Given the process of communication with the EU Ombudsman is ongoing, the final outcome is not yet known.

29. The BSG members were informed also that the EBA is planning to consult in March 2012 on a draft questionnaire about users/investors' needs in relation to credit institutions' Pillar 3 disclosures.

Action points:

- **EBA staff to ask the BSG members, especially those representing the interests of users of banking/financial services, to provide their comments on the structure and content of the draft questionnaire on the needs for Pillar 3 disclosures.**

Participants at the 5th meeting of the Banking Stakeholder Group

London, 7th February 2012

Name	Representing
Andrea Cesare Resti	Top-ranking academics
Andrew Thomas Procter	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 academics
Javier De Andrés	Top-ranking academics
Louise Lindgren	Industry
Magdolna Szóke	Industry
Marcin Kawiński	Consumers
Michel Barbet-Massin	Users of banking services
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
Adam Farkas	EBA
Bernd Rummel	EBA
Wolfgang Strohbach	EBA
Corinne Kaufman	EBA
Tomasz Nastarowicz	EBA