



EBA BS BSG 2023 009 rev. 1

Board of Supervisors and Banking
Stakeholder Group

18 October 2023

Location: EBA premises, Paris

Joint Board of Supervisors and Banking Stakeholder Group 18 October 2023 – Minutes

Agenda item 1: Welcome and approval of the agenda

1. The EBA Chairperson welcomed the Members of the Board of Supervisors (BoS) and the Members of Banking Stakeholder Group (BSG).
2. The EBA Chairperson asked the BoS and BSG members whether there were any comments on the draft agenda. There were no comments on the agenda.
3. Finally, the EBA Chairperson informed the BoS and BSG that the Minutes of the last conference call have been approved by written procedure.

Conclusion

4. The BoS and BSG approved the agenda of the meeting.

Agenda item 2: Report on the activities of the BSG

5. The BSG Chairperson presented an overview of BSG activities since the last joint BoS/BSG meeting in April 2023. She said that the BSG had been following the EBA Work programme and were preparing for the upcoming work on MICA, DORA and CRR3/CRD6. She also mentioned that all BSG's responses to the consultation papers as well as own initiative notes have been published on the EBA website and that the BSG was dedicating some of their time to organising workshops on various topics, such as the Roundtable on stacking orders aspects planned for late October.
 6. Coordinators of the BSG working groups summarised their recent activities. In particular, they mentioned close liaison with the EBA on topics of capital and liquidity, specifically related to the implementation of Basel III, MICA, DORA, AML as well as in the area of consumer protection and complaints handling.
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7. The Members of the BoS and BSG did not raise any comments.

Agenda item 3: BSG contributions to joint ESAs public consultations on DORA

8. The EBA Chairperson introduced the item by reminding the Members that the development of the DORA policy mandates has been progressing well and on time. The EBA has already published the consultation papers on the first batch of Level 2 policy instruments and the ESAs technical advice to the European Commission (EC) on the criticality criteria for designation of critical third-party providers and oversight fees. The public consultation on the first batch of mandates has concluded in September and the EBA has been assessing the feedback received, while finalising the second batch of consultation papers, expected to be published around the year end. The EBA Chairperson stressed that stakeholder engagement and input on the policy instruments was key for the ESAs to develop good quality documents and reflecting the specificities of all financial entities within ESAs' remit. He thanked the BSG and the stakeholder groups of EIOPA and ESMA for their valuable contribution.
9. A presentation by the BSG Members followed. In the presentation, a group of BSG Members summarised the main observations identified by the stakeholders groups on the first batch of consulted policy instruments, in particular a need to minimise overlap/duplication of reporting and compliance requirements; further clarification of assignment of responsibilities for ICT risk management; consideration of the cost of compliance for financial entities; expanding assessment of potential impact of ICT failures, and increased emphasis on breaches involving personal data. The BSG Members further presented, in detail, their observations on the mandates related to risk management framework, the policies for ICT third party providers' services, classification of major ICT-related incidents and the registers of information in ICT contracts.
10. A discussion by the Chair of the ESAs Joint Committee sub-committee on Digital Operational Resilience followed. He welcomed the input provided by the three stakeholders' groups and acknowledged that the ESAs were at the stage of analysing and addressing the feedback received through over 420 responses. He said that DORA had a cross-sectoral nature and had numerous interconnections with other legislation. He stressed the need to: maintain momentum; pragmatism; high quality; proportionality and good engagement and mentioned the constraints due to the Level 1 text. He reacted on a number of points raised by the BSG members. He finished by mentioning that the deadline for the finalisation of the first batch of policy instruments was 17 January 2024 and that the EBA was planning to launch the public consultation on the second batch of policy instruments around the end of November/beginning of December 2023.
11. The BoS Chairperson concluded by stressing that the ongoing work on DORA mandates continues with good pace and the final products should reflect the views of the market participants from various sectors.

Agenda item 4: Preliminary analysis of the impact of different EU deposit coverage levels

12. The EBA Chairperson introduced the item by acknowledging that deposit protection was essential for mitigating the risk of bank runs and maintaining financial stability. He then outlined that in response to a recent EC request, the EBA prepared an analysis of the current coverage level, as well as scenarios whereby the coverage level was increased. The Chairperson invited the Members to comment on the preliminary results which the EBA was planning to finalise and publish by the end of the year.
13. The EBA Senior Policy Expert continued by presenting selected preliminary results of the assessment of the current deposit coverage level. He also elaborated on the EC's request and explained that on 23 June 2023, the EC sent to the EBA a formal request to provide an analysis of the current deposit coverage level. The EC requested the EBA to submit the analysis in two steps: the interim results of the analysis of data concerning the adequacy of the current coverage level by 27 September 2023, with final results due by the end of 2023. More specifically, for the interim results in the first step, the EC requested the EBA to provide analysis of the following most recent, anonymised, and aggregated data for each DGS: the proportion of fully covered depositors by natural persons and legal persons, the proportion of public authorities' deposits. Turning to the results, the EBA observed that the interim results showed that the average deposit held by natural persons was around EUR 20,000 while for legal persons it was about EUR 155,000. With regard to the coverage of deposits, the preliminary results showed that more than 95% of all depositors were currently fully covered, i.e., the sum of all their deposits in one bank was below EUR 100,000. However, less than 60% of eligible deposits were covered, – which meant that a very small group of depositors held a high amount of deposits above EUR 100,000. The Senior Expert noted that compared to previous analysis, the proportion of depositors who were fully covered had not changed much between 2007 and 2022 and the proportion of covered deposits over all eligible deposits decreased somewhat in the same period which meant that the vast majority of depositors remained within the coverage limit, but those who were above the coverage limit, held significantly more deposits than they did in 2007. He concluded by presenting findings at different coverage levels and said that on average, increasing the coverage level to EUR 150,000 would increase the volume of covered deposits by 9% for EU DGSs; EUR 250,000 would increase the volume of covered deposits by 19% for EU DGSs, and EUR 1,000,000 for legal persons only would increase the volume of covered deposits by 21% for EU DGSs.
14. A contribution by the BoS discussant followed. He raised questions on the purpose of a deposit insurance, trust in the banking system and its credibility.
15. One BSG Member stressed that the trust in the deposit guarantee scheme was of utmost importance and wondered whether, considering the latest developments on the market and analysis done by the EBA, the levels of deposit coverage remained adequate. He also pointed to the fact that there was a limited group of depositors who were not covered given the significant amounts of deposits and said that financial institutions should focus, in this regard,

on appropriate risk management and avoid excessive amounts of liquidity and assets. Supervisors, on the other hand, should monitor concentration risks among depositors and liquidity risks in banks. Another BSG Member noted that it was not for depositors to assess whether financial institutions were credible and that it was the entire banking system that should ensure credibility of its institutions. Several BSG Members stressed that existing DGSS were crucial for the trust in the banking system. One BSG Member opposed raising the levels of the coverage limits and explained that it would be the depositors who would have to pay for these raised levels. He also pointed at the role of financial education, the possibility for wealthy depositors to distribute their deposits among various financial institutions and as well as a relative low levels of deposits of natural persons. Other BSG Member was of the view that any increase of the deposit coverage level should be carefully considered and conducted in a way that would increase the trust of the depositor and did not have opposite impacts. One BSG Member mentioned that the increase of the deposit coverage level might lead to the increase in the amount of deposits at the cost of funds being invested in other financial products, with a negative impact on the development of capital markets in the EU. Similarly, another BSG Member was of the view that consumers should be encouraged to invest in better remunerated products than deposits. She said that the levels of deposits identified by the EBA were high and asked the EBA to provide further details on the distributions of these deposits. One BSG Member asked the EBA to provide details on the types of legal persons with large amounts to deposits.

16. The BSG Chairperson asked for clarification on domestic and non-resident deposits and referred banks' practices on increasing the number of deposits by various promotional activities.
17. In his response, the EBA Senior Policy Expert acknowledged different aspects that the EBA had to consider in its analysis, in particular related to consumer protection, financial stability, and moral hazards. He clarified that the EBA did not have data to distinguish between SMEs and corporates, and residents and non-residents. He also noted that the vast majority of public authorities were not covered by the DGS but that the EBA has been drafting an analysis in this regard given that the EC requested it in its call for advice as well.
18. The EBA Chairperson concluded by noting the comments and said that the EBA would continue analysing the findings and provide the final response to the EC in December 2023.

Agenda item 5: Basel III roadmap – L2 mandates

19. The EBA Chairperson reminded the Members that the on 27 June 2023, a political agreement was reached between the European Council and the European Parliament on the proposal put forward by the EC on the banking package. The package included amendments to the Capital Requirements Regulation (CRR 3) and to the Capital Requirements Directive (CRD VI). The implementation of Banking Package/Basel III framework required the EBA to develop around 130 mandates in a broad range of technical areas.

20. The EBA Director of Prudential Regulation and Supervisory Policy Department (PRSP) continued by presenting a roadmap on the mandates. She stressed that EBA was currently awaiting the finalisation of the legislative text and would subsequently provide an update with the final number of mandates and the politically agreed timeline. Afterwards, the EBA was planning to publish the finalised roadmap together with the first set of consultation papers. The Director of PRSP clarified that the mandates related to the direct implementation of the Basel III accord have been prioritised and according to the legal deadlines now put in the legislation. The work has been already initiated in reporting, market, credit and operational risk areas with the EBA issuing first consultation papers by year end or Q 1 2024. These areas were mandates with the biggest operational impact on information systems and prudential metrics adjustments.
21. The EBA Director of Data Analytics, Reporting and Transparency Department (DART) presented the planned work in the area of reporting. She said that in the first phase, the EBA was planning to focus on Basel III implementation to be ready for 01 January 2025 application date. She said that the main work would be done on credit risk, market risk and operational risk to address the changes proposed in the CRR3. In the first phase the EBA was also working on developing a Pillar 3 Data Hub. In the second phase, the EBA would fully focus on new reporting with an aim to finalise all the work in 2025.
22. The Director of PRSP continued by stressing that the ability of the EBA to deliver on the roadmap was contingent on a significant number of assumptions and would require support and collaboration with all parties and stakeholders. As main issues she mentioned a lack of resources at the EBA level, high number of mandates in the area of credit and market risk, overlaps with MICA/DORA tasks that had similar timelines for finalisation as well as review of existing legislation.
23. A contribution by the BoS discussant followed. He stressed the complexity of the topic, significant number of mandates, a need to amend some of the existing legislation to be in line with the new legislative proposals. In this regard, he questioned how other stakeholders, including financial institutions could be involved in the preparatory work. Finally, he also pointed at the new issue of ESG and how it could be captured in the Pillar 1 framework.
24. One BSG Member supported the roadmap and noted that it was challenging for the BSG to contribute to the EBA's work without the final legal proposal. She also referred to developments in the US and UK and stressed that uncertainty, also from the international perspective, was high. She pointed at implementation costs, credit risk, timelines and asked the EBA to avoid gold-plating in its Level 2 work. Other BSG Member asked for longer than six months periods for implementation at the level of the industry. Several BSG Members pointed at planned implementation of Basel III in the US and UK in July 2025 and questioned the timelines envisaged in the EU.
25. The EBA Chairperson highlighted that the aim for the Basel III was that the implementation of the requirements was timely, complete and faithful.

26. One BSG Member questioned whether the EBA considered in its preparation of the roadmap and the prioritisations the mentioned aims of the Basel III implementation. Other BSG Members asked for early drafts of the proposed Level 2 legislations given that the banking industry would need sufficient time to prepare for the necessary changes. One Member also raised concerns from possible fragmentations and different requirements in different countries and asked the EBA to align its work with other international counterparts.
27. The ECB Banking supervision representative indicated that the impact of the Basel reforms tended to decline over time. Furthermore, he stressed that the implementation in other jurisdictions was expected to align overall with global requirements and, given the implementation efforts, it was important to move forward with the preparations in banks, competent authorities and EBA.
28. In her response, the Director of PRSP confirmed that the EBA would only start consulting on its draft proposals once the trilogue was concluded. She also highlighted that the EBA was closely cooperating with the supervisory community in its preparatory work.

Agenda item 6: AOB

29. The EBA Chairperson informed the Members that the next joint BoS/BSG meeting was planned to take place 24 April 2024.
30. The Members did not raise any comments.

Table of attendance¹

¹ Pascal Hartmann (FMA); Eida Mullins (Central Bank of Ireland); Nina Rajtar (KNF); Marek Sokol (CNB); Matthias Aust (BaFin); Laura Clausen (Danish FSA); Marco Giornetti (Bank of Italy); Roel Heyvaerts (DNB)

BSG			
Julia	Strau	Raiffeisen Bank International AG	Austria
Sebastian	Stodulka	Erste Group	Austria
Christian	Stiefmueller	Finance Watch	Belgium
Sébastien	de Brouwer	European Banking Federation	Belgium
Fanny	Rodriguez	Fintecture	France
Veronique	Ormezzano	VYGE Consulting	France
Christian	Koenig	Verband der Privaten Bausparkassen	Germany
Edgar	Loew	Frankfurt School of Finance and Management gGmbH	Germany
Leonhard	Regneri	Input Consulting gGmbH	Germany
Wolfgang	Gerken	JP Morgan SE	Germany
Yuri	Scarra	Goldman Sachs Bank Europe SE	Germany
Jennifer	Long		Ireland
Andrea	Sita'	UILCA	Italy
Concetta	Brescia Morra	University Roma Tre	Italy
Rens	van Tilburg	Sustainable Finance Lab	Netherlands
Monika	Marcinkowska	University of Lodz	Poland
Vinay	Pranjivan	DECO - Associação Portuguesa para a Defesa do Consumidor	Portugal
Alin	Iacob	Association of Romanian Financial Services Users (AURSF)	Romania
Monica	Calu	Consumers United/Consumatorii Uniti Association	Romania
Eduardo	Avila Zaragoza	BBVA	Spain
Patricia	Suárez Ramírez	ASUFIN	Spain
Maria	Ruiz de Velasco	RegGenome	United Kingdom
BoS			
Jo	Swyngedouw	National Bank of Belgium	Belgium
Constantinos	Trikoupis	Central Bank of Cyprus	Cyprus
Thomas W	Andersen	DK FSA	Denmark
Timo	Kosenko	Eesti Pank	Estonia
Andres	Kurgpõld	Finantsinspektsioon	Estonia
Marko	Myller	FIN-FSA	Finland
Nathalie	Aufauvre	ACPR	France
Peter	Lutz	BaFin	Germany
Karen	Braun- Munzinger	Deutsche Bundesbank	Germany
Stefan	Walter	ECB	Germany
Heather Denise	Gibson	Bank of Greece	Greece
László	Vastag	Central Bank of Hungary	Hungary
Csaba	Kandrács	Magyar Nemzeti Bank (Central Bank of Hungary)	Hungary
Björk	Sigurgísladóttir	Central Bank of Iceland	Iceland
Gerry	Cross	Central Bank of Ireland	Ireland

Francesco	Cannata	Bank of Italy	Italy
Kristīne	Černaja-Mežmale	Latvijas Banka	Latvia
Simonas	Krėpšta	Bank of Lithuania	Lithuania
Friedrich	Christian	Banque centrale du Luxembourg	Luxembourg
Anabel	Armeni Cauchi	MFSA	Malta
Oliver	Bonello	Central Bank of Malta	Malta
Willemieke	van Gorkum	De Nederlandsche Bank	Netherlands
Per Mathis	Kongsrud	Finanstilsynet	Norway
Ylva	Soevik	Norges Bank	Norway
Kamil	Liberadzki	Komisja Nadzoru Finansowego	Poland
José	Rosas	Banco de Portugal	Portugal
Rui	Pinto	Banco de Portugal	Portugal
Cătălin	Davidescu	National Bank of Romania	Romania
Damjana	Iglič	Banka Slovenije	Slovenia
Primož	Dolenc	Banka Slovenije	Slovenia
Agustin	Perez Gasco	Banco de España	Spain
Magnus	Eriksson	Finansinspektionen	Sweden
David	Forsman	The Riksbank	Sweden

EBA

Chairperson

Executive Director

Director of Economic and Risk Analysis Department

Director of Prudential Regulation and Supervisory Policy
Department

Director of Innovation, Conduct and Consumers Department

Director of Data Analytics, Reporting and Transparency
Department

Jose Manuel Campa

Francois-Louis Michaud

Jacob Gyntelberg

Isabelle Vaillant

Marilyn Pikaro

Meri Rimmanen

EBA Heads of Unit

Philippe Allard; Lars Overby

EBA experts

Tea Eger; Slawek Kozdras

BSG

Chairperson

Rym Ayadi

For the Board of Supervisors

Done at Paris on 04 December 2023

[signed]

José Manuel Campa

EBA Chairperson

For the Banking Stakeholder Group

Done at Paris on 04 December 2023

[signed]

Rym Ayadi

BSG Chairperson