

EBA BSG 2025 012 rev. 1

Banking Stakeholder Group

05 February 2025 | 09:30 – 15:00

Location: teleconference

Banking Stakeholder Group

Minutes of the conference call on 5 February 2025

Agenda item 1: Welcome and approval of the agenda

1. The Banking Stakeholder Group (BSG) Chairperson welcomed the Members and asked whether they had any comments on the agenda of the conference call. The Members did not raise any comments.
2. The BSG Chairperson welcomed two new Members – Mr Fotis Pasiouras, representing top-ranking academics and Mr Christophe Nijdam, representing users of banking services. Both new Members briefly introduced themselves.
3. The BSG Chairperson informed the Members that the Minutes of the 04 December 2024 meeting have been approved by the BSG in the written procedure and would be published on the EBA website.

Conclusion

4. The BSG approved the agenda of the conference call by consensus.

Agenda item 2: BSG update on the latest developments

5. The coordinators of technical working groups (TWG) updated the Members on the ongoing work in each group.
6. The coordinators of TGW 1 (Capital & Liquidity Recovery & Resolution) informed that in addition to response to the EBA Consultation Paper (CP) on proportionate retail diversification methods which has been tabled as a separate item, the TGW 1 was planning to respond to the CP on draft RTS on material model change and to the CP on draft RTS on the calculation and aggregation of crypto exposure values which were published by the EBA and open for submission of responses by stakeholders. They also contributed to the response prepared by TWG 7 on the CP on amending RTS on Central Contact Point. Finally,

the coordinators announced that the group was planning to further focus on the EBA's planned work on methodology on credit conversion factor and definition of default.

7. The coordinators of TGW 2 (Governance & Supervision, Accounting, Reporting & Disclosure) informed that they were expecting publication of relevant consultations in the second half of 2025 and noted that they have been discussing within the group also some own initiative work, in particular related to so called Draghi report.
8. The coordinators of TGW 3 (Consumer Protection) mentioned that given that there were no consultation papers expected in the area of consumer protection, they were considering an own initiative work reflecting the discussion during the previous BSG conference call on cash, branches and digital services.
9. The coordinators of TGW 4 (Sustainable Finance), TGW 5 (Payments) and TGW 6 (Financial Innovation & Digitalisation) informed that they have been monitoring developments and the TWG 6 contributed to the work on the response to the EBA CP on amending RTS on Central Contact Point.
10. The coordinators of TGW 7 (AML/CFT) summarised their response to the CP on amending RTS on Central Contact Point submitted to the EBA on 04 February 2025.
11. The BSG Chairperson thanked the coordinators and suggested that the TGW 1 could liaise with TGW 6 when preparing the response to the CP on draft RTS on the calculation and aggregation of crypto exposure values and with TGW 2 when working on the topic of definition of default. He also asked whether the EBA could provide an update on planned consultations.
12. The EBA Head of Governance and External Affairs Unit (GEA) referred to a weekly update on the published consultation papers.
13. The BSG Chairperson concluded by noting the work by the TGWs and thanking the EBA for regular updates on the publications.

Agenda item 3: EBA Chairperson update on the latest developments

14. The EBA Chairperson updated the Members on the EBA's latest publications and planned events.
15. Firstly, the Chairperson informed that at the end of last year, the EBA published its Report on tokenised deposits to facilitate awareness of tokenised deposits, as well as assess their potential benefits and challenges. The Report also aimed to promote convergence in the classification of tokenised deposits in contrast with electronic money tokens (EMTs) issued by credit institutions under the Markets in Crypto-Assets Regulation (MiCAR). He said that to-date, the EBA has identified very few cases of tokenised deposits. Meanwhile, interest from credit institutions appeared to be growing, in particular due to potential benefits such

as programmability and automation of transfers, while potential challenges included issues relating to consumer protection, operational risk, and the application of the anti-money laundering and countering the financing of terrorism framework. In this light, the EBA would continue to monitor market developments and promote discussion on potential benefits and challenges, as well as on issues relating to regulatory classification as compared to EMTs, which were in scope of MiCAR.

16. Secondly, the EBA Chairperson said that the EBA recently published two reports in the area of AML/CFT. The first one, the report on competent authorities (CAs) approaches to the supervision of banks with respect to AML/CFT which summarised findings of the EBA's assessment of remaining CAs that were responsible for the AML/CFT supervision in thirty EU/EEA MS (this was the fourth and final round of reviews conducted since 2018). The findings indicated that anti-money laundering and counter terrorism financing (AML/CFT) supervisors have taken important steps to implement a risk-based approach to AML/CFT and, since the first round of reviews in 2018, the EBA has seen significant developments in CAs' approaches to supervision. The Report highlighted good practices, for example in relation to cooperation and risk assessments, which reflect the positive changes in supervisory approaches. Nonetheless, the EBA continued to find weaknesses in CAs' risk assessment methodologies and enforcement processes not being fully effective or deterrent. Additionally, the EBA found divergent approaches in the way prudential supervisors consider and address ML/TF risks. In the absence of AML/CFT colleges, cooperation was limited, and it was still lacking with tax authorities. The EBA, therefore, recommended actions tailored to each CA to support their approach. The second report was the Report on the functioning of AML/CFT colleges in 2023 and similarly to the previously mentioned report, the EBA noted that CAs continued to improve the functioning of AML/CFT colleges in 2023 but further progress was needed especially in two key areas, namely: adjusting the functioning of AML/CFT colleges to the money laundering and terrorist financing (ML/TF) risks to which the underlying firm is exposed, and discussing the need for a common approach or joint action.
17. Thirdly, the Chairperson referred to the Report on Liquidity Measures under Article 509(1) of the CRR (1), in which the EBA provided its findings of monitoring and evaluation of the liquidity coverage requirements currently in place in the EU. He noted that between June 2023 and June 2024, EU banks' liquidity coverage ratio (LCR) increased by 3 percentage points to reach 167%. Within that period, the observed changes in the composition of banks' funding deposits while banks' holdings of liquid assets steadily increased. EU banks' average LCR in USD and in GBP improved during the period under review, to exceed 100% as of June 2024. A structural shortage of USD liquidity in the EU was noted.
18. The Chairperson also mentioned a No action letter on the application of the European Market Infrastructure Regulation (EMIR) and said that the EBA, within its powers under its Founding Regulation, asked the CAs not to prioritise any supervisory or enforcement action in relation to the processing of applications for initial margin model authorisation received

as a result of the entry into force of EMIR 3. This no action letter, developed in cooperation with the other ESAs, applied until key deliverables mandated under EMIR 3 become applicable.

19. As discussed during previous meetings and conference calls, the ESAs launched a Dry Run exercise on reporting the registers of information under the Digital Operational Resilience Act (DORA) in 2024 and the key findings of this exercise are summarised in the recently published report. The EBA Chairperson stressed that with regard to the support to the industry, the ESAs provided numerous tools such as templates for the registers, a draft data point model, a draft reporting taxonomy, examples and instructions for filling data fields, and a tool for converting submissions into the required reporting format. Furthermore, the ESAs supported financial entities through a series of workshops, maintained and updated a 'frequently asked questions' document and responded to the individual queries through an email-based 'hotline'.
20. On 20 January 2025, the EBA launched its 2025 EU-wide stress test and released the macroeconomic scenarios. The EBA Chairperson highlighted that this year's exercise was designed to provide valuable input for assessing the resilience of the European banking sector in the current uncertain and changing macroeconomic environment. The EBA was expecting to publish the results of the exercise at the beginning of August 2025.
21. As mentioned during the BSG update item, the EBA Chairperson informed that the EBA published its Opinion on the interaction between the output floor and Pillar 2 Requirements (P2R) in the context of the mandate set forth in the Capital Requirements Directive (CRD).
22. The EBA Chairperson reminded the Members of the discussion at a previous BSG meeting on how to fulfil a mandate under the Instant Payment Regulation (IPR). The IPR made it mandatory for payment service providers (PSPs - banks and payment and electronic money institutions), to offer instant payments, at costs to the consumer that were not higher than normal, non-instant credit transfers. To ensure that banks comply with this requirement, the EBA received a mandate to develop templates for the reporting of relevant data of the fees that PSPs charge and earlier in February, the EBA submitted to the European Commission (EC) and published the final draft technical standards. He mentioned that the EBA has made a number of changes as a result of the consultation responses received, most importantly, postponement of the deadline for the first reporting, from April 2025 to April 2026. The EBA considered this to be more feasible for the industry, it would give the EBA time to develop the datapoint model and taxonomy (by May 2025), and the industry would then have a year to implement the reporting. The scope of the data to be reported has remained largely unchanged, and so has the data reference period, which was from October 2022.
23. Finally, the EBA Chairperson informed the Members that at the end of 2024, the EBA and ESMA have received a letter from the EC inviting the EBA to consider issuing a No Action letter, under Article 9c of the EBA Regulation. The request related to issues regarding the

interplay of MICAR and the revised Payment Services Directive (PSD2). MICAR and PSD2 have been written in a way that implied that Crypto Asset Service Providers (CASPs) that transact electronic money tokens (EMTs) have to be authorised not only as a CASP under MICAR but also as a credit, payment or e-money institution under PSD2. Such a dual authorisation and supervision could be seen to be desirable, because consumers paying with electronic money should be protected in the same way, irrespective of whether the transaction was executed through conventional e-money services or through EMTs. However, dual authorisation and supervision also posed a significant burden for legal entities having to comply with two sets of (at times) inconsistent requirements. The EBA has also received queries from CAs and the industry on this issue. Therefore, the EBA decided to respond to the invitation of the EC and carry out this additional task in 2025. In such an Opinion, the EBA would indicate how the two legal texts should interact in this specific scenario and recommend to CAs which provisions in the two legal texts they could deprioritise for authorisation and supervision purposes. As Title V of MICAR applied since January 2025, and as CAs are having to make authorisation decisions right now, the EBA planned to expedite this work and publish the No Action opinion by April 2025, in coordination with ESMA.

24. The EBA Chairperson continued by mentioning upcoming public hearings on the Consultation paper on draft RTS on the calculation and aggregation of crypto exposure values planned for 04 March 2025 and on the Consultation paper on draft Guidelines on ESG scenario analysis, taking place on 17 March 2025.
25. The EBA Chairperson also announced that the BSG would receive, for a short consultation, a draft ITS on resolution planning reporting. He said that the EBA published on 30 July 2024 a Consultation paper to amend its resolution planning reporting framework. The objective of the amendments to the ITS was to enhance the usability of the current ITS on resolution planning reporting, and especially to harmonise and simplify the reporting requirements across jurisdictions, taking into account the data needs of resolution authorities, in order to avoid parallel separate data requests at jurisdiction level and to further enhance proportionality. Given that the consultation period was during the last days of the previous BSG and first weeks of the current BSG, the EBA was proposing a short consultation with the BSG allowing the Members to raise any concerns they may have. According to the timeline, the draft ITS will be sent to the European Commission by mid-March.
26. The EBA Chairperson concluded his update by referring to the simplification initiative and said that the EBA was also considering how to be more efficient and the first discussion with the BoS would be held on 13 February 2025. Finally, he briefly mentioned upcoming AML consultation on the risk-based methodology and on the supervision in response to the EC's call for advice.
27. The Members welcomed the update. One Member mentioned the rejected ITS on sub-contracting under DORA and asked if the BSG would be involved in the EBA's response to the EC. The Member also noted that the published Single Programming Document (SPD)

was supposed to be further updated to reflect the EC's priorities and asked for further details in this regard. Other Member mentioned ongoing discussions relevant for TGWs 2 and 4 on ESG and accounting, in particular in relation to disclosures under Pillar 3. Another Member acknowledged the ESMA's remit over CASPs but questioned whether the EBA has considered any work on potential overlap between MICAR and PSD given that payments were in the EBA's remit. One Member asked for timelines on the upcoming AML-related consultation papers and other Member questioned whether the EBA had a role in the introduction of Digital Euro.

28. In his response, the EBA Chairperson clarified that no further input from the BSG was expected by the EBA in finalisation of the ITS on sub-contracting under DORA and that the EBA has been discussing with the EC how to best address their concerns. On the SPD, the EBA Chairperson explained that current situations, such as the new EC and its priorities, and general developments, may lead the EBA to reprioritising some areas of its work. He said that there were three key focus areas for the EBA – implementation of international standards; simplification, and adjustment of the work plan to reflect ongoing changes. With regard to CASPs, he clarified that the EBA's mandate was limited to issuance but as there were many interactions, the EBA considered the request from the EC on the no action as necessary. He invited the Members to identify other areas of concern, in addition to double authorisation, that the EBA could address. He concluded by saying that the work on the AML-related consultation papers was ongoing with a planned launch of public consultation in Q2 2025. He also clarified that the EBA was monitoring the Digital Euro project.
29. The BSG Chairperson concluded by noting the comments raised by the Members.

Agenda item 4: Risks and Vulnerabilities in the EU

30. The EBA Senior Bank Sector Analyst (Analyst) updated the Members on the latest developments in the EU related to risks and vulnerabilities. He covered key trends in supervisory reporting data in Q3, and at the same time made reference to first indications in EU/EEA banks' results as they have been recently published. This included still relatively stable RoE and certain pressure on banks' net interest income. Funding markets were active in January, except for covered bonds, for which primary markets only picked up later in January. Issuance volumes in 2024 were lower than in 2023 for all bank bond types except subordinated debt. The share of green bonds rose only for the senior preferred segment. Asset quality worsened marginally in Q3, which seemed to be similarly the case in Q4. Capital and liquidity levels remained robust despite slight corrections in Q3, which seemed to be similar in Q4. He pointed to several banks that announced share buybacks and a switch to interim dividends going forward. The liquidity coverage ratio (LCR) and net stable funding ratio (NSFR) also saw minor declines in Q3 but remained well above minimum requirements. Besides cyber security, conduct and legal risks, fraud risk was the third most important Operational Risk has risen significantly in recent years, based on Risk Assessment Questionnaire (RAQ) results. The most pertinent were payment fraud and fraud involving theft or breach of customer credentials. Around one quarter of banks faced a successful cyber-attack

in H1 2024 (up from 19% the year before). The Analyst noted that there has been a significant rise in significant risk transfer (SRT) volumes in recent years, dominated by private placements. SRTs could, for instance, help to improve corporate access to financing. EU/EEA banks played a major role in SRT related activity globally, based on anecdotal evidence and indicative market data. Market data and anecdotal evidence suggested that the largest share of SRT investors were credit funds and other asset managers. If such entities were also funded by banks the credit risk relief for banks might end up being “recycled” and again implicitly end up with banks again. Step in risk might also come into play here.

31. The presentation was followed by a discussion and exchange with BSG members, which covered operational risk and cyber-attacks and the potential correlation between investment in IT infrastructure by banks and the occurrence of such attacks. Other topics included the relationship between covered bonds and securitisation primary markets, as well as the contribution of the cost of regulation to the cost rise, the impact of possible mergers and acquisitions in the EU banking sector, and the possible effects of the new US administration’s politics on the EU banking sector.
32. The EBA Director of the Economic and Risk Analysis Department (ERA) commented on the discussion that banks used to approach competent authorities (CAs) to do share buybacks, but CRR obliged the CAs to allow for such a reduction in own funds, provided they did not breach capital or MREL requirements plus margin, which in practice had been set very high to prevent buybacks. Now, policies may have changed. Buybacks did not dilute shareholders as shares bought back were proportional. He further stated that there was no trade-off between covered bonds (CBs) and SRTs, rather, it was a trade-off between CB and deposit trading. It would make more sense to compare the cost of SRT versus the cost of equity and the cost of AT1 and Tier 2 instruments, expressed as spreads in CDS/CLN used in SRT. Overall, the cost of regulation was associated with higher compliance costs, but the main component of costs included staff salary hikes due to inflation, especially for IT experts stemming from competition with the technology industry. One Member raised concerns to how fit a hedge fund was as a new dominant shareholder in a retail banking institution, referring to a specific case in France. Concerning the enhancement of CAs to determine who should be the dominant shareholder in an institution, the Director of ERA stated that in some cases the CAs have rejected proposals from larger banks, hedge funds or investment banks to take over a credit institution. This decision was made not just because of staff and customers protection, but also due to the credibility of stakeholders. Such discretion was allowed under the CRD, and CRR, which stated that the money used to buy CET1 had to be verified and could not come from a loan or similar source.
33. The BSG Chairperson concluded by noting the comments raised by the Members.

Agenda item 5: Report on direct provision of services from 3rd countries

34. The EBA Senior Expert (Expert) introduced the item by explaining that according to Article 21c of CRD VI, the EBA had a mandate to review whether the exemption from setting-up a third country branch (TCB) for the provision of core banking services may be envisaged not only when core banking services were provided directly from third countries to credit institutions, but also when they were provided to any financial sector entity established in the EU. As a general rule, the CRD VI prohibited the direct provision of core banking services by third country credit institutions, however exceptions were envisaged, namely the provision of services (i) upon reverse solicitation; (ii) to credit institutions (interbank exception), or (iii) to EU undertakings of the same group of the third country undertakings (TCU). The Expert reminded that the mandate for the Report required the EBA to consider financial stability concerns and impact on the competitiveness of the Union and to consult ESMA and EIOPA. In this latter regard, the EBA has liaised with the other ESAs to acquire supervisory data of financial sector entities under their respective remit, on exposures towards undertakings domiciled in third countries. In addition, the EBA gathered qualitative evidence via engagement with financial stakeholders, including during workshops with third country banks and representatives of EU asset management companies, funds, investment firms and insurance and reinsurance companies. While both the quantitative data and the qualitative evidence are still being analysed, the Expert noted that the prohibition did not seem to have major impact on EU financial sector entities, save for some niche areas under further assessment. The Report has to be submitted to the European Parliament, Council and Commission by 10 July 2025.
35. The Members welcomed the work. One Member mentioned that there were cases of Fintech companies ‘renting’ their banking licences to other companies, including non-EU entities, what resulted in provision of banking services in the EU based on a rented licence. Other Member acknowledged that payment institutions in the EU had to safeguard funds with EU banks and that some entities, such as crypto providers, faced difficulties in finding banks which would provide that service for them. Therefore, the Member questioned whether in these cases, an exemption could be considered. Another Member asked for more harmonised framework and said that in absence of an EU-wide passporting framework, the exemptions should be wider than applying to credit institutions only. The Member also asked for further quantitative details from the analysis.
36. In her response, the Expert clarified that the authorisation could be granted to one undertaking only and could not be transferred and therefore, would welcome further details on the phenomenon of ‘renting licences’ and underlying contractual arrangements. With regard to payment institutions, the Expert said that some services could be impacted by the exemptions and therefore, these entities have been monitored by the EBA. Finally, the Expert acknowledged the first step of harmonisation in the EU regarding the branches which were historically under national remit. She concluded by adding that the EBA

analysis was ongoing and therefore, the EBA could not currently quantify the impact of the prohibition.

37. The BSG Chairperson concluded by noting the Members' comments.

Agenda item 6: EBA's Advisory Committee on Proportionality – mandate, overview of work and the role of the BSG

38. The Chairperson introduced the item by noting that the Advisory Committee on Proportionality (ACP) was the EBA's internal committee which developed recommendations on the EBA's Work programme and in which he had an observer's role.
39. The EBA Director of Data Analytics, Reporting and Transparency Department (DART) presented the mandate, role and work of the ACP. She said that it was an independent EBA committee established in 2020 which has been advising the EBA on its annual work programme, in particular how to foster proportionality in its activities and mission. It presented its recommendations to the EBA Board of Supervisors in June each year and these were then incorporated by the EBA in its work programme and policy work. She briefly informed about the ACP's work cycle and then focused on topics which the ACP identified in past years. She noted that there were several topics which were regularly repeating in the ACP work – reporting, SREP, ESG, stress test and in these areas, the ACP was of the view that further proportionality should be implemented. She concluded her presentation with explaining the role of the BSG in the ACP's work cycle, referring to the position of the BSG Chairperson as an observer.
40. The Members welcomed the work of the ACP and highlighted its importance. One Member questioned how the BSG could coordinate its input to the ACP's work. Several Members raised questions regarding ex post verifications on how the proportionality was implemented. One Member noted that the proportionality should not be considered only in relation to single regulatory products developed by the EBA but also in aggregate and stressed that it was important to have a mechanism that would ensure that the proportionality was reflecting the developments and reality. Some Members asked for visibility of the recommendations drafted by the ACP and questioned how the work of the ACP was reflecting the EC's simplification efforts. In this regard, one Member asked whether the EBA was planning to consider simplification of single products or rather mandates in L1 and subsequent L2 regulatory products. One Member praised the selection of topics that had been identified by the ACP so far and other Member asked how aspects of competitiveness were embedded in the work. Another Member suggested annual reporting on the implementation of the proportionality in the EBA's work.
41. The Director of DART explained that while the EBA has been monitoring the implementation of the ACP's recommendations in the Work programme on a yearly basis, it has not, ex post, analysed how the proportionality was implemented in the legal framework, arguing that there were different opinions on what should be the benchmark, how to measure the

impact as well as due to resources constraints. At the same time, she mentioned that some EBA products, such as SREP Guidelines, have been reviewed several times and during the reviews, the proportionality was always considered, in particular how proportionate measures have been used, if at all, and how effective they have been. With regard to simplification, the Director of DART explained that the EBA's analysis was wider than covering the Work programme for the upcoming year. She concluded by reflecting on the comments on competitiveness and visibility of the ACP's recommendations which would be further discussed with the ACP and within the EBA.

42. The Chairperson concluded by noting the comments and said that during the monthly coordinators' conference call, the coordinators of TGWs would be invited to raise issues and provide suggestions related to the work of the ACP, which would be taken up by the Chair/Vice-Chairs with the ACP.

Agenda item 7: Consumer Trends Report 2024/25

43. The EBA Expert presented the EBA's Consumer Trends Report 2024/25 (CTR). She reminded the Members that the EBA was mandated under its Founding Regulation to collect, analyze and report on consumer trends. To deliver on this mandate, since 2013 the EBA has been publishing regularly a Consumer Trends Report (CTR). Each CTR reported on consumer trends, identified topical issues that arise or have arisen for EU consumers, and reflected on the measure taken by EBA and competent authorities (CAs) to address the issues identified in the previous edition. The topical issues then form the basis for the EBA's priorities in terms of consumer protection for the following two years, e.g., the Thematic Review on fees and charges on 2022, the Report in 2024 on non-bank lenders' (NBLs) creditworthiness assessment (CWA) practices. CTR collected information from 27 CAs, national ombudsmen and EU industry associations. Furthermore, the EBA sought input from EU and national consumer associations, including through a dedicated workshop with representatives as well as complemented the report with statistical information extracted from different data sources, i.e., Eurostat, ECB, Worldbank on all banking retail products and services under the EBA's consumer remit. The Expert added that the methodology of the forthcoming CTR included also the trends observed by the EBA's annually published Retail Risk Indicators (RRIs). In addition, this edition was also introducing, where available, information on activities of NBLs as follow-up action on the EBA's fact-finding exercise on these entities' CWA practices. The CTR 2024/25 preliminary identified three topical issues, i.e., (i) payment fraud, (ii) indebtedness, and (iii) unwarranted de-risking. She briefly summarised follow up measures taken by the EBA and CAs after the previous CTR 2022/23 and said that this report identified two topical issues for EU consumers, i.e., (i) fraud in retail payments, and (ii) over-indebtedness and arrears, which the EBA and the CAs addressed respectively with the EBA Opinion on new types of payment fraud and possible mitigants, the Joint EBA-ECB Report on payment fraud, and national regulatory actions, i.e., circulars, CEO letters, and supervisory measures, (e.g. inspections focussing on fraud prevention and strong customer authentications requirements, communication with consumers, and

staff training). In the area of over-indebtedness and arrears, the EBA published, together with the other ESAs, the ESAs interactive factsheet on inflation and the rise in interest rates and conducted an EBA peer review on supervision of creditors' treatment of mortgage borrowers in arrears. The EBA also published a report on the fact-finding exercise on NBLs and their CWA practices. The CAs developed rules introducing caps on interest rates, enhancing cooperation between lenders and borrowers, as well as supervisory initiatives, i.e., inspections and thematic reviews, and educational initiatives aimed at raising consumers awareness on the impact of the increased interest rates. The Expert then continued by summarising observed trends in retail banking products and services and focused on trends in residential mortgages, consumer credit, payment services and e-money, payment accounts and deposits. She concluded her presentation with an overview of the three topical issues identified in the CTR and with regard to the payment fraud, she said that while this issue was in the past CTRs as well, there were new forms of fraud that were raising concerns, in particular the 'Authorised Push Payment' (APP) fraud, where the payer was manipulated into making a authorised payment to fraudsters, leveraging on social engineering techniques; and unauthorised payment transactions, where fraudsters adopt several techniques (phishing, vishing, spoofing) to lure consumers into executing transactions, with an emerging trend concerning the role of Artificial Intelligence in enabling personalised scams. On indebtedness, as the second topical issue, the Expert noted that the EBA observed four main ways through which this issue materialised and negatively impacted EU consumers. These were related to (i) a significant rise in Buy-Now-Pay-Later (BNPL) and other types of small, fast and short terms credit; (ii) inadequate creditworthiness assessment (CWA) practices, in particular of BNPLs; (iii) inadequate forbearance measures and treatment of consumers in repayment difficulties; and (iv) the lack of or insufficient transparency in the provision of information by lenders. Finally, on the unwarranted de-risking, as the third topical issues, the Expert highlighted three main issues: (i) difficulties in opening, closing, and servicing of a bank account as a result of the alleged need for financial institutions to comply with AML/CFT requirements; (ii) the lack of (prompt) communication from the provider about the denial, suspension, or closure of the account and in particular of the reasons thereof; and (iii) closure of payment accounts without thorough assessment by the financial institutions and/or merely due to a change in commercial policy.

44. The Members welcomed the work. One Member raised concerns related to the persistency of issues that have been negatively impacting consumers and questioned whether the entire consumer protection framework should be reconsidered. Another Member reflected on the gaps in the existing regulatory framework, leaving some lenders (and product categories), fundamentally unregulated, and expressed hope that these gaps would be addressed by the provisions in the revised CCD. One Member informed about their regional experience with fraud and financial crime and said that the use of AI could be beneficial as well as a risk: banks have also been using AI to combat new types of frauds that have emerged with various innovations. On non-bank lending, the Member said that following the introduction of repayment assessment of all lenders, an improvement of the situation

has been observed in the region. One Member was of the view that the biennial edition of the CTR was not sufficient and proposed introducing an annual publication, perhaps alternating between the current, comprehensive format and a shorter version. He also mentioned the BSG's input to the ESAs' Consumer Protection workshop organised by the EBA in 2024 and pointed at graphs included in the presentation on fixed, variable and mixed interest rates, which should be presented separately. Another Member questioned the observed decline of e-money issuers and clarified that they were always concentrated in a small number of EU member states, and it was not so relevant where they were based as they were offering cross-border services. Another Member, while agreeing with topical issues as identified by the EBA, noted a need to adjust measures in order to address events on the market in a timely manner.

45. In her response, the Expert clarified that the EBA followed up on its findings in each edition of the CTR and mentioned, as an example, its mystery shopping initiative. She also acknowledged that the requirements of the Consumer Credit Directive (CCD) were expected to address many of the gaps previously observed by the EBA's factfinding exercise on NBLs and their CWA practices. With regard to the frequency of the CTR, she explained that the EBA's focus was on high-quality data, collection of which required some time, similarly to the implementation of follow up measures both at the EBA and at the national level on which the EBA also reflected in the CTR. She added that the graphs used in the presentation were from sources which used the methodology that resulted in the presentation of the outcomes as shown in the slides.
46. The Chairperson concluded the discussion, which had been extended to allow more BSG Members to engage, by noting further comments by the Members and said that these could be discussed further after the publication of the CTR planned in the coming weeks.

Agenda item 8: BSG response to the Consultation paper on the GLs on proportionate retail diversification methods

47. The BSG Member summarised the BSG's response to the EBA's consultation paper on the Guidelines on proportionate retail diversification methods under Article 123 of CRR III which mandated the EBA to specify proportionate diversification methods under which an exposure was to be considered as one of a 'significant number of similar exposures', for the purpose of defining the retail exposure class. The BCBS proposed as a criterion that no aggregated exposure to one counterparty could exceed 0.2% of the overall regulatory retail portfolio, unless national supervisors have determined another method to ensure satisfactory diversification of the regulatory retail portfolio. The Guidelines leveraged on this approach, but introduce an additional tolerance, whereby exposures exceeding the threshold could be considered as retail exposures, as long as they did not represent more than 10% of the total retail portfolio. In the BSG' response to the consultation paper, the Members confirmed the expected impact on smaller banks and highlighted the need for further investigation. The presenting Member also stressed the need to ensure clarity and

simplicity of the diversification test, including the definition of ‘exposure value’, as this was not clarified in the consultation paper. A proposal would be to align with the concept of the amount owed, which was already applied in the other retail criteria for the absolute threshold definition.

48. The BSG Chairperson asked about the difference between iterative and non-iterative approach, given that working group members had not expressed a definite preference on which approach to take and asked if there was merit in exploring in further detail which method would be most appropriate.
49. The EBA Policy Expert in response to the presentation and the comment, stated that compared with the Basel III approach, the EBA has been more lenient with the tolerance allowed and would continue to make efforts to limit unintended consequences. The Guidelines included a request to receive some data which would come from small banks. He stated that the Guidelines referred to exposure value because Article 123 CRR references this concept, which was defined in Article 111 CRR III, but this reference could be reviewed. He also stated that there was no strong preference concerning the iterative and non-iterative approach. The iterative approach made more sense from a pure risk perspective as it ensured that the final portfolio was diversified, but it could also lead to some extreme results (exclusion of the full portfolio). Therefore, the EBA welcomed comments from the industry on this aspect. He acknowledged that the impact on small banks could be significant, but this reflected the higher risk of the portfolio in these banks, considering that for a small bank diversification was harder to achieve.
50. The BSG Chairperson concluded by noting the Members’ comments.

Agenda item 10: AOB

51. The BSG Chairperson announced the upcoming Joint BoS/BSG conference call on 25 March 2025 and the BSG conference call on 01 April 2025.

Annex 1: Attendance list

Participants of the Banking Stakeholder Group conference call on 05 February 2025

Attending

First Name	Surname	Institution	Country
Julia	Strau	Raiffeisen Bank International AG	Austria
Christian	Stiefmueller	Finance Watch AISBL	Belgium
Dominique	Carriou	ESBG	Belgium
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For the Banking Stakeholder Group

Done at Paris on 14 March 2025

[signed]

Christian Stiefmueller

BSG Chairperson