

European Banking Authority study on EU dependence on non-EU banks and on funding in foreign currencies

Scope of EBA analysis

In the context of the strategy that the Commission is pursuing for strengthening and making the EU financial system more resilient, the Commission intends to mandate the European Banking Authority to conduct a study in 2021 and 2022 on the dependence of the EU economy on non-EU banks (mainly investment and corporate banks) and on the reliance of EU banks on funding in foreign currencies.

The ultimate objective of the study is to identify the criticality of these operators and of their services/products for EU businesses and financial stability, and the drivers behind possible competitive advantage of non-EU operators with respect to EU ones. The study should also possibly identify the extent and relevant sources of funding in foreign currencies, and the business purposes that such funding intends to pursue.

To the extent possible, the analysis should leverage on data collected by the EBA in the context of the periodical supervisory reporting and/or other data collection exercises, and should cover more than one year, where this is necessary as a matter of robustness and significance of the outcomes. The Commission acknowledges that these data may not be sufficient in all cases to investigate the matters at stake. In such a case, the EBA could conduct ad-hoc surveys among banks in the EU, with the support of National Competent Authorities where necessary, and use additional data sources, like specialised info-providers, where available and necessary.

The geographical scope of the analysis should be the EU-27, and the details should be at EU, MS and bank (consolidated) level, where relevant and appropriate for the purpose of the analysis.

The areas of analysis proposed in the following are for initial discussion at technical level between the European Commission and the European Banking Authority to assess their feasibility, and possible needs to resort to extra data collection. Based on such a discussion, the scope and areas of analysis may be refined.

The EBA should complement the data analysis by fact-finding assessment of possible drivers/barriers for the provision of specialised financial services by EU banks. In this respect, the study could explore, inter alia, the role of the denomination currency of underlying transactions in favouring non-EU banks compared to EU ones (for example due to cheaper funding conditions or access to investors' basis). The EBA should possibly finalise the study by June 2022 and deliver intermediate results by December 2021 for the analyses based on regulatory reporting.

1. Provision of financial services by non-EU banks (operating via branches and subsidiaries of non-EU banks)

- a. Market concentration and relative share of non-EU banks vis-à-vis EU banks, with a focus on Investment/Corporate banks (by e.g. Member State and on EU level, type of assets and liabilities, main income items)
- b. Possible drill-down of the analysis under (a) by business services/products
- c. Possible drill-down of assets and liabilities of non-EU banks by, e.g., financial instrument, counterparty's sector and country
- d. Dependency (e.g. relative share of business volumes) of EU banks from EU and non-EU financial operators (e.g. banks, investment firms, payment institutions) and market infrastructures (e.g. CCPs, CSDs and payment infrastructures)

2. Funding in foreign currencies

- a. Drill-down of EU banks' assets and liabilities by foreign currency
- b. For banks with significant foreign currencies exposure (5% of liabilities ex Regulation (EU) 575/2013 Art. 415):
 - i. LCR/NSFR in significant foreign currencies
 - ii. Drill-down of foreign currencies funding by business needs, maturity, type of funding
 - iii. Source of funding in foreign currencies