



EBA BSG 2020 001

Banking Stakeholder Group

03 December 2019

Location: Paris

EBA-Regular Use

Banking Stakeholder Group meeting – Minutes

Agenda item 1: Welcome and adoption of the agenda and minutes

1. The EBA Chair and the BSG Chair welcomed the participants.
2. The BSG approved the agenda and the Minutes.

Conclusion

3. The BSG approved the agenda of the meeting and the Minutes of the previous meeting.

Agenda item 2: BSG update on the latest developments

A) The BSG Chairperson to report on BSG activities since the October meeting

4. The BSG Chair provided an update on the organisation of the BSG's work. She started by giving an update on the BSG letter voicing discontent on some aspects of the ESAs' Review; specifically on the lack of transition measures and the reduction of academics in the new BSG composition. She mentioned that this letter was signed by all BSG members.
 5. Additionally, the BSG Chair noted the need to liaise with other ESAs' SGs in order to finalise the joint position paper.
 6. Also on the ESAs' Review, the BSG Chair asked the EBA to give an update on the regulation's entry into force and wondered as to whether there would be a phasing out. She added that the BSG's work has been suffering from the uncertainties of this entry into force.
 7. The BSG Vice-chair pointed out the circulation of the dashboard that outlined the BSG activities divided among five working groups and two horizontal groups. He also mentioned the Basel III workshop on 06 December 2019.
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8. The BSG Chair informed of the BSG's participation in the EBA research workshop on stress tests on the 27 and 28 November 2019.

B) Progress update from Technical Working Groups

9. The BSG Chair and Vice-chair gave an update on the two horizontal groups, one on Banks Business Models and another one on AML/CTF. Updates on each of the following five working groups followed: 1) Capital, Liquidity, Recovery, Resolution, and Risk; 2) Supervision, Governance, Accounting, Reporting and Disclosure; 3) Consumer protection; 4) Payment, Fintech, Regtech; and 5) Sustainable finance.
10. The Chair of the Working Group 1 (Capital, Liquidity, Recovery, Resolution, and Risk) informed that they worked on the preparation for the 6 December 2019 Basel III workshop. They noted that there were a lot of contributors and that participants from the ECB, the European Commission as well as many academics confirmed their participation. The Chair noted that the final agenda of the workshop would be circulated on the 3 or 4 December.
11. The Chair of the Working Group 2 (Supervision, Governance, Accounting, Reporting and Disclosure) indicated that they worked on pillar 3 (CP on comprehensive ITS for financial institutions public disclosure) and that a document would be drafted and circulated in the following weeks.
12. The Chair of Working Group 3 (Consumer Protection) informed that they decided to work mainly on two topics - the Consumer Credit Directive (CCD), and the EBA's Work Programme and the issue of the rise and unilateral changes to fees and charges.
13. The Chair of Working Group 4 (Payments, Digital, Fintech and Regtech) listed the two issues the working group decided to focus their attention on; Open Banking and Open Data, and Crypto Assets. Moreover he noted that the allocation of the paperwork between the group's members has been started.
14. The Chair of Working Group 5 (Sustainable Finance) indicated that their main priorities for the future would be based on the EBA Work programme, especially focused on the inclusion of climate risk in stress tests. The Chair also mentioned that the goal of the group was to finalise their sustainable finance paper by 6 December 2019.
15. All BSG members agreed on the fact that the BSG's working groups dashboard was very useful and should become a regular feature for every BSG meeting. The Chair of the BSG added that the dashboard needed to be in line with the EBA roadmap and Work programme, moreover she encouraged the BSG to keep this dashboard when the new BSG composition would take over.
16. All BSG members voiced their appreciation for the work done by the BSG Chair during her tenure.

17. The EBA Chair expressed his appreciation for the work done by the BSG, as well as the alignment of the BSG's work with the EBA's priorities. On the composition of the BSG, he noted the need to coordinate with the other ESAs. Additionally the EBA Chair encouraged all BSG members to apply again to be part of the new BSG composition.
18. The BSG Chair inquired as to the when the last BSG meeting with the current composition would take place. The EBA Head of Unit of Policy Coordination (PAC) replied by stating that this BSG group would meet again in February. He then informed that the call for application for the new BSG would be issued in January and that the new BSG composition would take over in the second quarter of the year (2020). Also, as previously mentioned by the EBA Chairperson, he confirmed that the current BSG members would need to re-apply if they want to be in the new BSG composition.
19. One BSG member inquired as to the selection criteria for the new BSG. The EBA Chairperson outlined the need to respect various criteria such as geographic and gender balance as well as fairness in the interests represented when considering new potential members.
20. On the topic of term limits in the new BSG composition, the EBA Head of Unit Legal Services (Legal) added that the term limit would be two four years terms. However, he noted that exceptionally, the current BSG members, even those that are in their second term, are welcome to apply for an additional term.
21. With regard to the ESAs review letter, the Head of PAC inquired as to whether the BSG was planning on sending the letter to the co-legislators, to which the BSG Vice-Chair informed that this letter would be sent to the EC, European Parliament (EP) and the EU Council.
22. Additionally, the BSG Chair explained that the ESAs review was not a positive thing for academics, as their role would be diminished through the reduction of BSG member slots allocated to academics to 4. She continued by saying that while the new composition of the BSG would spark interesting discussion, there might be a lack of independent parties.
23. One BSG member wondered if the EBA would send an individual letter to each BSG member, informing them of their termination and, if so, if these letters were open to challenge. The Head Legal answered that the EBA would inform the BSG members individually of their termination.
24. Some BSG members, while stating that they wholly support the letter on the ESAs' Review, voiced their discomfort with the fact that the signed letter would be sent to the EC, EP and Council as the members did not want the name of their institution attached to the letter. Moreover, they asked whether their signature was on behalf of their institutions or their individual person. The BSG Chair confirmed that the BSG members signed the letter in their personal capacity and that their signature reflected their individual position and not their institution's position. Moreover she added, that under the name of the signatories there would not be the name of their institutions.

25. The EBA Chair continued by informing that the signed letter would first be given to the EBA for publication on the EBA's website and then after consultation with the other ESAs SGs, sent to the EU Commission, Parliament and Council. Moreover, she noted that letter would have more of a longer term impact than a short term one.
26. With regard to the publication of the signed letter on the EBA's website, the BSG Chair and its members agreed not to publish their individual signatures on the website to prevent duplication and fraud.

Agenda item 3: EBA update on general developments

27. The EBA Chair updated the BSG on the most recent developments at the EBA. He mentioned the EBA 2020-2022 multi-annual Work programme, which defined the strategic priorities that the EBA has proposed for the forthcoming years, and summarised the main objectives derived from the mandates specified in the legislation. Additionally, he discussed the annual 2020 Work Program that detailed the tasks to be delivered within the year and the resources needed for that purpose. He also outlined the six strategic and two horizontal priorities for the EBA's work in 2020. The strategic priorities were: 1) Support the development of the risk reduction package and the implementation of the global standards in the EU; 2) Providing efficient methodologies and tools for supervisory convergence and stress testing; 3) Moving towards an integrated EU data hub and a streamlined reporting framework; 4) Making AML a real priority for the EU; 5) Contributing to the sound development of financial innovation and sustainability; 6) Promoting an operational framework for resolution. The two horizontal priorities were: 1) Ensuring effective cooperation with third countries, and 2) improving a culture of good governance in financial institutions.
28. With regard to the first strategic priority, the EBA Chair informed that the EBA would work intensively on the mandates from the RRM package with a view to delivering the Level 2 regulations necessary for the implementation of the new CRD, CRR and BRRD, together with the introduction of the IFD/IFR regime and the Covered Bonds Directive. He noted that these regulatory changes would follow clear roadmaps and aim to (i) reduce excessive leverage, (ii) address long-term funding risk, (iii) address market risks by increasing the risk sensitivity of the framework and enhancing proportionality, and (iv) ease the compliance burden for smaller institutions. Additionally, he mentioned the importance of the implementation of more risk sensitive requirements for market risk, following the Basel work on the fundamental review of the trading book (FRTB). He then continued by informing of the need to finalise the EBA IRB roadmap for calculating minimum capital requirements for credit risk because of the concerns about the excessive variability of capital requirements for credit risk, stemming from the application of internal models. On the new Investment Firm Directive and Investment Firm Regulation, the EBA Chair said that the EBA would concentrate on completing mandates in relation to capital requirements and capital composition, consolidated supervision, reporting, disclosure on Pillar 3, credit institutions criteria and concentration risk. On the new Covered Bonds Directive, he outlined the three reports monitoring that the EBA had the functioning of the covered bonds market, equivalent assessment of third country covered bonds and

development with conditional pass-through structures. Finally, he re-affirmed that the EBA would work with the EC and later with the co-legislators to support the implementation of Basel III standards in the EU.

29. With regard to the second strategic priority, the EBA Chair informed that the implementation of the RRM package together with the preparation of the application of the new global standards in Europe requires a number of important reconsiderations of Pillar 2 policies to enhance convergence in supervision. Thus, he noted that the EBA would start consulting on Pillar 2 revisions, improved incorporation of proportionality, coherence with Pillar 1, and the levels of application policies on capital and liquidity. He added that the EBA would continue monitoring own funds and liquidity provisions with a focus on capital and liability instruments, the termination of grandfathering of own funds instruments, and the use of discretions in the area of liquidity transactions for the LCR computation because it provided value for banks and for supervisory convergence. He continued by stating that the EBA would carry out another EU-wide stress test, in line with its previous decision to aim for a biannual exercise. He noted that while fundamental changes would not be introduced to the stress-testing approach, which would continue to be a constrained bottom-up exercise, improvements would be introduced in the methodology.
30. With regard to the third strategic priority, the EBA Chair informed that the EBA aimed to complete the last phase of the EUCLID project, which would focus on the upgrade of the EBA's supervisory data platform that supported data collection, data validation, data integration and report monitoring. He also mentioned that this work would establish the EBA as an EU-wide data hub at the service of competent authorities and the public.
31. With regard to the fourth strategic priority, the EBA Chair noted that the EBA in cooperation with the other ESAs would strengthen its role in the area of AML/CFT, following the Commission's communication on the AML action plan. Moreover, he added that the EBA would contribute to preventing the use of the financial system for ML/TF purposes by: a) continuing its work on policy development and supervisory implementation and convergence; b) strengthening its role in the collection, analysis and dissemination of information related to ML/TF risks and to AML/CFT supervision; c) being empowered to request national AML/CFT supervisors to investigate potential breaches of EU law and to consider asking an institution to cease a particular conduct; d) carrying out assessments and peer reviews of NCAs' approaches to AML/CFT supervision, and risk-assessing national competent authorities; e) cooperating and liaising with FIUs as well as with third country counterparts in relation to AML/CFT.
32. With regard to the fifth strategic priority, the EBA Chairperson informed that the EBA would continue to build environmental, social and governance (ESG) considerations into its general work and would complete the second phase of its preparatory work on disclosure and risk assessment in the area of sustainable finance, leading to a Discussion Paper on the incorporation of ESG into risk management and supervision (CRD and IFD mandates). He mentioned that the EBA would also undertake preparatory work on the classification and prudential treatment of assets from a sustainability perspective (CRR and IFR mandates) and

will deliver the TS of the Joint Committee of the ESAs on disclosures (investment and advice activities). Additionally, he indicated that the EBA would continue delivering its FinTech roadmap by monitoring financial innovation and ensuring that regulation remains technologically neutral while assessing the impact on business models and the regulatory perimeter. He also noted that the EBA would continue to strengthen the European Forum of Innovation Facilitators (EFIF) and will also develop thematic work on crypto assets and distributed ledger technology as well as assess the potential implementation of a harmonised framework on cyber resilience testing.

33. With regard to the sixth strategic priority, the EBA Chair informed that the EBA was planning to deliver the mandates, starting with expediting the ones that are essential to the operationalisation of the resolution framework, such as on the MREL, as well as focus on some practical aspects that stem from on-the-ground implementation experience and appear necessary for the execution of resolution decisions with a particular focus on bail-in.
34. Aside from these six strategic priorities, the EBA Chair outlined the need to continue fostering consumer protection and the need for a good implementation of the ESAs review changes.
35. The EBA Chair then focused on the EBA's measures and actions on AML risks with ASPSPs, PISPs and AISPs. He indicated that the EBA published a report identifying potential impediments to the cross-border provision of banking and payment services in the EU, which identified two challenges, the first one being the identification of when a digital activity was to be regarded as a cross-border provision of services and the second one being the areas of EU law that were not fully harmonised or were not yet covered by EU law. He then stated that the EBA recommended the EC to take action on this matter.
36. The EBA Chair gave an update on the work of the EBA on Customer protection and security in particular EBA's work on Innovation and Fintech operational resilience. He informed that the BoS recently approved the final Guidelines on ICT and security risk management, which aimed to address the EC FinTech Action Plan request to the EBA to draft Guidelines on ICT risk management and mitigation requirements in the EU financial sector and to ensure a consistent approach across all institutions and a level playing field in the EU financial sector.
37. The EBA Chair updated the BSG on the EBA roadmap on the review of IRB models. He drew attention to the fact that the EBA recently published a progress report on the roadmap set out in 2016 to repair internal models used to calculate own funds requirements for credit risk under the Internal Ratings Based (IRB) approach. He denoted that this roadmap aimed to address the concerns about undue variability of own funds requirements and to restore trust in IRB models by ensuring comparability of the estimates of risk parameters, while retaining their risk sensitivity.
38. With regard to the future of stress test in the Banking Sector, the EBA Chair mentioned the EBA 2019 Policy Research Workshop on "The future of stress tests in the banking sector: approaches, governance and methodologies", and thanked the BSG member that participated

in this workshop. Additionally, he indicated that the EBA was close to launching the 2020 EU-wide stress test and, in parallel, the EBA was considering possible changes for improving the value added to the exercise in the longer-term. He then informed that the upcoming 2020 exercise would be in line with the one that the EBA ran in the past as the EBA has aimed at keeping the methodology stable, while improving some aspects based on lessons learnt and banks' feedback. Also, he stated that compared to the past, the EBA agreed to publish Pillar 2 requirements and clarify how the maximum distributable amount (MDA) rules were applied, which should make the publication of the results more informative.

39. The EBA Chair concluded his update on general developments by informing on the Supervisory Reporting Framework 3.0. He indicated that the EBA launched a public consultation on the revised Implementing Technical Standards (ITS) on supervisory reporting, which aim to keep the reporting requirements in line with changes in the regulatory framework and with the evolving needs for Supervisory Authorities' risk assessments. He noted that a public hearing took place at the EBA premises on 2 December and that BSG Members are invited to send their feedback by 16 January 2020.
40. The BSG Chair stated that the Work programme presented by the EBA Chairperson was ambitious. One BSG member inquired on the increase of level 2 mandates to the EBA. He also queried if the EBA knew of the creation of any supervisory body on AML. In this regard, one BSG member asked what might be the measures that could potentially be implemented in the area of AML.
41. The BSG Vice-Chair inquired as to what the role of the EBA would be in improved stress tests. With regard to the transposition of Basel III in new EU regulation, one BSG member wondered if the EBA intended to publish a new report on SMEs and the SME Supporting Factor.
42. The BSG Chair asked if the integrated EU data hub would be available to researchers and academics, as well as where the data would come from. She continued by inquiring as to whether the stress tests are pushing banks to review their IRB approach. She concluded by wondering how to link NPL to the risk reduction package.
43. In his response on AML related questions, the EBA Chair informed that the debate on AML at the EP, EC and EU Council was starting to take shape. Moreover, he noted that a new supervisory body on AML would imply changing Level 1 legislation. He also added that the EBA was not currently engaged in the debate and that the EBA limited itself to the mandates that have been given by the ESAs review; to lead AML supervisory convergence through policy reviews and coordination among national authorities.
44. With regard to the integrated EU data hub, the EBA Chair noted that it would not only be a transaction database, also that for the moment not everything would be available to externals.
45. With regard to stress tests, the EBA Chair outlined the possibility of putting forward two views, which would be a supervisory view and a bank view with the possibility of relaxing some of the methodological constrains, this will enhance transparency and help the supervisory

assessment (Pillar 2). He then noted that on the systemic risk aspect of the stress tests, the EBA would start thinking of a top down approach but would continue with bottom up approach. He mentioned also the need for the EBA to be in control of assessing the methodology.

46. On the risk reduction package he stated that the ratio of NPLs have dropped by half in the last 4 years.
47. Another BSG member inquired as to whether the use of the data collected by the EBA was effective. The EBA Chair noted that the EBA has a mandate on how to assess integrated reporting and that it was closely working with resolution authorities. Moreover he informed of the burden of the ad hoc requests.

Agenda item 4: Topics presented by BSG members

A) First time application of IFRS 9 in European Banks

48. The Chair of the BSG's Working Group 2 presented the results of the work conducted on the first time application of IFRS 9 in European Banks. He started by the concept of accounting for financial instruments by mentioning the two divergent theoretical accounting principles: Historical cost accounting and full fair value accounting. He then outlined the main differences of classification of financial assets under IAS 39 and IFRS 9 and described the main features of the new impairment model introduced by IFRS 9. He continued by informing on the starting point of the empirical study conducted: 78 banks directly supervised by the ECB with a cut-off day on the 1st march 2019. He concluded by discussing the general findings of the study.
49. Following the presentation, a BSG member noted that there was no information on the variation of new credit granted. He found this information to be crucial as it would help to gather a better understanding of the potential implications of the new standard on the provision of credit to the real economy. Another BSG member wondered if the BSG presenter had assessed the quality of disclosures provided by banks in their financial statements. An additional BSG member stated that the risk of reducing maturity was not minimal. Moreover, she added that risk needed to be monitored going forward and that the procyclicality needs to be assessed. She concluded by querying the EBA on the constituency of accounting and prudential frameworks. Yet another BSG member wondered how effective IFRS 9 was in preventing procyclicality and asked if the EBA would be ready to support such empirical studies with more data.
50. In his response to the aforementioned questions, the BSG presenter informed that while we cannot see the variation of new loans we can see that the volume of loans has been shrunk. With regard to disclosures he stated that indeed there were areas where disclosures were poor as only 50% of what should be disclosed was effectively disclosed.
51. The BSG Co-Chair thanked the BSG presenter for his useful and clear presentation and the BSG members for their pertinent questions.

52. In her response to the presentation and the follow-up questions, an EBA policy expert informed the BSG that the EBA was working on IFRS 9. She remarked that the findings by the study outlined in the presentation were similar to an EBA report published in December 2018, even if the sample of banks was different. With regard to the EBA providing more data, the expert indicated that the EBA published in July of this year the IFRS9 roadmap and launched an IFRS 9 benchmarking exercise on a sample of institutions which was aimed at analysing the different modelling practices followed by institutions, as well as, how IFRS 9 implementation impacted the amount of expected credit losses in terms of own funds and regulatory ratios. EBA Staff concluded by mentioning that pro-cyclicality is addressed in specific initiatives launched by the EU Systemic Risk Board.

B) Presentation on sustainable finance final policy paper

53. The Chair of the BSG's Working Group 5 (Sustainable Finance) presented the Draft Policy Paper on Sustainable Finance. He started by outlining the drafting process that was launched in July 2019 and that aimed to be finalised in early December 2019. He continued by listing the key messages. He also mentioned the need for more discussion around the link between the EU Ecolabel criteria development process, and, EU taxonomy and transition phase to neutrality carbon economy.
54. The BSG Chair noted that some points in the policy paper are "non consensus points" as not all BSG members supported them.
55. One BSG member was critical of the European eco label for financial products. Another BSG member inquired as to the definition of what an eco-label product was, and, if there was a link between the eco-label process and the standard for green bonds. An additional BSG member stated that there should not be a gradient colour coding for the label, but rather a "yes" colour and a "no" colour, no in-between.
56. With regard to the taxonomy of the eco-label, one BSG member noted that the taxonomy needed to account for the transition. Another BSG member, voiced his support for the eco-label and that it should be transparent for the consumers. Moreover, he mentioned that he would not see why the transition period would be removed. An additional BSG member stated that applying the taxonomy to the whole "universe" would be wrong as a lot of things were not classifiable in this. She also noted that the taxonomy was not going to be used for stress testing, prudential rules, climate risk, as these require more complex ways to be dealt with.
57. One BSG member pointed out that the major problem with the eco-label was the no shading in the eco-label, making it less transparent. In addition, he stated that there should be a separate label to identify transition activities, so that consumers can clearly choose between them. Another BSG member voiced her support for green bonds to be included in the ecolabel project. An additional BSG member supported the previous two members by outlining that there should be two labels should be as it should be up to customers to decide. Furthermore, he added that the taxonomy should enable consumers to quantify what the contribution for the transition is.

58. As a response to paragraph 19 of the BSG Policy Paper, the EBA Chair informed that entities needed to be aware of what the risks of their existing activities were.
59. With regard to the taxonomy, the Head of Unit Banking Markets, Innovation and Products (BMIP), noted that while the taxonomy defining criteria for sustainable activities, the EBA is working on an approach to the risks classification of assets from sustainability perspective as part of its risk analysis work.
60. The Chair of Working Group 5, stated that the position paper would be published by the end of the week.
61. With regard to the implementation of disclosure of innovation, one BSG member mentioned that there were only two months to be compliant with the technical standards. He asked if it was possible for the ESAs to issue the technical standard in June and not December.
62. In her response, the Head of BMIP noted that the consultation paper on the ESAs technical standard on disclosure was planned for Q1 2020 and the finalized version for Q1 2021. She conclude by saying that work on it was advancing well and that industry can already work with the consultation paper to start preparing for implementation.

Agenda item 5: EBA update on regulatory deliverables

A) CRD-CRR and BRRD roadmaps – Update on the EBA’s mandates

63. The Head of PAC presented the CRD-CRR and BRRD roadmaps that were published on 21 November 2019. These roadmaps provide an overview of the content and timeline of key mandates allocated to the EBA in the Risk Reduction Measures (RRM) Package, composed of CRD5/CRR2 and BRRD2 and published in the Official Journal on 7 June 2019. He explained that this document should help BSG members organise and prioritise their input to upcoming consultations on these mandates.
64. With regard to Governance and Remuneration, the Head of PAC noted that the EBA was planning to achieve a more balanced and robust governance for the whole banking structure via the six mandates that the EBA was given. On Large Exposures, he mentioned that the EBA’s main goal was to take decisive steps to manage concentration risk, including shadow banking via the seven mandates that the EBA was given. Going further, on Pillar 2, he informed that the EBA’s objective is to provide more clarity on Pillar 2 requirements via the five mandates given to the EBA. Additionally, on Resolution, he informed of EBA’s goal to seeing resolution in action via the 13 mandates give to the EBA. Furthermore, on Disclosure, he said that the EBA’s wants to achieve a comprehensive Pillar 3 framework via the five mandates given. Finally, on Supervisory Reporting he noted that the main goal is to achieve a more efficient and proportionate supervisory reporting via the nine mandates given.
65. The Head of PAC concluded his presentation by stating that, in line with the RRM mandates, the EBA would also update the Interactive Single Rulebook (ISRB) and as part of this review all

relevant technical standards, guidelines and linked Q&As. Moreover, he added that the EBA would seek to further develop the ISRB in line with article 519c CRR3 which entails the obligation to set up an electronic compliance tool.

66. One BSG member discussed the possibility of creating a BSG committee on governance and remuneration, in order to better follow the EBA's new mandates and developments on this area.
67. With regard to the Interactive Single Rulebook (ISRB), one BSG member stated that it would be very helpful if the EBA would keep versioning the rulebook as this would enable users to see how the regulation was in the past and see the changes.
68. Another BSG member noted that the BSG would like the EBA to identify specifically the areas where the EBA needed more input from the BSG, so that the BSG can focus its attention and work on such areas.

B) Update on consumer protection, financial education (EBA Infographic on consumer rights and related initiatives), and payment services

69. The Head Unit Conduct, Payments and Consumers (COPAC) gave an update on consumer protection and financial education. He started by informing that one of the mandates conferred on the EBA is to 'review and coordinate financial literacy and education initiatives by the competent authorities' in the EBA Founding Regulation. He noted that, in fulfilment of this mandate, the EBA had issued a the 'Financial Education Report' (FER) on 1st March 2018, which summarised 80+ education initiatives taken by NCAs, drew out lessons learned, and this gave an opportunity for other national or international organisations interested in financial education to learn about, and possibly build on, the work carried out by CAs across the 28 EU Member States. He continued by stating that the EBA was currently updating the EBA's financial education repository and expects to publish the 2nd edition of the Financial Education Report (2019/20) in March 2020.
70. Additionally, he mentioned that the EBA was examining complementary measures to fulfil its financial education mandate, including through the development of topic-specific and user-friendly infographics to educate consumers. The Head of COPAC then presented the first such EBA Infographic, on consumer rights when buying banking products online or via mobile apps. He mentioned that the goal of this infographic was to raise awareness with consumers on key steps to keep in mind when choosing financial services through digital channels, based on research and analysis the EBA had carried out. He also pointed out that the infographic included tips that consumers should bear in mind before choosing a service and when concluding an agreement for a particular service.
71. He concluded his presentation of the infographic by stating that it was currently being translated into all official EU languages and that CAs would re-produce a translated version of the infographic in their respective jurisdictions, on their website or other means of communication of their own choosing. He asked for comments from BSG members on the

content and presentation of this infographic so that the EBA could take them into account as and when additional such infographics were to be developed in the future.

72. The Head of COPAC also provided an update in the area of payment services by outlining the topics on which the EBA would focus in 2020, in particular the RTS on Strong Customer Authentication and Common and Secure Communications (SCA&CSC), Guidelines on reporting of operational and security incidents (GL-2017-10) and Guidelines on reporting of payment fraud (GL-2018-05). With regard to the RTS on SCA&CSC, he informed that the EBA would monitor the migration of industry towards SCA compliance for electronic card based transactions, as well as monitor the compliance of ASPSPs with requirements on interfaces to account access and engage with its Working Group on APIs to understand and possibly address remaining issues. With regard to the GL-2017-10, he noted that the Guidelines have been applicable since 13 January 2018 and that Payment Services Providers (PSPs) have started reporting incidents to CAs, and CAs to EBA & ECB, which have then to assess the reports to identify the need for further action. With regards to GL-2018-05, he pointed out that the first reporting is due by end of 2019, with data covering 2019H1. He also added that the EBA was planning to make minor amendments to these guidelines in January 2020, to reflect clarifications provided by the EC in August 2019 via the EBA's Q&A tool, on the applicability of SCA to so-called merchant initiated transactions and one-leg transactions. He also mentioned that the EBA was going to work with the ECB to integrate the guidelines into future ECB Statistics Regulation and avoid double reporting for PSPs.
73. The BSG Chair stated that she found the infographic very useful as it was an important tool to communicate better on consumer protection issues. She also added that she was very pleased that the infographic would be translated in all EU languages and circulated by the CAs.
74. A BSG member voiced his support towards the infographic and added that it would be good to look at the lessons learned of public-private cooperation models in respect of financial educations.
75. An additional BSG member found the infographic useful, but commented that there was no indication as to who the consumers would have to contact in case of complaints. Additionally he asked what were the remaining issues not addressed by this infographic.
76. Another BSG member voiced his surprise at the fact that the BSG was only informed of this infographic and had the opportunity to see it only after the official publication on EBA's website. He noted that the EBA had a few occasions to present it to the BSG before publication. He concluded by also mentioning that it might be a good idea for the next infographics to distinguish between different types of products.
77. In relation to the EBA's work on strong customer authentication, one BSG member stated that the PSD2 could lead to less fraud and improve consumer's experience and asked to what extent the EBA was assessing the success in achieving this.

78. Another BSG member pointed out fees and charges, which she said are the other side of the coin and that consumers must also make sure that they are not paying too much because of hidden fees.
79. A BSG member was supportive of the infographic but stated that additional things should be included, such as the fact that consumers have the right to ask for some advice and the right to withdraw from an agreement. Other member noted that the infographic was focused on protecting end-users. As such he proposed to have an additional infographic, on the topic of SCA&CSC, as this way it would be easier for the consumer to understand it. Additionally, he inquired as to whether the EBA planned to have some kinds of requirements from CAs based on operation risk.
80. In his response to the last question raised, the Head of COPAC noted that the EBA does monitor in various ways whether the many objectives of the PSD2, such as improving security and enhancing competition, are being achieved. One such way is to monitor the number of firms obtaining authorisation for the two new types of services that PSD2 has established: account information and payment initiation services. The EBA does so through its Register of payment and electronic money institutions under PSD2, which has not only been visited more than 500,000 times, by around 5000 users from 80+ countries, but which shows that 170 payment and electronic money institutions have obtained such an authorisation, many of which are new entrants to the market, and that early indications therefore suggest that the competition objective is being met. Other ways through which the EBA monitors the extent of success are the performance indicators set out in the EBA opinion on the migration to SCA, security the incident reports and, from 2020 onwards, the fraudulent payment statistics.
81. In response to the comments on the infographic, the Head of COPAC informed the BSG that infographics were a new territory and that the final agreement to publish the infographic at all across the 28 NCAs was reached only 6 weeks before publication that no draft could therefore be shared with the BSG at an earlier stage, and that it was the aim of today's presentation for the EBA to to learn how future infographics could be improved. He also stated that the next infographic would come to the BSG at an earlier stage and that the suggestions by some BSG members to consider issuing product-specific infographics were useful.
82. With regard to the comment by a BSG member on the possibility of the EBA doing an infographic on SCA&CSC, the Head of COPAC pointed out that the EBA had deliberately not covered this important topic as PSD2 conferred a mandate on the EU Commission to produce an electronic leaflet on this very topic, which was published on the EC's website only recently.

Agenda item 6: EBA's update on the latest developments of the ESAs' review

83. After the approval from the BSG, the item was dropped from the agenda.

Agenda item 7: EBA Risk Assessment Report – key conclusions and messages

84. An EBA bank sector analyst presented the main elements of the 2019 Risk Assessment report (RAR). On the asset side, he highlighted the increase in total assets that confirmed the end of the deleveraging process and the increase in the riskiest loan exposures (consumer, CRE and SME lending) since 2014. He also noted the improvements in asset quality but pointed out that the percentage of banks expecting a credit deterioration has increased. With regard to liabilities, he stated that banks have taken advantage of favourable market conditions to issue MREL-eligible debt. He added that an increasing number of banks charges or plans to charge negative interest rate to depositors and that the effects of such measure are yet uncertain. On capital, he informed that after several years of increases, CET1 ratios have stabilised. He then pointed out that capital buffers are unevenly applied across countries and that the EBA is currently working to improve the application of some of these buffers. To conclude his presentation, the EBA representative outlined some of the RAR policy recommendations. In particular, he mentioned that banks should take advantage of the current low interest rate environment to build up their MREL buffers. Additionally, in order to improve profitability, banks are recommended to streamline their operating expenses. Moreover, banks and third-party providers are advised to count on adequate means to deal with cyber risks, and to properly identify and address AML/CTF related operational weaknesses.
85. Some BSG members criticised the conclusions and recommendations of the RAR. A member argued that banks have increased their IT spending mainly to comply with regulatory requirements.
86. A member asked if the EBA knew the percentage of banks investing in FinTech firms. He said that it would be interesting to look into the links between banks and FinTech industry, namely, into the effects of these investments in operational risk and RoE.
87. Another member express his doubts about the sustainability of a situation where RoE is consistently below the CoE while other wondered if banks loans interest rates were actually covering all the inherent risks.
88. The EBA Chair pointed out that the RAR fully captures all the relevant risk affecting the EU banking sector. He mentioned that banks are facing a serious profitability challenge and, if they do not address it, financial stability could be impaired. He also added that, in general, organic measures adopted by banks do not seem to be working and, thus, inorganic measures such as M&As or exits of the markets should be considered.

Agenda item 8: AOB

Next meeting

89. The next BSG meeting will take place on 27 February 2020.

Participants

BSG :

Véronique	Ormezzano	BNP Paribas	France
Sabine	Masuch	Association of Private	
Sergio	Lugaresi	Bausparkassen	Germany
Lara	De Mesa Garate	Italian banking association	Italy
Jean	Naslin	Banco Santander	Spain
Thaer	Sabri	Caixa Bank	Spain
Anne	Fily	Electronic Money Association	UK
Martin	Schmalzried	Independant consultant	Belgium
		COFACE-Families Europe	Belgium
		Consumers Association of	
Dermott	Jewell	Ireland	Ireland
		Alliance of Lithuanian	
Tomas	Kybartas	consumer organisation	Lithuania
		Portuguese Consumer	
Vinay	Pranjivan	Association (DECO)	Portugal
		Association of Consumers and	
		User of banks, saving banks,	
		financial products and	
Victor	Cremades Erades	insurance (ADICAE)	Spain
Lyubomir	Karimansky	International Banking Institute	Bulgaria
		Lithuanian Investors	
Giedrius	Steponkus	association	Lithuania
Leonhard	Regneri	INPUT Consulting	Germany
		Fondo Pensione	
Andrea	Sitá	complementare	Italy
Edgar	Loew	Frankfurt School of Finance	Germany
		Universita Cattolica del Sacro	
Angela	Baglioni	Cuore Largo Gemelli	Italy
		Einaudi Institute for Economics	
		and Finance and University of	
Luigi	Guiso	Rome Tor Vergata	Italy
André	Prum	University of Luxembourg	Luxembourg
Monika	Marcinkowska	University of Lodz	Poland
Monica	Calu	Asociata Pro Consumatori	Romania
Marko	Košak	University of Ljubjana	Slovenia
Angel	Berges	AFI-UAM	Spain
Sebastien	de Brouwer	European Banking Federation	Belgium
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