

THE CHAIRPERSON

John Berrigan
Director General
Directorate-General for Financial Stability,
Financial Services and Capital Markets Union (FISMA)
European Commission
Rue de Spa 2
1049 Brussels
Belgium

03 October 2022

Subject: Response to the EC request to study the EU dependence on non-EU banks and on funding in foreign currencies

Dear Mr Berrigan,

On 29 June 2021, Commission services requested EBA to study the EU dependence on non-EU banks and the funding in foreign currency of EU banks. Specifically, the European Commission asked the EBA to assess the EU dependence on non-EU operators for the provision of critical financial services and the excessive reliance on funding in foreign currencies of EU banks as potential vulnerabilities for our financial sector. The request was aimed to be delivered by June 2022, but the submission was delayed until September because the report benefited from a second round of data quality checks by competent authorities during the month of July.

It is nonetheless my pleasure to submit to you today the requested analysis including the results of both parts of the request. The analysis of the EU dependence on non-EU banks is done with data as of June 2021 for a sample of 360 non-EU entities operated in the EU (243 had the legal form of subsidiaries and 117 operated as branches), obtaining a market share of non-EU branches and subsidiaries of 12.2% of total assets, with their assets concentrated in a few EU countries. Importantly, the analysis also shows that non-EU investment banks and one large non-EU clearing house (8% of the number of institutions in the sample) represent more than half of the assets of all non-EU entities operating in the EU. Additionally, results of the qualitative survey show that EU banks present some dependency on non-EU operators regarding the provision of payment services,



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clearing and settlement and custody services. The dependency on non-EU payment services providers mainly arises from the dependency on major US-originating payment card schemes such as Visa, Mastercard, Amex or Union Pay.

The analysis of EU banks' funding structure and their reliance on foreign currencies for funding, shows that EU-registered institutions have on average 19% of their total funding denominated in significant foreign currencies as of June 2019. Moreover, EU banks show strong overall LCR and NSFR positions, but many banks show levels below 100% when looking at the LCR and NSFR metrics in some significant foreign currencies.

Yours sincerely,

[signed]

José Manuel Campa

CC: Irene Tinagli, Chair of the Committee on Economic and Monetary Affairs, European Parliament
Claudia Lindemann, Head of ECON Secretariat
Zbyněk Stanjura, Minister of Finance, Presidency of the rotating Council of the European Union
Tuomas Saarenheimo, Chair of Economic and Finance Committee, Council of the European Union
Didier Seeuws, Acting Secretary-General of the Council of the European Union
Martin Merlin, Director Dir D, Banking, Insurance and Financial Crime, DG FISMA
Almoro Rubin de Cervin, Head of Unit D1, Bank regulation and supervision, DG FISMA
Dominique Thienpont, Legal Counsellor to Dir D, DG FISMA
Peter Grasmann, Head of Unit E1, EU/Euro Area financial system, DG FISMA
Jung-Duk Lichtenberger, Deputy Head of Unit E1, EU/Euro Area financial system, DG FISMA

Encl: EBA report of the EU dependence on non-EU banks and of EU banks' dependence on funding in foreign currency