



EBA BSG 2019 049

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Banking Stakeholder Group

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14 October 2019

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Location: Paris

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EBA-Regular Use

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# Banking Stakeholder Group meeting – Final Minutes

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

1. The EBA Chairperson and the BSG Chair welcomed the participants.
2. The BSG Vice-Chair announced a change in the agenda related to the item on FinTech. As there was a discussion on this issue planned for the Joint BSG/BoS meeting on 15 October, he proposed to drop it from the agenda of the BSG meeting.
3. The BSG approved the agenda and the Minutes.

### Conclusion

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

## Agenda item 2: BSG update on the latest developments

5. The BSG Chair provided an update on the organisation of the BSG work and its decentralized way of working. She mentioned that the BSG had responded on the Consultation on the loan origination and monitoring. She also noted that the BSG has prepared a presentation on banks business models, technological changes and resolution that was planned to be discussed at the Joint BSG-BoS of the 15 October 2019.
  6. With regard to the subgroups, the Chair announced that a launch of a working group on AML/CTF.
  7. On the ESAs' review, the Chair acknowledged recent developments and informed that the BSG was considering a joint letter with stakeholders groups of the other ESAs in order to address the composition issues related to stakeholders' groups.
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8. The BSG Chair and its members gave updates on each of the following five working groups: 1) Resolution and Recovery, Capital liquidity, Risk; 2) Supervision, Governance, Accounting, Provisioning and Disclosure, Proportionality; 3) Consumer protection; 4) Payment, Fintech, Regtech; and 5) Sustainable finance.
9. The Chair of the Working group 1 (Resolution and Recovery, Capital liquidity, Risk) informed that they worked on the contribution to the Consultation paper on loan origination and have organized a meeting on the 6 December to discuss the Basel III implementation in the EU.
10. The Chair of the Working group 2 (Supervision, Governance, Accounting, Provisioning and Disclosure, Proportionality) indicated that they worked on the opinion on IFRS issues and were planning to provide advice on upcoming 2020 stress tests. He indicated that they would like to get information on the EBA working program as soon as possible. The BSG chair encouraged the proactivity of consumer representatives in discussing and conveying their opinions to the working group leaders.
11. The Chair of the Working Group 3 (Consumer protection) informed that they also contributed to the BSG response on loan origination. Additionally, the WG3 analysed the Consumer Credit Directive (CCD) in order to contribute, ex-ante, however the WG indicated that it was not able to settle on a common point of view.
12. The Chair of the Working Group 4 (Payment, Fintech, Regtech) listed its 3 main priorities - the potential of AI and how machine learning can improve the decision making of financial corporations; Regtech; impact of big tech on financial services and on the protection of consumers. The BSG chair encouraged WG4 to be pro-active, in order to advance faster.
13. The BSG Chair highlighted the 27 September meeting at the EBA where the group managed to get clarity on the EBA's work program on sustainable finance. Additionally, he mentioned that the WG5 prepared an opinion on sustainable finance that would soon be circulated to the EBA. The BSG Chair mentioned a sustainable finance workshop that was planned to be held in Brussels in early February 2020.
14. The BSG vice-chair stated that it would be useful for the EBA to provide CRD-CRR and BRRD roadmaps in order to give an overview of upcoming consultations and deliverables.
15. The BSG showed interest in participating in research workshops on stress-tests.
16. The BSG raised the issue of reimbursement of travel expenses during workshops, especially for academics. The EBA indicated its intention to discuss this issue internally.
17. Because of the different speeds of advancement of the WGs, the BSG stated its wish to circulate a monthly note to all BSG members on the advancement of each WG. The BSG Chair supported the idea of producing a monthly dashboard summarizing WGs activities.

## Conclusions

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18. The BSG chair encouraged BSG members to be more pro-active in their respective working groups.
19. The EBA agreed to share CRD-CRR and BRRD roadmaps in order to provide an overview of upcoming consultations and deliverables.
20. The BSG agreed to produce a monthly dashboard of the 5 working groups' activities.

### Agenda item 3: EBA update on general developments

21. The EBA Chairperson updated the BSG on the most recent developments at the EBA.
22. He mentioned the resignation of the EBA Executive Director (ED) and the ED's intention to take up a position as Chief Executive Officer of the Association for Financial Markets in Europe. He explained the restrictions imposed on the outgoing ED and outlined the timeline of the selection process for the new ED. He then listed the various steps of the selection process starting from the shortlisting by the selection committee, to the assessment centre, but also the EP Hearing and finally the selection by the BoS.
23. The Chairperson continued by giving an update on the Management Board (MB). He announced the recent stepping down of two MB members. In line the changes introduced by the ESAs' review, he also noted the particular incitement given to female BoS candidates to apply for these vacant positions.
24. The Chairperson then communicated on the Roadmaps for CRD-CRR, BRRD, Reporting and the 109 mandates for the EBA stemming from CRD5-CRR2, BRRD2. He stated that delays of six month up to a year should be expected on the completion of 20-30 mandates as issues of contingency, technical and political complexity, and lengthy evidence gathering would arise. He announced that to foster transparency and accountability, the EBA would strive to publish roadmaps outlining the EBA's organisation and strategic planning around these mandates. The roadmaps would be discussed at the BoS on 15 October 2019.
25. With regard to the Opinion on the deadline for the migration to SCA for e-commerce card-based payment transactions, the Chairperson stated that the supervisory flexibility was made available under the condition that the limited additional time was used by PSPs to; set up migration plans, agree on a plan with their NCA, and execute that plan in an expedited manner. The Chairperson then informed the BSG that the BoS' initial view suggested a delay of 12 to 18 months on the deadline by which the aforementioned actors would have to have completed their migration plans. The Chairperson indicated that the BoS would discuss a revised version of the Opinion and based on that discussion, the EBA would publish the Opinion.
26. The Chairperson continued by providing an update on EBA's monitoring activities of the industry's preparations for Brexit. He noted that the EBA published on 8 October a communication that urged continued progress on contingency planning, especially to ensure that assets, staff and data were relocated and that customers were adequately informed. With

regard to consumers, the EBA's communication indicated that if any customers had concerns about whether they may be impacted and have not yet been contacted by their financial service provider, they should contact their financial institutions directly. Moreover, the Chairperson referred to two older Opinions published in October 2017 and June 2018 on the risks posed by the seeming lack of adequate contingency preparations by financial institutions.

27. Further, the Chairperson mentioned the Basel III Call for Advice and its follow-up work that encompassed technical input regarding several aspects of the Basel reform as well as on any other issues or inconsistencies that competent authorities in the EU may have already identified in both the current EU rules as well as the revised BCBS standards. The Chairperson then outlined the EBA's advice on the implementation of Basel III in the EU, which included a quantitative analysis of the estimated impact based on data from 189 banks, and a set of policy recommendations. The Chairperson then reiterated the EBA's support for the full implementation of the final Basel III standards, in order to contribute to the credibility of the EU banking sector and ensure a well-functioning global banking market. In addition, he brought up the EC's letter received on 15 July 2019, in which the EBA was asked to provide additional analysis in areas of the finalised Basel III framework such as Output floor, Equity, Specialised Lending and TLAC/MREL, so as to inform the EC's decision-making.
28. Lastly, the Chairperson announced that the EBA would soon communicate on what are the EBA's plans on AML as well as the plans to develop an AML database that would be shared EU-wide.
29. On the topic of PSD2, a BSG member mentioned the impact of the adoption of the decision on screen scraping. The member also wondered about the work done by the EBA on Cryptocurrency and specifically on Libra.
30. Another BSG member inquired about an eventual plan of publishing a Green Roadmap for the EBA that would encompass climate change.
31. The BSG Chair asked about the mandate, composition and the meeting recurrence of the new AML committee. Moreover, she asked how the EBA planned to deal with the extraterritoriality of AML, but also whether the EBA was collaborating with the FSB on this matter and how it related to crypto-currency. Finally the BSG Chair relayed the interest of the BSG to contribute on AML matters.
32. In this response, the Chairperson stated that as early as 2015, the EBA actively engaged in coordination efforts with other regulation authorities in the EU and internationally on the issue of cryptocurrencies. On the topic of a green roadmap, the Chairperson explained that the EBA was preparing a communication on this issue. Moreover, following the ECA's recommendation on stress tests, the EBA would consider adding climate change to its stress tests. Finally, the Chairperson stated the important yet narrow mandate of the EBA on the broad topic of AML. He noted that the EBA had 3 staff members working on AML and that the EBA planned to have as much as 10 or 11 staff members on it, in a few years. The Chairperson then addressed the

queries on the AML committee by stating that the committee would lead policy development and coordinate with other authorities on AML, via the creation of a shared database, AML colleges and 3rd country memorandums of understanding. He also mentioned that while 65 AML authorities around the EU could potentially participate in this committee, there would only be one vote per country. He also made note of major proposals that may arise at the highest EU levels as the EC has AML on its agenda.

## Conclusion

33. The BSG agreed to closely liaise with the EBA and prepare responses to consultation papers.

## Agenda item 4: Update on risks and vulnerabilities in the EU

34. The Head of Risk Analysis and Stress test Unit (RAST) presented the EBA's assessment of risks and vulnerabilities in the EU banking system for Q2 2019. He mentioned that CET1 ratio remained stable in Q2 and highlighted that there was not a one to one relationship with the leverage ratio, i.e. for some countries the leverage ratio was low when compared with their CET1 ratio. As regards asset quality, he pointed at the continuous decrease in NPL ratios yet he called the attention on the growing cost of risk. He also noted that because of the low interest rate environment, banks might replace household deposits with cheaper wholesale funding, as well as reduce their liquidity coverage ratio buffers.
35. Onto profitability, the Head of Unit RAST mentioned that banks' return on equity (RoE) contracted from 7.2% in Q2 2018 to 7.0% in June (EU/EEA average). Additionally, staff expenses were the main item of operating costs as they represent 34% of NOI (EU/EEA average) and he stated that their weight varied across regions (core Euro area countries 37%; Euro area periphery 30%, Nordics 29%; CEE 23%). He noted that staff expenses have somewhat decreased since 2014 but increasing other administrative expenses and depreciation of other intangible assets compensated for this effect.
36. Finally, the Head of Unit RAST, discussed market concentration. He stated that the higher the market concentration the more cost efficient banks seemed to be (the lower the cost to income ratio). He continued by saying that efficiency gains came mainly from the cost side whereas there were no clear links between higher concentration and higher operating income. Additionally, he compared bank consolidation in the EU and the US banking sectors. He noted that, since 2008, there have been more banks exits in the US than in the EU (30% less banks in the US vs. 20% in the EU). He also pointed that EU banks' RoE lagged behind that of their US peers (6.5% vs 10.7% per YE2018) and that price to book (PtB) multiples suggested that investors are not optimistic about future profitability of EU banks (less than 30% of EU banks were trading at a PtB above 1 vs. more than 80% of US banks). The Head of Unit RAST argued that, although consolidation may not automatically increase profitability, it can provide cost efficiencies and may allow to exploit economies of scale.

37. BSG members stated their views on the negative interest rate environment and its impact on banks. Some members believed that banks could potentially start charging for deposits, while others believed that negative rates on deposit would not happen, in particular because of the existence of legal impediments in some countries. Another member continued by saying that negative rates on deposits would change the way people think about the value of money.
38. BSG members were wary of the correlation between market concentration and income. A few of them questioned the lack of links between market concentration and income. They mentioned the negative impact that market concentration would have on consumers, as it would imply less competition between banks, increased market power and a reduction of choices for consumers, ultimately driving prices upwards.
39. BSG members also discussed the increase in bank fees. One BSG member stated that there was a drastic change in banks profitability around fees as consumers were increasingly being charged by banks through service packages. Another BSG member mentioned that retail banks would need to find new ways to do business by focusing more on fee-generating activities while other one argued there was not too much room for such a change in business model since bank fees are, in some cases, capped by regulation. Lastly, another BSG member remarked that banks increased their fees for in-person services to encourage their clients to move to on-line services, and reduce operating costs.
40. One BSG member was of the opinion that ECB Quantitative Easing has unintended effects such as a shortage of bonds in the in repo markets and the creation of asset bubbles.
41. One BSG member suggested that the EBA further analyse the impact of digitalisation on cost saving.
42. The BSG Chair mentioned that the BSG started working on bank's business models and raised the need for further discussion on negative interest rate.

## Conclusion

43. The BSG agreed to continue working on bank's business model as well as further discuss negative interest rate and their impact.

## Agenda item 5: EBA's update on the latest developments of the ESAs' review

44. The EBA Head of Unit Legal Services presented EBA's update on the latest developments of the ESA's review. He mentioned that the final text of ESAs Review legislation was expected to be published in November and that the text would apply from 1 January 2020. He continued by saying that a number of projects within the ESA's review were set up to change internal rules and processes for 1 January 2020. In other areas where the tasks of the EBA changed, for example in relation to AML and consumer protection, work will be taken forward as part of the EBA's future work programmes.

45. On the advisory Committee on proportionality, the Head of Legal Services stated that the current proposal is for it to be composed of 6 members and that it would advise the EBA on proportionality issues arising from the EBA's future work programme, and comment through the EBA's annual report on how proportionality has been taken into account in the EBA's work in the previous year.
46. On the Banking Stakeholder Group, the Head of Legal Services noted that the current BSG would not meet the composition requirements from 1 January 2020. As such the current proposal is to issue a new call for BSG members to be appointed in H1 2020.
47. On Q&A, the Head of Unit Legal mentioned the extension of scope to cover all legislative acts in Article 1(2) of EBA Regulation. He also noted the reintroduction of the publication of admissible Q&As received, in addition to publishing their answers.
48. On AML/CTF, the EBA Director of Banking Markets, Innovation and Consumers (BMIC) stated that the EBA was planning to take the lead on AML/CTF matters via policy development, best practices, implementation reviews, training and risks and strategy 'Risk assessments'. He continued by explaining that the EBA would coordinate on AML/CTF matters via colleges, databases, information flows, and FIU and third country engagement. He then stated that the EBA would monitor on AML/CTF matters via convergence reports and thematic peer reviews, requests for investigations and BUL processes. Furthermore, he mentioned that the EBA would have a new internal AML/CTF committee (AMLSC), for which he gave information regarding its membership, tasks and voting rights. Lastly he noted the creation of a database to support its risk-based approach and the increase in staff dedicated to AML/CTF from 3 in 2019 to 11 in 2021.
49. A BSG member asked about the transitional provisions around the BSG changes. Moreover, the member stated that the EBA would be fully compliant with the new BSG changes if it would implement the new BSG composition gradually, as the current BSG mandates expire. Another BSG member expressed his support in favour of an overlapping of "old" and "new" BSG members during the transition and found challenging that the composition of the BSG was supposed to change, in particular in relation to decreasing numbers of academics.
50. Some BSG members expressed reservations about the proportionality committee.
51. One BSG member inquired as to the meaning of the EBA's central role in AML/CTF matters and about the planned coordination with other ESAs. In his response, the Director of BMIC mentioned that ESMA and EIOPA would be observers in the AMLSC.
52. As to the transitional provisions around the BSG composition changes, the Head of Unit Legal explained to the BSG that no transitional period was provided in the legislation.

## Conclusion

53. The BSG agreed to send a letter to EU Commission, Council, EP, ESAs and other relevant institutions on the composition of the stakeholder groups envisaged under the ESAs' review.
  
54. Separately from the Agenda, the EBA Executive Director joined the meeting to thank the BSG for their work and engagement. He did not participated in any policy discussion afterwards.

## Agenda item 6: EBA update on regulatory deliverables

### A) Management Information System for resolution valuation

55. An EBA policy expert presented the Management Information System for resolution valuation, (MIS) which is part of the EBA Handbook on valuation for resolution. She first mentioned that the Valuation Handbook was addressed to the resolution authorities and that it intended to be a useful non-exhaustive support document in the context of the valuations before resolution and after resolution. The expert then stated that the chapter on MIS deals with the resolution authorities' assessment, in the context of the resolvability assessment, of the institutions' capability to swiftly provide data and information supporting a robust valuation in case of resolution. Moreover, she added that enhancing the institutions' preparedness in business as usual was of essence for a timely and robust valuation. The expert also noted that while the MIS chapter, like the whole Handbook, was not binding nor subject to 'comply or explain', it was aimed at fostering the convergence of practices in the implementation of the valuation process, including in the interaction with valuers. The expert continued by explaining that the valuation MIS pay particular attention to proportionality which was embedded in the chosen approach which leverages on available internal data and information. It combined the institutions' internal valuation capabilities, Data Dictionary for benchmarking purposes and internal data aggregation capabilities. She also mentioned that the Data Dictionary was built around 4 objectives and principles; its objective was to be an EU-wide single reference of data and information to conduct a robust valuation; that there was no reporting obligation and, that institutions it would be used by institutions to conduct a self-assessment and that the calibration of data and information needs would be based on various considerations. She also mentioned that the data dictionary would need to be complemented by confidentiality agreements. Finally, she stated that the expected finalization of this project should be end 2019/early 2020.
  
56. One BSG member mentioned that the approach used in the valuation MIS would not work well in practice because of the extreme granularity of the approach. The member then stated that the massive gathering of data points represented a huge workload and huge costs for banks, while according to the member, the usability would be minimal in normal valuation practices. The BSG member continued by saying that it would be more useful to do this at an aggregate level by portfolio instead of at a granular level.



57. Other BSG member inquired as to the scope of the handbook. Another BSG member raised the issue of data quality concerns and wondered whether only euro-area banks were concerned by this EBA initiative.
58. The BSG Chair acknowledged the initiative but asked to what extent could credit institutions share this data on time and if there were any incentives for this purpose. Additionally, the Chair inquired as to who would do the valuation, how the maintaining of the data would be done and how the EBA planned to differentiate between small and big banks.
59. One BSG member described this as an incremental step forward. The member however noted that the templates looked too much into the future and did not take into account cost. Moreover, the member stated that an update on a daily basis was not very realistic and that there would be a gap between pre-resolution valuation and post-resolution valuation.
60. In her response, the policy expert underscored the proportionality approach embedded in the MIS approach, and in particular, the fact of leveraging on internal valuation capabilities and in-house data, as well as the fact that it did not introduce reporting obligations. In addition she pointed out that to avoid duplication of burdens and to enhance EU-uniformity, the Data Dictionary was based on several data fields already in use in EU law (FinRep, ESMA securitisation templates, AnaCredit, EBA NPL templates). She argued that this approach was a balanced combination of resolution objectives and institutions contribution in business as usual.
61. As regards the granularity of the Data Dictionary, she explained that data and information were divided in 3 different priorities within the Data Dictionary. She continued by saying that the Data Dictionary would be a common reference to run a self-assessment by the banks in business as usual. Furthermore, she underscored that, further to the self-assessment, the valuation MIS would be calibrated based on banks specificities such as size, complexity, balance sheet composition etc.
62. She also explained that the preparatory work performed in business as usual the resolution planning phase would be particularly important in case of slow burning crisis, whereas she acknowledged that in fast burning crisis the number of data that could be used to conduct valuation would be limited. In the course of the responses, the expert also mentioned that the MIS valuation, including the Data Dictionary, underwent an industry test in the course of a Workshop held on 26th September at the EBA that was attended by around 68 participants from banks, bank associations and valuers. She explained that the valuers supported the content of the Data Dictionary as being pertinent and functional to the valuation. The policy expert clarified that the data would be used by the valuer, as default solution entrusted by the BRRD to conduct the valuation. However, in case of urgency, the valuation before resolution could also be conducted by the resolution authority which would therefore make use of the data and information. As regards the valuation methodology, that has been illustrated in part of the EBA Valuation Handbook already published. As regards banks based in Member States, which are non-participants to the non-Banking Union, the expert explained that definitions of

data fields borrowed from AnaCredit (which is an ECB initiative) should not be binding as such on banks, but rather as proxies for the description of the useful data. Finally, the policy expert mentioned that the valuers were appointed by the resolution authority.

## B) Update on the EU-wide stress test

63. One BSG member presented an update on the EU-wide stress tests. He first noted EBA's issuing of the 2020 stress test methodology and templates for discussion. He continued by outlining the main changes from the 2018 stress test, namely the revised default definition, the non-performing exposure backstop and the new securitisation framework. He then mentioned a list of concerns expressed by banks on the 2020 stress tests, which ranged from the methodology, to the scenarios, but also the templates, data flags, timing and finally the FAQ. Additionally, he made reference to the European Court of Auditors special report on the 2018 EU-wide stress tests and some aspects of the 2016 exercise. The member noted the main findings conclusions.
64. The EBA Director of Economic Analysis and Statistics (EAS) continued by providing an update the 2020 EU-wide stress test exercise, in particular on the methodology, templates and template guidance for the 2020 stress-test. He summarised the main changes to the package per risk areas, namely credit risk, market risk, net interest income, operational risk and NIEC. The Director of EAS then presented the industry feedback on the various aspects of the EU-wide stress test. He concluded by mentioning the preparatory work, execution, and the timeline of the exercise.
65. The BSG chair inquired as to whether climate change would be included in the 2020 stress test.
66. One BSG member stated that stress tests have strengthened the confidence in the EU banking sector. Moreover he said that these stress tests mirrored the health of the EU banking sector and yet, according to the member, they did not catch the systemic risk.
67. Some BSG members questioned the credibility of the stress test. One BSG member stated that the top-down approach was less realistic than a bottom-up one. Additionally he argued the very high cost of stress-tests to their minimum gain. He concluded by stating the more associations should have been consulted and to implement more formal consultations on stress-tests next time around.
68. Another BSG member stated that the key weakness of the stress-test was the lack of simultaneity between disclosure of the result and the understanding between the bank management and the supervisors. The member continued by wondering how the EBA saw communication around the stress-test next year.
69. The EBA Chairperson acknowledged the costs on banks as well as the supervisors and the EBA. He stressed the importance of maintaining transparency and improving the flexibility. He concluded by saying that in order to improve this exercise, a constructive cooperation with the industry was necessary.

70. In this response, the Director of EAS clarified that climate change was part of long term discussion and that it would start with the mapping of the exposures. On the ECA' report, the he indicated that the implementation of the recommendations was linked to getting additional resources.

## Agenda item 7: Discussion on topics presented by BSG members

### A) Basel implementation

71. A BSG member gave a presentation on the EU implementation of the BCBS Package. He mentioned the Basel III reforms and the target implementation date of January 2022. On the context, the member noted the Call for Advice (CfA) sent by the Commission to the EBA in May 2018, with the EBA providing its report on the CfA in August 2019 and the EU COM asking for further analysis for end 2019 on specific impacts. The member then outlined the goals and outcome of Basel III finalization, namely, reducing the unwarranted RW variability though constraining the use of internal models, improving the comparability of banks capital ratio through the introduction of an output floor while not increasing significantly capital requirements. The member continued by discussing the key issues in EU implementation, particularly on credit risk, capital market business, operational risk, proportionality, securitization and output floor design. Using Transparency exercise data, the member calculated that the estimated 2.4% RWA increase corresponds to 2.8 €tn RWA and that it would translate into a credit risk exposure of around 6.9 €tn assuming a RW density of 40%. The member continued the presentation by comparing the situation in the US to the one in the EU and noting an asymmetry of outcome. She concluded that European banks could not deconsolidate low-RW mortgage portfolios, and that the structure and credit quality of corporate lending were extremely different.
72. Another BSG member, acting as discussant for the previous presentation on the EU implementation of the BCBS, started by mentioning the problems related to internal models. He then continued by questioning the ability of risk-weighted capital ratios to predict bank crisis. He also mentioned the output floor and its impact being partially compensated by the very low impact of leverage ratio. He pointed out that the transition costs of Basel III reforms should be balanced with long run gains and externalities. Moreover he noted the different impact across banks and countries.
73. One member was of the view that a long transition was counter-intuitive. Other member noted similarities in the two presentations stressed that implementing the new Basel reforms need to be done in a clever way.
74. The BSG Chair stated that some business models reacted in a different manner to the different types of regulations.
75. The Director EAS stressed the importance of the Basel implementation to ensure the credibility of the whole European regulatory environment. He further highlighted that the impact of

Basel III reform was made under conservative assumptions, such as static balance sheet and unchanged Pillar 2 and buffer requirements, and that the impact partly reflects reversals of reforms from current EU specific favourable policies to Basel compliance rules.

76. A BSG member proposed to discuss at the December workshop indicators and metrics that were used, such as CDS and its appropriateness.

## B) PSD2 related matters

77. A BSG member presented an update on the PSD2 and on the RTS on SCA. The member started by denoting the PSD2 objectives. He then continued by outlining the areas of change due to the SCA implementation, noted that many actors were not ready to meet the application date of the RTS and welcomed the publication of the EBA Opinion on the elements of SCA and the supervisory flexibility specified therein. He expressed concerns that additional time was given for the implementation of the SCA requirements but not to account access, which could potentially raise security issues. He also suggested that a harmonized approach with a consistent deadline for the supervisory flexibility should be taken and that some complex use cases, such as remote environments, should be exempted from the SCA requirements. He concluded by suggesting that BSG is involved more closely in the work carried out under PSD2 and the RTS on SCA since BSG members represent all spectrum of the banking and financial services industry.
78. The EBA policy expert clarified that the scope of the supervisory flexibility specified in the Opinion is limited to e-commerce card-based payment transactions only and that the SCA requirements have not been postponed and therefore have applied since 14 September 2019. He further specified that the supervisory flexibility only allows NCAs not to sanction PSPs. In that regard, there should not be any concerns related to the security of the access to payment account by third party providers.
79. The EBA policy expert further explained that following the publication of that Opinion, EBA carried out a fact-finding exercise to understand the state of preparedness and decide on robust basis the deadline for the migration to SCA. He stressed that, in line with the EBA objectives of contributing to convergence of supervisory practices and the single market, EBA would be keen to take a harmonised approach and set a consistent deadline for this migration. He also clarified that the exemptions of SCA have been set clearly in the RTS and that specific use cases cannot be exempted from SCA if they do not fit into any existing category of exemptions.
80. On the point of the BSG involvement, EBA policy staff responded that discussions on PSD2 and the RTS on SCA are held with the member authorities and not disclosed to external parties but added that on controversial topics, namely in the context of PSD2 Q&As, or where the collective view of the industry is needed, EBA staff can approach BSG members on an ad-hoc basis.

81. One BSG member raised the issue that some CAs have already taken measure as to the deadline extension (12 or 18 months) and asked what would happen if the EBA deadline differs from the national one. EBA policy staff responded that the deadline would be agreed by the Board, we will monitor this and that EBA expects all NCAs to follow the specified deadline.
82. One BSG member representing consumers shared their view that the extension of the implementation of SCA was unacceptable from a consumer standpoint and that she could not possibly support a longer deadline, such as 18 months.
83. The Director of BMIC stressed the need for a common European response and confirmed that the BoS would be discussing the EBA Opinion on SCA at its meeting on 15 October 2019.

## Agenda item 9: AOB

### Next meeting

84. The next BSG meeting will take place on 3 December 2019.

## 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
Rym	Ayadi	CASS Business School	UK

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