



EBA BS BSG 2022 019 rev. 1

Board of Supervisors and Banking
Stakeholder Group

19 October 2022

Location: EBA premises

Joint Board of Supervisors and Banking Stakeholder Group 19 October 2022 – Minutes

Agenda item 1: Welcome and approval of the agenda

1. The EBA Chairperson welcomed the Members of the Board of Supervisors (BoS) and the Members of Banking Stakeholder Group (BSG) at the EBA premises.
2. The EBA Chairperson asked the BoS and BSG members whether there were any comments on the draft agenda. There were no comments on the agenda.
3. Finally, the Chairperson informed the BoS that the Minutes of the last meeting have been approved by written procedure.

Conclusion

4. The BoS and BSG approved the agenda of the meeting.

Agenda item 2: Report on the activities of the BSG

5. The BSG Chair presented an overview of the execution of the 2022 BSG working plan. She detailed the structure and tasks of the eight BSG internal working groups and explained that each WG has BSG members that are coordinators in charge of the preparation of BSG own initiative papers and answers to EBA consultations, which are circulated to all BSG members for comments.
 6. The BSG Chair further explained that since the last joint BoS-BSG meeting in April 2022, the BSG has focused its work on DORA and the coordination with ESAs stakeholders' groups (ongoing), the response on the draft Guidelines on the publication of bail-in mechanisms (September 2022), the response on Role of environmental risk in the prudential framework (August 2022) and the contributions to call for advice on PSD 2 (May 2022).
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7. She also underlined that the BSG was preparing the ground for further work on Sustainable Finance, with the goal of setting up a seminar comprised of a series of eight short sessions focussed on *strategic and political goals for sustainable finance, risk paradigm (a methodological session), transition plans and business models of financial institutions, ESG disclosures, supervisory expectations and guidelines, prudential and regulatory treatment, social issues and consumer protection perspective on sustainability*. These seminars should result in the production of a BSG report on Sustainable Finance.
8. A BSG member presented the work on an own initiative paper on DORA. The paper will underline DORA's impact on all stakeholder constituencies across all segments of the financial sector and the fact that it will place significant demands, not only on the EBA, but also on other ESAs. The paper should take the perspective of banks, customers and regulators and be presented to the EBA by the end of 2022.
9. The EBA Chairperson appreciated the initiative for the preparatory work on DORA and the great timing to share thoughts, as the EBA and other ESAs are internally preparing detailed operational plans on how the mandates are going forward and how everything aligns with the work programme. Furthermore, the EBA Chairperson also appreciated the work done on the area of ESG, as the EBA is about to update its ESG roadmap that was initially launched in 2019.
10. Two BoS members also echo the Chairperson's appreciation on the BSG on initiative work on DORA, in particular with regards to the cross-ESAs aspect and also the work done on sustainable finance, where the interaction between regulators, supervisors and the industry is essential to make concrete progress on the implementation of the framework. The BSG was also asked about its general impression on the forthcoming new regulatory requirements on disclosure (Pillar III) and supervisory expectations, in order to understand the challenges banks and other financial institutions are facing.
11. The BSG Chairperson and other BSG members confirmed the need to put effort into DORA and Sustainable Finance, which are two topics of great importance in their work plan. The Sustainable Finance stream of work includes in particular the input given on the discussion papers regarding ESG disclosure and the prudential treatment for environmental risks. They also explained that the planned seminar on Sustainable finance will touch not only upon the general question such as whether 'market discipline' works, or whether investors, customers and other stakeholder groups understand and react to disclosure, but also on the issues (and challenges) of data availability and reliability. They also flagged the 'green washing' issues that should be included in the discussion of their upcoming seminar, and in particular how it can be spotted and prevented.

Agenda item 3: Conclusions from the EBA-BSG internal work on Sustainable Finance

12. The BSG Chair presented the BSG work on Sustainable Finance and reminded of the latest assessment report of the Intergovernmental Panel on Climate Change (IPCC), which concluded

that climate change has caused widespread impact, leading to loss and damage to nature and people. She underlined that reaching net-zero would require investing around 27 trillion EUR in clean technologies and techniques over the next 30 years. She stressed that even taking into consideration the latest developments, with the war in Ukraine and the energy crisis in Europe, there is still a great commitment on climate neutrality by 2050. She concluded that the financial system has to play its part in a smooth transition to net-zero and a sustainable economy, especially in Europe, where the economy is financed at about 75% by bank lending. Regarding disclosure and data, she noted that the BSG supports the initiatives of mandatory disclosure through the Corporate Sustainability Reporting Directive (CSRD) and the EBA Pillar III.

13. The BSG Chair also mentioned that the group also commends the assessment and results of the recent ECB climate stress-test and it supports the EBA framework on the role of environmental risk in the prudential framework in the area of ESG risk management, while also encouraging the engagement on these topics with fora such as BCBS, FSB, NGFS, ISSB, EFRAG and other.
14. The head of the Economic and Risk Analysis Unit (ERA), presented the EBA roadmap on Sustainable Finance. He mentioned that the EBA gave a high-level commitment message at previous year COP26, expressing its commitment to support the European and financial sector in tackling climate change and that it was planning to reconfirm its role at this year's COP27, with its revised roadmap and mandates ahead. He stressed that the key objective of EBA's work is to contribute to developing an adequate regulatory and supervisory framework and tools to support the European banking sector in its mitigation of ESG risks and its transition to a sustainable economy. He noted that new areas of focus that were not envisaged in the 2019 action plan are greenwashing, supervisory reporting, ESG risks and sustainable finance monitoring framework.
15. The ERA Director further explained that the EBA is taking a holistic and sequenced approach in implementing the ESG agenda, sequencing Pillar 3 first (disclosure, data information), Pillar 2 (how the bank is run, how risk management is done, loan origination), edging to Pillar 1 (capital requirements). Regarding climate stress testing, he noted that guidance was given by the EBA board to keep the climate stress testing, for now, as a separately identified exercise to the standard macroprudential stress test. As there are no CO2 climate walls, international collaboration is key, and the EBA is very much involved with the Basel Committee, the other ESAs, the ECB and other EU Agencies working in this space of Sustainable Finance.
16. One BoS member gave his perspectives on the EBA initiatives on sustainable finance and conveyed additional messages to the BSG around three chapters – financial institutions as enablers, disclosure and data, supervisory framework. On financial institutions, he agreed with the BSG on the necessity for clear policy signals to incentivize the real economy to reduce GHG emissions and on the actions that need to be taken in order to minimise the physical risk resulting from climate change. He underlined that the financial sector is playing an active role in facilitating the transition to carbon neutral. Regarding disclosure and data, he noted that EU

initiatives will help gathering more data, which is difficult to acquire, especially as counterparties not subject to NFRD/CSRD will not be required to disclose this kind of information. As for the supervisory framework dimension, he stressed that ESG will be included in SREP/Pillar 2. Finally, he concluded that both EBA and BCBS are analysing to what extent Pillar 1 needs to be adjusted.

17. Several BSG members reacted to the presentations, appreciating the additional elements added to the roadmap, especially greenwashing, and asked how it's envisaged to take this work forward, in coordination with the other ESAs, mainly ESMA. On disclosure, one member stressed about the interaction on Pillar 3 between EFRAG and ISSB and the importance of avoiding duplications and small differences between methodologies that could create burden and confusion for the users of the data and open the door to greenwashing. Another member suggested that the monitoring of ESG risks should be done at a broader level than the banking sector.
18. Another BoS member agreed that there is great complexity in the regulatory developments, which is understood and necessary, but also leads to risks. He underlined that a great challenge in the financial sector is conduct and culture, as the economy only advances with the massive help of the financial sector. This leads to the necessity of customers trusting the financial sector to deliver on what they are saying. He concluded that when it comes to COP27, the message needs to be sent that the financial sector is committed to the level of conduct and culture that is expected.
19. The BSG Chair raised the consumer protection related aspect from the presented roadmap. She underlined that the consumers need to be aware of the challenges and of the need to move toward sustainability objectives. Another BSG members also reacted on the topic, saying that from the consumer side things are moving slow in terms of understanding risks.
20. The EBA Chairperson concluded the item reminding that there is a lot of work ahead in this area and that progress is being made by the EBA, together with the other ESAs. He concluded that the alternative to wait for global cooperation is much worse than continue leading even in lack of coordination at a global level.

Agenda item 4: The role of the EBA in addressing consumers' concerns about the rise of interest rates

21. The Chairperson introduced the item by reminding BoS and BSG members of the previous occasions when interest rates were discussed at respective meetings. He noted that there was one aspect that appeared to be less analysed and that is the role that the EBA should take in relation to interest rates and consumers.
22. The EBA Head of Conduct, Payments, and Consumers Unit (COPAC) presented three potential areas for the EBA's work in relation to the protection of consumers as a response to the increased interest rates: 1) Education of consumers; 2) Design and features of financial

products; 3) IRRBB and other related prudential aspects. On 1), he informed that the recently approved Joint Committee of the European Supervisory Authorities (ESAs) work programme for 2023 included a task to assess the impact of inflation and interest rates on consumers and to raise awareness and educate consumers and that the ESAs were planning to start working on this task as of January 2023. With regard to 2), the Head of COPAC said that the EBA could analyse the interaction between rising interest rates and inflation on the one hand and the design and pricing of retail financial products on the other, such as fees and charges levied on consumers. He also noted that the EBA was preparing a report on the thematic review of the level and transparency of fees and charges to be discussed with the BoS in Q4 2022. Finally, on 3), he stressed that the EBA would closely monitor implementation of the Basel standards on IRRBB, in particular the impact of evolving interest rates on the management of IRRBB by credit institutions in the EU, and more generally on other related prudential aspects.

23. A presentation by two BSG Members followed. The BSG Members focused on developments on the mortgage market in Spain and Portugal and related continued relevance of variable rate mortgages, increasing mortgage debt, and the resultant vulnerability of consumers to interest rate changes. The presenters also proposed several recommendations for the potential EBA's work, such as developing guidelines on renegotiation of loans and on facilitating a change from variable rate loans to fixed rate, or a reactivation of moratoria as during the Covid-19 crisis.
24. A number of BSG Members confirmed that in the high inflation environment, the banks were considering how to help their clients. One BSG Member noted that there were no fixed interest rate mortgages on their market and as a result of the latest developments, the clients were facing a significant increase of their rates and monthly payments. Another BSG Member said that many clients preferred variable interest rates for their mortgages and some BSG Members clarified that on their markets, the majority of the mortgages were offered with the fixed interest rate. Some BoS Members stressed that the aim of using moratoria during the Covid-19 crisis was to address a short-term liquidity issue and therefore, under current circumstances, reactivation of the moratoria might not bring similar beneficial results as observed during the Covid-19.
25. The Chairperson concluded saying that the current situation led to standards of living and purchasing power significantly decline. The consumption basket (energy and their primary products) is affected, and the rising interest rate burden created the underlying vulnerability. However, he noted that the extension of the moratoria is unlikely to be done from a prudential perspective, as it involves more risks.

Table of Attendance

BoS

Jo	Swyngedouw	National Bank of Belgium	Belgium
Kurt	Van Raemdonck	National Bank of Belgium	Belgium
Constantinos	Trikoupis	Central Bank of Cyprus	Cyprus
Marcela	Gronychová	Czech National Bank	Czech Republic
Jesper	Berg	Finanstilsynet	Denmark
Andres	Kurgpõld	Finantsinspeksioon	Estonia
Emmanuel	Rocher	Autorité de Contrôle Prudentiel et de Résolution	France
Raimund	Röseler	BaFin	Germany
Csaba	Kandrács	Central Bank of Hungary	Hungary
Gerry	Cross	Central Bank of Ireland	Ireland
Francesco	Cannata	Bank of Italy	Italy
Ludmila	Vojevoda	Financial and Capital Market Commission	Latvia
Christian	Friedrich	Central Bank of Luxembourg	Luxembourg
David	Eacott	Malta Financial Services Authority	Malta
Sanda	Wesseling	De Nederlandsche Bank	The Netherlands
Kamil	Liberadzki	Komisja Nadzoru Finansowego	Poland
Ana Paula	Serra	Bank of Portugal	Portugal
Damjana	Iglič	Bank of Slovenia	Slovenia
David	Foresman	Sveriges Riksbank	Sweden

BSG

Sebastian	Stodulka	Erste Group Bank AG	Austria
Martin	Schmalzried	COFACE-Families Europe	Belgium
Edgar	Loew	Frankfurt School of Finance and Management	Germany
Leonhard	Regneri	Input Consulting gGmbH	Germany
Concetta	Brescia Morra	University Roma Tre	Italy
Tomas	Kybartas	Alliance of Lithuanian consumer organisations	Lithuania
Monika	Marcinkowska	University of Lodz	Poland
Maria	Ruiz de Velasco	Abanca	Portugal
Alin	Iacob	AURSF (Association of Romanian Financial Services Users)	Romania
Monica	Calu	Asociatia Consumers	Romania
Eduardo	Avila Zaragoza	United/Consumatorii Uniti	Romania
Patricia	Suarez Ramirez	BBVA	Spain
		ASUFIN	Spain



Jennifer	Long	International Monetary Fund	Ireland
Vinay	Pranjivan	Associação Portuguesa para a Defesa do Consumidor	Portugal
Véronique	Ormezzano	BNP Paribas	France
Julia	Strau	Raiffeisen bank International AG	Austria
Christian	König	Association of private Bausparkassen	Germany
Rym	Ayadi	City University of London, Business School and CEPS	Belgium
Rens	Van Tilburg	Sustainable Finance Lab	Netherlands
Christian	Stiefmueller	Finance Watch AISBL	Austria
Johanna	Orth	Swedbank	Sweden
Sébastien	De Brouwer	European Banking Federation	Belgium
Andrea	Sità	UILCA Italian Labor Union - credit and insurance sector	Italy

EBA

Chairperson
Executive Director

Jose Manuel Campa
Francois-Louis Michaud

Heads of Unit and Directors

Philippe Allard; Jacob Gyntelberg; Dirk Haubrich; Angel Monzon; Jonathan Overett Somnier

EBA experts

Tea Eger
Mihnea Sarca

For the Board of Supervisors

Done at Paris on 22 December 2022

[signed]

José Manuel Campa

EBA Chairperson