

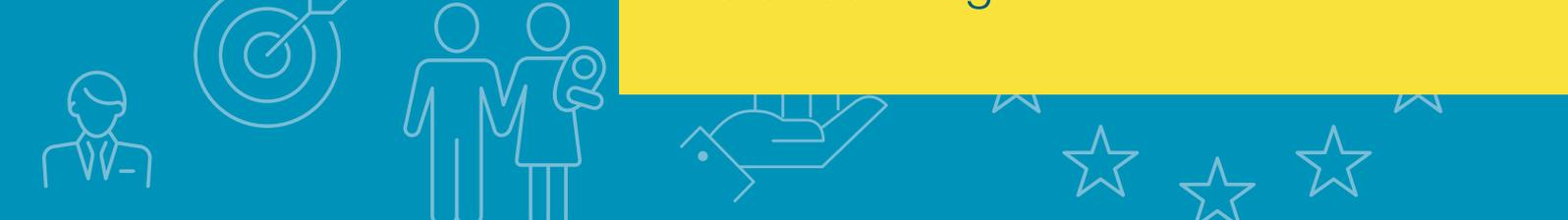


## ESBG Positions 2020

European Financial Services

# SERVING ALL EUROPEAN CITIZENS

with responsible, sustainable  
retail banking



## Retail banking: a solid model based on lending, deposit taking



## Savings and retail banking

An idea 200 years old, and that still holds today: offering banking services to everyone. Focus on financing the local economy, with common needs

### RETAIL

savings and retail banks include, not **exclude customer groups** and stand firmly committed to small and medium-sized businesses.

### REGIONAL

set up often in a **geographically limited area**, they maintain close links with local authorities, businesses and communities

### RESPONSIBLE

set-up **from the beginning** to help people help themselves, and driven to be socially active

## Facts and figures



664,000

employees



885

savings banks



47,500

offices and branches

25 ESBG members in 20 European countries

164 million

EUROPEANS BANKED  
BY ESBG MEMBERS

€ 1.3 billion

SPENT EVERY YEAR ON SOCIAL  
COMMITMENT, PHILANTHROPY AND  
FOUNDATION WORK

€ 1 trillion

CORPORATE LOANS,  
INCLUDING TO SMES

€ 5.7 trillion

TOTAL ASSETS

+ 200

YEARS OF CUSTOMER  
PROXIMITY

66%

LOANS TO ASSETS RATIO

16%

AVERAGE TIER 1  
ADEQUACY RATIO

59%

NET INTEREST INCOME/  
TOTAL NET OPERATING INCOME

**“The approach of savings and retail banks balances banking with the need for financial sustainability and a return to society.”**

HELMUT SCHLEWEIS,  
PRESIDENT



**“ESBG members have reacted swiftly to the coronacrisis and support private households and SMEs.”**

CHRIS DE NOOSE,  
MANAGING DIRECTOR



# Foreword

The year 2020 started for the retail and savings banking sector in the same way 2019 ended. Low and sometimes even negative interest rates challenged our financial system, with the dynamics to focus more and more on digital banking, in competition with internet platforms free of the regulations banks have to comply with. Finally, there was the growing impact of the consequences of climate change that require a coordinated response, also from the financial sector.

Then, in the spring, the Coronacrisis pushed these challenges into the background. It seems insensitive to talk about the economic consequences of a pandemic that has claimed so many lives. But Europe faces a recession not seen since the Second World War. Policymakers have taken unprecedented measures and ESBG members have reacted swiftly to the urgent need for support of the private households and SMEs. In the following pages, you can read how we have risen to this demanding task.

The economic, social and ecological challenges, however, did not disappear when the Covid-19 crisis started to spread. Cheap money remains a problem that hurts our economic system in the long run. The enormous build-up of debt – certainly necessary now to give a strong fiscal response to the crisis – nevertheless represents a huge challenge for the future generations, as does the climate threat that becomes more pressing by the day. Inequalities between different segments of society, between countries and continents, between generations become increasingly wider and lead to anxiety and unrest.

The world today shows how important it is to have savings and retail banks at the core of our financial system in Europe. Their approach balances banking with the need for financial sustainability and a return to society. Since the beginning of the 19th century, savings and retail banks have been in the middle of society, in the center of their European regions. This position gives us the strength to consider the future in a positive way. We want to continue to be the good neighbour, the preferred financial partner of Europe's citizens and SMEs, as we have been from the start. All savings and retail banks within ESBG are committed to achieving a balance between business, social and ecological matters. This will allow us to help finance Europe in a sustainable way and for the long term.

In this overview of ESBG positions, we describe the various policy and regulatory issues we are dealing with. We give our opinion and suggest improvements to make sure that rules contribute to the well-functioning of the financial sector and thus, by extension, foster its contribution to a thriving economy as well as a prosperous and harmonious society.

Helmut Schleweis  
President, ESBG

Chris De Noose  
Managing Director, ESBG

# Avant-propos

L'année 2020 a débuté pour le secteur de la banque de détail et des caisses d'épargne de la même manière que l'année 2019 s'est terminée : taux d'intérêt bas et parfois même négatifs qui mettent au défi notre modèle commercial, dynamique de plus en plus axée sur la banque digitale, en concurrence avec des plateformes numériques qui échappent aux réglementations auxquelles les banques sont tenues de se soumettre, et enfin, impact croissant des effets du dérèglement climatique qui nécessite une réponse coordonnée, y compris de la part du secteur financier.

Puis, au printemps, la crise liée au coronavirus a relégué ces défis au second plan. Évoquer les conséquences économiques d'une pandémie qui a fait tant de morts a quelque chose d'assez inhumain. Mais force est de constater que l'Europe est confrontée à une récession jamais observée depuis la Seconde Guerre mondiale. Les décideurs politiques ont pris des mesures sans précédent et les membres de l'ESBG ont rapidement répondu au besoin urgent de soutenir les ménages et les PME. Vous le constaterez au fil de votre lecture, nous avons été à la hauteur de cette tâche exigeante.

Les défis économiques, sociaux et écologiques n'ont toutefois pas disparu lorsque le Covid-19 a commencé à se répandre. L'argent bon marché reste un problème qui mine notre système économique à long terme. L'endettement abyssal des comptes publics – sans doute nécessaire aujourd'hui pour lutter efficacement contre la crise – fait néanmoins peser sur les générations futures une énorme pression, tout comme l'urgence climatique, de plus en plus tangible chaque jour. Les inégalités entre classes sociales, entre pays et continents, entre générations ne cessent de se creuser. Elles suscitent de la peur et génèrent de l'instabilité.

Notre société montre aujourd'hui combien il est important de placer la caisse d'épargne et la banque de détail au cœur de notre système financier en Europe. Grâce à leur approche du service bancaire, elles concilient le besoin de durabilité financière et de redistribution à la société. Depuis le début du 19<sup>ème</sup> siècle, les caisses d'épargne et les banques de détail européennes sont au centre de la société, au centre de leurs régions. Forts de cette position unique, nous pouvons envisager l'avenir positivement. Nous souhaitons rester le bon voisin, le partenaire financier préféré des citoyens et des PME européens, comme nous le sommes depuis le début. Toutes les caisses d'épargne et banques de détail membres de l'ESBG aspirent à trouver un juste milieu entre les enjeux économiques, sociaux et écologiques, ce qui leur permettra de financer l'Europe de manière durable et à long terme.

À travers cet exposé de positions, l'ESBG aborde les différents problèmes politiques et réglementaires auxquels ses membres sont confrontés. Nous donnons notre avis et proposons des axes d'amélioration pour nous assurer que les règles contribuent au bon fonctionnement du secteur financier et qu'elles favorisent de ce fait sa contribution à une économie florissante ainsi qu'à une société prospère et harmonieuse.

Helmut Schleweis  
Président, ESBG

Chris De Noose  
Directeur général, ESBG

# Introducción

El año 2020 comenzó para el sector de la banca minorista y las cajas de ahorros de la misma manera que terminó 2019: con unos tipos de interés bajos y, en algunos casos, incluso negativos, que desafían nuestro sistema financiero; con una dinámica cada vez más centrada en la banca digital, en competencia con las plataformas de Internet que no están sujetas a la normativa que deben respetar los bancos; y, por último, con el creciente impacto de las consecuencias del cambio climático que requieren una respuesta coordinada de las partes implicadas, incluido el sector financiero.

Luego, en primavera, la crisis del coronavirus relegó estos desafíos a un segundo plano. Parece insensible hablar de las consecuencias económicas de una pandemia que se ha cobrado tantas vidas, pero Europa se enfrenta a una recesión como no se había registrado desde la Segunda Guerra Mundial. Los responsables de políticas han adoptado unas medidas sin precedentes y los miembros de la ESBG han reaccionado con rapidez ante la urgente necesidad de apoyar a los hogares y las pymes. En las páginas siguientes, puede leer cómo hemos estado a la altura en estas duras circunstancias.

Sin embargo, los retos económicos, sociales y ecológicos no desaparecieron cuando la crisis de la Covid-19 comenzó a propagarse. El dinero barato sigue siendo un problema que perjudica a nuestro sistema económico a largo plazo. La enorme acumulación de deuda –sin duda necesaria ahora para responder con un apoyo fiscal contundente a la crisis– representa, no obstante, un enorme desafío para las generaciones futuras, al igual que la amenaza climática, que es cada vez más acuciante. Las desigualdades entre diferentes segmentos de la sociedad, entre países y continentes y entre generaciones son cada vez más amplias y provocan ansiedad y malestar.

El mundo actual demuestra lo importante que es contar con las cajas de ahorros y los bancos minoristas en el núcleo de nuestro sistema financiero en Europa. Su enfoque bancario consigue un equilibrio entre la necesidad de sostenibilidad financiera y un retorno a la sociedad. Desde principios del siglo XIX, las cajas de ahorros y bancos minoristas sido centrales en la sociedad, cruciales en las regiones europeas donde operan. Esta posición nos da la fuerza para hacer frente al futuro con optimismo. Queremos seguir siendo el buen vecino, el socio financiero preferido de los ciudadanos y las pymes de Europa, como lo somos desde el principio. Todas las cajas de ahorros y bancos minoristas de la ESBG están comprometidos a lograr un equilibrio entre las cuestiones empresariales, sociales y ecológicas. Esto nos permitirá ayudar a financiar Europa de una manera sostenible y a largo plazo.

En este resumen de las posiciones de la ESBG, describimos las diversas cuestiones de política y regulación a las que nos enfrentamos. Damos nuestra opinión y sugerimos mejoras para garantizar que las normas contribuyan al buen funcionamiento del sector financiero y, por tanto, promuevan su contribución a una economía boyante y a una sociedad próspera y armoniosa.

Helmut Schleweis  
Presidente, ESBG

Chris De Noose  
Director General, ESBG

# Vorwort

Das Jahr 2020 begann für den Retail Banking- und Sparkassensektor so, wie 2019 endete: mit niedrigen, zum Teil sogar negativen Zinsen, die unser Finanzsystem herausfordern, mit der Notwendigkeit, sich verstärkt auf digitales Banking zu konzentrieren, und das in Konkurrenz zu Internet-Plattformen, die von der Regulierung befreit sind, die Banken einhalten müssen, und schließlich mit den zunehmenden Folgen des Klimawandels, die eine koordinierte Reaktion erfordern, auch seitens des Finanzsektors.

Im Frühjahr wurden diese Herausforderungen durch die Coronakrise in den Hintergrund gedrängt. Es mag gefühllos erscheinen, über die wirtschaftlichen Folgen einer Pandemie zu sprechen, die so viele Menschenleben gefordert hat. Aber Europa steht am Rande einer Rezession von seit dem Zweiten Weltkrieg beispiellosen Ausmaßen. Die politischen Entscheidungsträger haben noch nie dagewesene Maßnahmen ergriffen, und die ESBG-Mitglieder haben rasch auf die dringende Notwendigkeit reagiert, private Haushalte und KMU zu unterstützen. Wie wir uns dieser fordernden Aufgabe gestellt haben, lesen Sie auf den nächsten Seiten.

Die wirtschaftlichen, sozialen und ökologischen Herausforderungen sind aber mit der Ausbreitung der Covid-19-Krise nicht verschwunden. Billiges Geld bleibt ein Problem, das unserem Wirtschaftssystem langfristig schadet. Der enorme Schuldenaufbau – der jetzt sicherlich notwendig ist, um eine starke staatliche Antwort auf die Krise zu geben – stellt dennoch eine gigantische Herausforderung für künftige Generationen dar, ebenso wie der Klimawandel, der Tag für Tag zu einer drängenderen Herausforderung wird. Die Ungleichheiten zwischen verschiedenen Segmenten der Gesellschaft, zwischen Ländern und Kontinenten, zwischen Generationen nehmen zu und führen zu Angst und Unruhe.

Die Welt von heute zeigt, wie wichtig es ist, dass Sparkassen und Retailbanken im Zentrum des europäischen Finanzsystems stehen. Ihr Ansatz bringt das Bankwesen mit der Notwendigkeit finanzieller Nachhaltigkeit und der Stützung der Gesellschaft in Einklang. Seit Beginn des 19. Jahrhunderts stehen Sparkassen und Retailbanken in der Mitte der Gesellschaft, im Zentrum der europäischen Regionen. Diese Position gibt uns die Kraft, die Zukunft positiv zu betrachten. Wir wollen weiterhin der gute Nachbar sein, der bevorzugte Finanzpartner der Bürgerinnen und Bürger Europas und des Mittelstands, wie von Anfang an. Alle Sparkassen und Retailbanken setzen sich innerhalb der ESBG dafür ein, ein Gleichgewicht zwischen geschäftlichen, sozialen und ökologischen Belangen herzustellen. Damit können wir zu einer nachhaltigen und langfristigen Finanzierung Europas beitragen.

In diesem Überblick über die Positionen der ESBG erläutern wir die verschiedenen strategischen und regulatorischen Fragen, mit denen wir uns befassen. Wir geben unsere Meinung ab und schlagen Verbesserungen vor, um sicherzustellen, dass Regeln zum reibungslosen Funktionieren des Finanzsektors beitragen, damit dieser einen Beitrag zu einer florierenden Wirtschaft und zu einer wohlhabenden und harmonischen Gesellschaft leisten kann.

Helmut Schleweis  
Präsident, ESBG

Chris De Noose  
Geschäftsführer, ESBG



# Summary: A resilient Europe

“It is better to have a good neighbour than a far-away friend”, goes the saying. That’s something bank clients could experience during the Covid-19 crisis that we are struggling with. From the outbreak of this crisis, as soon as the unprecedented scale and nature of the threat became clear, Europe’s savings and retail banks have taken the necessary measures to keep the commercial relationship with businesses and private clients going – no matter what.

That’s not by chance. Part of Europe’s success with difficult moments stems from strong local banking on the ground. That includes the 885 savings and retail banks who work with the European Savings and Retail Banking Group to help 164 million people in the European Union. They nourish the real economy through €1 trillion in corporate loans, mostly to small and medium-sized enterprises. Some 660,000 employees in 20 countries serve the real economy every day. And savings and retail banks help Europe’s economy by providing the loans and support needed to keep businesses moving, households strong and communities robust in the long term.

Representing a fifth of the EU banking sector by assets, locally focused banks offer services that go beyond big cities, to towns and rural areas. A bedrock of Europe’s social market economy, local banks have been unwavering in their services to local areas, which is why this model needs to continue to thrive in the wake of Covid-19, climate change and digitalisation. Doing so helps ensure diversity and pluralism thrive in the European banking sector, which has proven critical during 2020 to preserve the stability of the financial system and maintaining Europeans resilient under the heavy pressure from lockdowns, confinement and social distancing. As people stay close to home, ESG members help households finance their dwellings, with €1.2 trillion in mortgages in the European Union, or some 16 per cent of all home loans in markets where members serve.

## **CORONACRISIS: BANKING NEEDED MORE THAN EVER**

As people continue to cope with Covid-19, 47,000 savings and retail banks branches have remained open, with millions of cases where people got the help sought to manage their mortgage or business loan in tough times. Entrepreneurs and already-budding businesses got the added financing they need to continue to operate, making the changes necessary to sustain their business and workforce. ESG members deployed strong digital channels – online and through user-friendly and safe mobile apps – that keep people constantly in touch with their accounts, their banker and their financial future. Through in-person and mobile connections, people continued to get the tailor-made financial services they expect.

Best practices implemented by banks bring them even closer to the customer while their service stays continuous. Those include moratoria on loan repayments, which members employ to help households and businesses. Meantime, much-needed and swiftly granted special credit facilities provide a lifeline for the future of SMEs – often in synch with national development banks and other authorities. These measures consider the need for businesses and ESG members to manage risk.

Policymakers should fold in the uncertainty caused by Covid-19 and challenges that emerge from the pandemic in debates on non-performing loans. New measures can attract a wider investor base to a secondary market for NPLs. A common legal framework can ensure the right balance between debtor protection, data secrecy and privacy. Promoting third-party loan servicers can ratchet up secondary loan market efficiency.

Banks work tirelessly to lift the clouds Covid-19 places on economic life. Given this, EU policy must take a flexible stance in the current recovery and resolution framework, allowing banks to focus on delivering financial services to the real economy. Recovery rules established in the 2008 financial crisis aftermath need to be fine-tuned to handle Covid-19.

## SUBSIDIARITY UNDERPINS STRONG BANKING SYSTEMS

Locally focused banks of all shapes and sizes work tirelessly with Europeans during these uncertain times. Built on strong connections at local level, banks value subsidiarity – a principle enshrined in the EU treaty. It ensures more efficient and effective policy that strengthens banks and keeps them resilient. Buttressed by diversity and pluralism, Europe sustains a strong banking system that responds efficiently to real-economy need during shocks.

## SUSTAINABLE FINANCE: TIME TICKS FOR PEOPLE, PLANET, PROGRESS

Immediate crises can distract from longer-term threats. This proves no different for Covid-19 and climate change. The EU Renewed Sustainable Finance Strategy reveals some of the subtle links between Covid-19 and risks related to human activity, climate breakdown, and biodiversity loss, as well as the critical need to give a further boost to sustainable and resilient societies and economies.

As the European Green Deal and the recovery from the economic consequences of the Covid-19 crisis spurs needed investment across all sectors, both public and private financing frameworks have to provide much support as EU public policy goes in this direction. The Renewed Sustainable Finance Strategy aims to provide the policy tools to ensure that the financial systems genuinely support the transition of businesses towards sustainability while spurring recovery. A well-designed Renewed Sustainable Finance Strategy takes into account stakeholders like savings and retail banks, whose sustainable business model meets societal need.

Actions need to be taken to spur social commitment, sustainable transition financing and promote social aspects of sustainability in banking according to the UN Sustainable Development Goals. Green securitisation plays an important role too, as it allows small-scale projects aggregation that otherwise would not reach institutional investors.

On sustainable finance taxonomy, there arises an absolute need to define a workable framework to ensure a seamless inclusion of environmental factors throughout the European Union and ensure the financing of the transition towards a low-carbon economy. Relatedly, while greater take-up of ESG products occurs in Europe, relatively new in the equation is justifying common harmonised product disclosure rules – the area of principal adverse impact reporting. Data constraint poses one of the biggest challenges when it comes to sustainability related information to end investors, especially in the case of principal adverse impacts of investment decisions. Data collection proves highly important, but could be a heavy burden for small- and mid-sized banks as well as small- and medium-sized firms. That should be considered by policymakers. Policy should build and support, based on existing solutions, a centralised electronic European ESG data register. A voluntary Ecolabel scheme would benefit the EU financial system.

## REGIONAL BANKS AND BASEL III

Not all banks are the same. Rules outlined in Basel III are not a one-size-fits-all-solution. Locally driven institutions, whether small or large, punch well above their weight, providing 80% of SME financing. Proportionality plays a big part in the policy discussion, as Basel III should avoid heavy capital increases and ensure a level-playing field. Putting Basel III in place in a careful, risk-aware and sensible way would keep borrowing costs reasonable. This would help households and companies, including SMEs, afford the financing they seek in the Covid-19-crisis period.

## EUROPEAN PAYMENTS AT A CROSSROADS

The European payments market has undergone fundamental changes over the past years, sparked by changing customer needs, technology and innovation, and increased competition. The Revised Payment Services Directive and the Interchange Fee Regulation have been instrumental in allowing the entry of new players and bringing down the acceptance cost of payments by merchants. Banks are required to provide new entrants access to payment account data without being compensated for the investments needed to allow this access whilst maintaining customer security. For this reason, the full benefits of open payments beyond PSD2 can only be reaped on the basis of mutual benefits.

## A SAFE, EFFICIENT DIGITAL WORLD

The Covid-19 crisis has been a catalyst for digital financial services, which makes regulatory frameworks for digitalisation even more important. We are supportive of a level playing field for digital services and point to regulatory and supervisory fragmentation as an important obstacle for the implementation of innovative technologies in the European financial sector. Electronic identification requirements, for example, differ vastly between member states.

At the core of the unprecedented wave of digital transformation are data. ESG agrees with the European Commission's ambition to create an EU-wide data space, but points to the sensitive nature of financial data and to a current lack of recognition of the value of data.

At the same time, cyber-attacks and incidents pose a substantial risk to the stability of the overall financial sector. They are increasing both in number and complexity, particularly since the start of the Covid-19 pandemic, as the financial sector is increasingly dependent on digital technologies. ESG warns against overlapping reporting obligations now in place for cyber-incidents.

## CAPITAL MARKETS UNION: CMU 2.0

A new CMU 2.0 European Commission plan should balance the need for less regulatory morass and broader investor base to unlock capital around Europe. Greater participation by retail investors in EU capital markets requires restoring investor trust and raising confidence in capital markets. At the same time, Europe needs well-informed investors that make responsible investment decisions. Wider access to equities needs to be considered in rules requirements, especially around MiFID and PRIIPs. During the Capital Markets Union journey, policymakers need to take into account SME structures, as well as European businesses predominantly turning to bank financing, not to capital markets.

## BEYOND BANKING: A RESPONSIBLE APPROACH TO BANKING

The world today shows savings and retail banks at their best. Their approach balances banking with the need for financial sustainability and a return to society. While staying profitable, ESG members shifted more of their philanthropic budgets to meet the needs of the Coronacrisis and towards a sustainable future. By reserving a portion of their annual gains for reinvestment in the local economy, they help not only keep social, environmental and cultural programmes intact but also education and social projects that help people affected by the pandemic, such as youth, immigrants and the elderly.

Their approach also applies to financial education. For Europeans to be more resilient, need exists for greater levels of financial literacy. Complemented by adequate consumer protection rules, Europe creates fairer and more inclusive societies, especially in the financial area. Public-private cooperation, including with academia, can help. European Union policymakers help advance the financial education cause. ESG and its members help too, by supporting new research, outreach and annual campaigns such as the European Money Week and the World Savings Day.

## WHERE EUROPE GOES NEXT

The European Commission, Council and Parliament faced a wave of bad news, hard decisions. There have been threats to the health of people, the soundness of the economy and a planet in environmental peril. With so much to be done to address all three, policymakers will need to stay the course to ensure financial flows build a sustainable future that keeps in mind the social impact. ESG member savings and retail banks stand ready to harness their experience, their commitment to “retail, regional, responsible” to help ensure EU policymakers deliver on the promise that a social market economy brings – resilience in times of uncertainty.

As the world searches now for a vaccine to thwart Covid-19, Europeans want and need new ways of working and living. Europe needs a policy framework that keeps banking diversified, strong and locally focused. A proportionate and well-balanced regulatory regime helps achieve this. When these pieces fall into place, savings and retail banking helps Europe better withstand shocks and speed up recovery when headwinds subside. Europe’s social-market economy, and the people who live and work in it, depend on that kind of support more than ever.

# Synthèse : une Europe résiliente

« Mieux vaut un bon voisin qu'un ami lointain », dit le proverbe. Les clients des banques ont pu en faire l'expérience durant cette crise du Covid-19 que nous traversons. Depuis le début de la crise, dès que l'ampleur et la nature sans précédent de la menace n'ont plus fait de doutes, les caisses d'épargne et les banques de détail européennes ont pris les mesures nécessaires pour maintenir le lien commercial avec les entreprises et les clients privés – quoi qu'il en coûte.

Ce n'est pas un hasard. Dans les moments difficiles, l'Europe doit en partie sa résilience à la solidité de ses banques locales de terrain. Quelque 885 caisses d'épargne et banques de détail travaillent avec l'*European Savings and Retail Banking Group* – ESBG – pour aider 164 millions de citoyens européens. Avec plus de 1 000 milliards d'euros de prêts aux entreprises, elles soutiennent l'économie réelle, essentiellement les petites et moyennes entreprises. Ce sont quelque 660 000 collaborateurs dans 20 pays au service quotidien de l'économie réelle. Les caisses d'épargne et les banques de détail soutiennent l'économie européenne en fournissant les prêts et l'aide indispensables à la poursuite de l'activité, à la bonne santé financière des ménages et à la stabilité des communautés à long terme.

Représentant un cinquième du secteur bancaire européen en termes d'actifs, les banques locales offrent des services au-delà des grandes métropoles aux villes et aux zones rurales. Pierre angulaire de l'économie sociale de marché en Europe, la banque locale s'est montrée inébranlable dans la fourniture de ses services aux zones locales, raison pour laquelle ce modèle doit continuer de prospérer malgré la pandémie de Covid-19, malgré le dérèglement climatique et à l'heure de la digitalisation. Plus forte, la banque locale contribue à faire progresser la diversité et le pluralisme au sein du secteur bancaire européen, des atouts qui se sont révélés déterminants en 2020 pour préserver la stabilité du système financier et aider les Européens à rester résilients malgré la forte pression des quarantaines, du confinement et de la distanciation sociale. Alors que les citoyens restent près de chez eux, les membres de l'ESBG aident les ménages à financer leurs logements, à hauteur de 1 200 milliards d'euros de prêts immobiliers dans l'Union européenne, soit près de 16 pour cent de l'ensemble des prêts immobiliers sur les marchés où les membres sont présents.

## CRISE LIÉE AU CORONAVIRUS : LA BANQUE PLUS QUE JAMAIS NÉCESSAIRE

Alors que la population continue de faire face au Covid-19, 47 000 succursales de caisses d'épargne et de banques de détail sont restées ouvertes et ont aidé des millions de clients à gérer leur crédit immobilier ou leur prêt d'entreprise en période de crise. Les entrepreneurs et les entreprises déjà en développement ont obtenu les financements supplémentaires dont ils ont besoin pour continuer à fonctionner, en procédant aux aménagements nécessaires au maintien de l'activité et des effectifs. Les membres de l'ESBG ont déployé de solides canaux numériques – en ligne et via des applications mobiles intuitives et sécurisées – qui permettent aux clients de suivre leurs comptes en temps réel, de rester en contact avec leur banquier et de maîtriser leur avenir financier. Par le biais des interactions en face-à-face et des connexions mobiles, les citoyens ont continué à avoir accès aux services financiers sur mesure qu'ils attendent.

Grâce à leurs bonnes pratiques, les banques sont toujours plus proches du client tout en assurant la continuité du service. Ces bonnes pratiques incluent les moratoires sur les remboursements de prêts que nos membres mettent en place pour aider les ménages et les entreprises. Dans le même temps, les facilités de crédit spéciales, indispensables et rapidement accordées sont une bouée de sauvetage pour l'avenir des PME. Ces facilités sont souvent en phase avec les banques nationales de développement et d'autres autorités. Ces mesures tiennent compte de la nécessité pour les entreprises et les membres de l'ESBG de gérer les risques.

Les décideurs politiques devraient tenir compte de l'incertitude engendrée par la pandémie de Covid-19 et les défis qu'elle pose dans les discussions sur les prêts non performants. Avec les nouvelles mesures, une base plus large d'investisseurs peut être attirée par un marché secondaire de prêts non performants. Un cadre juridique commun peut garantir le juste équilibre entre protection des débiteurs, secret des données et protection de la vie privée. Promouvoir des prestataires de services de prêt tiers permet d'améliorer l'efficacité du marché secondaire des prêts.

Les banques travaillent sans relâche pour dissiper les incertitudes que le Covid-19 fait peser sur la vie économique. Dans ce contexte, l'UE doit se montrer plus souple vis-à-vis du cadre stratégique actuel en matière de redressement et de résolution, en permettant aux banques de se concentrer sur la fourniture de services financiers à l'économie réelle. Il y a lieu d'affiner les règles en matière de redressement fixées au lendemain de la crise financière de 2008 pour gérer la crise liée au Covid-19.

## **LA SUBSIDIARITÉ, SOCLE DE SYSTÈMES BANCAIRES SOLIDES**

Les banques locales, quels que soient leur statut et leur taille, travaillent sans relâche avec les Européens en cette période d'incertitude. Bâties sur un fort ancrage local, les banques apprécient la subsidiarité – un principe inscrit dans les pouvoirs conférés par les traités de l'UE au niveau national, régional ou local. Garante d'une politique plus efficace et efficiente, la subsidiarité renforce les banques et leur permet de rester résilientes. Riche de sa diversité et de son pluralisme, l'Europe soutient un système bancaire fort qui répond efficacement aux besoins de l'économie réelle en cas de chocs.

## **FINANCEMENT DURABLE : SOCIÉTÉ, PLANÈTE, PROGRÈS, LE TEMPS EST COMPTÉ**

L'urgence des crises à régler nous détourne des menaces à plus long terme. L'enjeu reste le même, que ce soit face au Covid-19 ou au dérèglement climatique. La nouvelle stratégie européenne en faveur du financement durable met en lumière des ressorts subtils entre Covid-19 et risques liés à l'activité humaine, au dérèglement climatique et à la perte de biodiversité, ainsi que le besoin criant de donner une nouvelle impulsion aux sociétés et aux économies durables et résilientes.

Alors que le Green Deal européen et la reprise après les conséquences économiques de la crise liée au Covid-19 stimulent l'investissement nécessaire dans tous les secteurs, les cadres de financement publics et privés doivent fournir un soutien important étant donné que la politique publique de l'UE tend dans cette direction. La nouvelle stratégie en faveur du financement durable vise à fournir les outils stratégiques permettant de s'assurer que les systèmes financiers soutiennent réellement la transition des entreprises vers le développement durable tout en stimulant la reprise. Une nouvelle stratégie en faveur du financement durable bien conçue associe toutes les parties prenantes, comme les caisses d'épargne et les banques de détail, dont le modèle économique durable répond aux besoins sociétaux.

Des mesures doivent être prises pour stimuler l'engagement social, financer la transition durable et promouvoir le volet social du développement durable dans le secteur bancaire, conformément aux objectifs de développement durable des Nations Unies. La titrisation verte joue également un rôle important, car elle permet d'agrèger des projets à petite échelle qui n'auraient autrement pas accès aux investisseurs institutionnels.

Quant à la taxonomie du financement durable, il est absolument urgent de définir un cadre exploitable afin de garantir une inclusion fluide des facteurs environnementaux dans toute l'Union européenne et assurer le financement de la transition vers une économie décarbonée. Par analogie, alors que les produits ESG tendent à se répandre en Europe, et malgré leur relative nouveauté dans l'équation, ils justifient d'adopter des règles communes et harmonisées en termes d'informations financières, à savoir informer sur les principaux impacts négatifs. Faute de données exploitables, les investisseurs finaux sont confrontés à l'un des plus grands défis en matière d'informations liées à la durabilité, en particulier s'agissant des principaux impacts négatifs des décisions d'investissement. Si elle s'avère cruciale, la collecte de données pourrait cependant plomber les banques petites et moyennes, ainsi que les petites et moyennes entreprises, avec une charge de travail supplémentaire. Les décideurs politiques devraient se saisir de la question. Il serait stratégiquement judicieux de constituer, sur la base des solutions existantes, un registre électronique centralisé des données ESG européennes et de soutenir son développement. Un dispositif de label écologique sur la base du volontariat serait bénéfique au système financier européen.

### LES BANQUES RÉGIONALES ET BÂLE III

Toutes les banques ne se valent pas. Les règles définies dans l'accord de Bâle III ne peuvent pas être une solution unique, non-flexible. Les institutions locales, qu'elles soient grandes ou petites, sont performantes et financent 80 % des PME. La proportionnalité est centrale dans le débat politique, car Bâle III devrait éviter les fortes augmentations de capital et garantir des conditions de concurrence équitables. Sa mise en place devrait se faire de manière prudente et proportionnée au regard des risques, condition indispensable pour maintenir des coûts d'emprunt raisonnables. Les ménages et les entreprises, y compris les PME, pourraient ainsi accéder aux financements qu'ils recherchent en période de crise liée au Covid-19.

### LES PAIEMENTS EUROPÉENS À LA CROISÉE DES CHEMINS

Le marché européen des paiements s'est engagé dans une transformation profonde ces dernières années, sous la pression des nouveaux besoins des clients, de la technologie et de l'innovation et de la concurrence plus forte. La nouvelle Directive sur les services de paiement et le règlement relatif aux commissions d'interchange ont joué un rôle déterminant pour permettre l'entrée de nouveaux acteurs et réduire le coût d'acceptation des paiements par les commerçants. Les banques sont tenues de fournir aux nouveaux venus un accès aux données des comptes de paiement sans être rémunérées pour les investissements nécessaires à cet accès, tout en préservant la sécurité des clients. Pour cette raison, l'ouverture des paiements au-delà de PSD2 ne produira pleinement ses bénéfices que dans le cadre d'efforts mutuels.

### UN MONDE DIGITAL, SÛR ET EFFICACE

La crise liée au Covid-19 a donné un coup d'accélérateur aux services financiers digitaux, d'où la nécessité grandissante d'encadrer la digitalisation. Favorables aux services digitaux dans des conditions de concurrence équitables, nous constatons que la fragmentation réglementaire et prudentielle entrave considérablement la mise en œuvre de technologies innovantes dans le secteur financier européen. Les exigences en matière d'identification électronique, par exemple, diffèrent considérablement d'un État membre à un autre.

Les données sont au cœur de cette transformation digitale sans précédent. L'ESBG rejoint la Commission européenne qui ambitionne de créer un véritable espace européen de données, mais rappelle la nature sensible des données financières et l'absence totale de reconnaissance de la valeur de ces données.

Les cyberattaques et les incidents de sécurité informatique menacent gravement la stabilité du secteur financier au sens large. Leur nombre et leur complexité augmentent, notamment depuis le début de la pandémie de Covid-19, le secteur financier étant de plus en plus dépendant des technologies digitales. L'ESBG met en garde contre certaines obligations de déclaration désormais en place en matière de cyber-incidentes qui font double emploi.

## UNION DES MARCHÉS DES CAPITAUX, VERS UNE VERSION 2.0

Un nouveau plan de la Commission européenne, CMU 2.0, devrait mieux concilier le besoin de simplifier la « jungle » réglementaire, d'un côté, et la nécessité d'élargir la base d'investisseurs, de l'autre, pour débloquer les capitaux en Europe. Inciter les investisseurs de détail à davantage participer aux marchés de capitaux européens de l'UE implique de restaurer la confiance des investisseurs et de renforcer la confiance dans les marchés de capitaux. Dans le même temps, l'Europe a besoin d'investisseurs bien informés en mesure de prendre des décisions d'investissement responsables. Les exigences réglementaires, en particulier concernant les directives MiFID et PRIIP, devraient prendre en compte le besoin d'élargir l'accès aux fonds propres. Dans leurs efforts pour bâtir l'Union des marchés des capitaux, les décideurs politiques doivent tenir compte des structures des PME, ainsi que des entreprises européennes qui se tournent principalement vers le financement bancaire, et non vers les marchés des capitaux.

## AU-DELÀ DE LA BANQUE : UNE APPROCHE RESPONSABLE DE LA BANQUE

La société d'aujourd'hui montre que les caisses d'épargne et les banques de détail excellent dans leur domaine. Grâce à leur approche du service bancaire, elles concilient le besoin de durabilité financière et de redistribution à la société. Sans nuire à leur rentabilité, les membres de l'ESBG ont alloué une plus grande partie de leurs budgets philanthropiques aux actions visant à lutter contre la crise liée à l'épidémie de Coronavirus et bâtir un avenir durable. En réservant une partie de leurs bénéfices annuels au réinvestissement dans l'économie locale, ils contribuent non seulement à la continuité des programmes sociaux, environnementaux et culturels, mais aussi à la mise en place de projets éducatifs et sociaux qui aident les personnes touchées par la pandémie, comme les jeunes, les migrants et les personnes âgées.

Cette approche s'applique également en matière d'éducation financière. Aider les Européens à être plus résilients implique de renforcer leurs connaissances financières. À l'appui d'une protection adéquate des consommateurs, l'Europe bâtit une société plus juste et plus inclusive, en particulier dans le domaine financier. La coopération entre le secteur public et privé, y compris avec le monde universitaire, peut être d'une grande aide. Les décideurs politiques européens contribuent à faire avancer la cause de l'éducation financière. L'ESBG et ses membres y contribuent également en soutenant de nouvelles recherches, des initiatives de sensibilisation et des campagnes annuelles comme la Semaine européenne de l'argent et la Journée mondiale de l'épargne.

## QUELLES SONT LES PROCHAINES ÉTAPES POUR L'EUROPE ?

La Commission européenne, le Conseil et le Parlement ont dû faire face à une vague de mauvaises nouvelles et de décisions difficiles. Des menaces pèsent sur la santé des populations et la solidité de l'économie et la planète est en péril écologique. Alors qu'il reste énormément à faire sur ces trois fronts, les décideurs politiques devront garder le cap pour s'assurer que les flux financiers contribuent effectivement à bâtir un avenir durable, en restant pleinement lucides quant à l'impact social. Les caisses d'épargne et banques de détail membres de l'ESBG sont prêtes à mettre toute leur expérience et leur engagement en faveur d'une banque « de détail, régionale et responsable » au service des décideurs politiques européens pour les aider à tenir la promesse d'une économie sociale de marché : la résilience en période d'incertitude.

En pleine course au vaccin pour endiguer la pandémie de Covid-19, les Européens demandent et ont besoin de nouveaux modes de travail et de nouveaux modes de vie. L'Europe a besoin de se doter d'un cadre stratégique qui garantisse à la banque de rester diversifiée, forte et locale. Un régime réglementaire proportionné et équilibré y participe. Lorsque ces éléments sont réunis, les caisses d'épargne et les banques de détail aident l'Europe à mieux résister aux chocs et accélèrent la reprise lorsque les difficultés s'estompent. L'économie sociale de marché de l'Europe et les citoyens qui vivent et travaillent en Europe comptent plus que jamais sur ce soutien.

# Resumen ejecutivo: una Europa resiliente

«Es mejor tener un buen vecino que un amigo lejano», dice el refrán. Los clientes de bancos han vivido esto de primera mano durante la crisis de la Covid-19 con la que estamos lidiando. Desde el estallido de esta crisis, tan pronto como quedó clara la magnitud y la naturaleza sin precedentes de la amenaza, las cajas de ahorros y los bancos minoristas europeos han adoptado las medidas necesarias para mantener en marcha la relación comercial con empresas y clientes privados, en cualesquiera circunstancias.

Eso no es casualidad. Parte de los logros de Europa en los momentos difíciles se debe a la fortaleza de la banca local sobre el terreno. Esto incluye a las 885 cajas de ahorros y bancos minoristas que trabajan con la Agrupación Europea de Cajas de Ahorros y Banca Minorista para ayudar a 164 millones de personas en la Unión Europea. Financian la economía real mediante préstamos corporativos por 1 billón de euros, principalmente a pequeñas y medianas empresas. Unos 660.000 empleados de 20 países prestan servicios a la economía real todos los días. Y las cajas de ahorros y los bancos minoristas ayudan a la economía europea proporcionando los préstamos y el apoyo necesarios para mantener las empresas en funcionamiento, unos hogares fuertes y unas comunidades sólidas a largo plazo.

Los bancos con una orientación local, que representan una quinta parte del sector bancario europeo por activos, prestan unos servicios que llegan más allá de las grandes ciudades, hasta las ciudades más pequeñas y las áreas rurales. Los bancos locales son uno de los pilares de la economía social de mercado europea y han seguido sirviendo de forma inquebrantable a las áreas locales; por eso, este modelo debe seguir prosperando en el contexto de la Covid-19, el cambio climático y la digitalización. Ello ayuda a garantizar que la diversidad y el pluralismo prosperen en el sector bancario europeo, algo que ha demostrado ser crítico durante 2020 para preservar la estabilidad del sistema financiero y ayudar a los europeos a salir adelante bajo la fuerte presión de los confinamientos, los cierres y la distancia social. Mientras la gente se queda cerca de casa, los miembros de la ESBG ayudan a las familias a financiar sus viviendas, con 1,2 billones de euros en hipotecas en la Unión Europea, equivalente a alrededor del 16% de todos los préstamos hipotecarios residenciales en los mercados donde operan las entidades miembros.

## CRISIS DEL CORONAVIRUS: LA BANCA, MÁS NECESARIA QUE NUNCA

A medida que la gente sigue haciendo frente a la Covid-19, 47.000 sucursales de cajas de ahorros y bancos minoristas han permanecido abiertas, y en millones de casos se ha ayudado a la gente a gestionar su hipoteca o préstamo comercial en unos tiempos difíciles. Emprendedores y empresas emergentes obtuvieron la financiación adicional que necesitaban para seguir operando, haciendo los cambios necesarios para mantener su negocio y su plantilla. Los miembros de la ESBG desplegaron unos sólidos canales digitales –en línea y a través de aplicaciones móviles seguras y fáciles de usar– que permiten a las personas acceder de forma permanente a sus cuentas, su banquero y su futuro financiero. A través de conexiones personales y móviles, se siguió prestando a las personas los servicios financieros personalizados que esperan.

Las buenas prácticas adoptadas por los bancos los acercan aún más a su clientela, mientras mantienen su servicio de manera continuada. Entre estas figura el aplazamiento de los pagos de préstamos aplicado por los miembros para ayudar a hogares y empresas. Asimismo, las muy necesarias líneas de crédito rápidas proporcionan un salvavidas para el futuro de las PYME, a menudo en paralelo con los bancos nacionales de desarrollo y otras autoridades. Estas medidas consideran la necesidad de gestión del riesgo por parte de las empresas y los miembros de la ESBG.

Los responsables de políticas deberían tener en cuenta la incertidumbre causada por la Covid-19 y los retos que presenta la pandemia en los debates sobre los créditos dudosos. Unas nuevas medidas pueden atraer a una base de inversores más amplia a un mercado secundario para los préstamos dudosos. Un marco jurídico común puede garantizar el equilibrio adecuado entre la protección de los deudores, la confidencialidad de los datos y la privacidad. La promoción de administradores externos de préstamos puede aumentar la eficiencia del mercado secundario de créditos.

Los bancos se esfuerzan sin cesar para despejar la incertidumbre que la Covid-19 significa para la vida económica. En este sentido, la política de la UE debe adoptar una postura flexible en el marco actual de recuperación y resolución, permitiendo a los bancos centrarse en prestar servicios financieros a la economía real. Las normas de recuperación establecidas tras la crisis financiera de 2008 deben adaptarse para hacer frente a la Covid-19.

## **LA SUBSIDIARIEDAD RESPALDA LA SOLIDEZ DE LOS SISTEMAS BANCARIOS**

Los bancos con una orientación local de todo tipo y tamaño trabajan sin descanso con los europeos en estos tiempos de incertidumbre. Con sus estrechos vínculos a nivel local, valoran la subsidiariedad, un principio consagrado por las autoridades del tratado de la UE a escala nacional, regional o local. La subsidiariedad garantiza una política más eficiente y eficaz que fortalezca a los bancos y los ayude a salir adelante. Respaldada por la diversidad y el pluralismo, Europa mantiene un sistema bancario sólido que responde de manera eficiente a las necesidades de la economía real durante las crisis.

## **FINANZAS SOSTENIBLES: EL TIEMPO SIGUE PASANDO PARA LA GENTE, EL PLANETA Y EL PROGRESO**

Las crisis inmediatas pueden desviar la atención de las amenazas a largo plazo. Este también es el caso con la Covid-19 y el cambio climático. La Estrategia Renovada de Financiación Sostenible de la UE muestra algunos de los sutiles vínculos entre la Covid-19 y los riesgos relacionados con la actividad humana, la degradación del clima y la pérdida de biodiversidad, así como la necesidad crucial de seguir impulsando unas sociedades y unas economías sostenibles y resilientes.

El Pacto Verde Europeo y la recuperación de las consecuencias económicas de la crisis de la Covid-19 impulsan inversiones necesarias en todos los sectores, y los marcos de financiación, tanto públicos como privados, han de proporcionar un gran apoyo para la política pública de la UE en este sentido. La Estrategia Renovada de Financiación Sostenible pretende proporcionar unos instrumentos de política para garantizar que los sistemas financieros respalden verdaderamente la transición de las empresas hacia la sostenibilidad, al tiempo que estimulan la recuperación. Una Estrategia Renovada de Financiación Sostenible bien diseñada tiene en cuenta a las partes implicadas como las cajas de ahorros y los bancos minoristas, cuyo modelo de negocio sostenible satisface las necesidades sociales.

Deben adoptarse unas medidas para fomentar el compromiso social, la financiación de la transición sostenible y promover los aspectos sociales de la sostenibilidad en la actividad bancaria, de acuerdo con los Objetivos de Desarrollo Sostenible de las Naciones Unidas. La titulización para la financiación de proyectos verdes también desempeña un papel importante, ya que permite agregar proyectos a pequeña escala que de otro modo no llegarían a los inversores institucionales.

En cuanto a la taxonomía de las finanzas sostenibles, es absolutamente indispensable definir un marco viable para asegurar que los factores medioambientales se tengan en cuenta en toda la Unión Europea y que se financie la transición hacia una economía baja en carbono. En relación con esto, mientras en Europa se adoptan cada vez más productos ASG, algo relativamente nuevo es la justificación de unas normas comunes armonizadas de información sobre productos: el ámbito de la información sobre los principales impactos adversos. Los condicionantes en materia de datos plantean uno de los mayores retos en lo que se refiere a información relacionada con la sostenibilidad para los inversores finales, especialmente en el caso de los principales impactos adversos de las decisiones de inversión. La recogida de datos es muy importante, pero podría suponer una exigencia excesiva para los bancos pequeños y medianos, así como para las pymes. Los responsables de políticas deberían tener esto en cuenta. Las políticas deberían desarrollar y apoyar sobre la base de las soluciones existentes, como un registro europeo electrónico centralizado de datos ASG. Un sistema voluntario de etiqueta ecológica beneficiaría al sistema financiero de la UE.

### LOS BANCOS REGIONALES Y BASILEA III

No todos los bancos son iguales. Las entidades con una orientación local, ya sean pequeñas o grandes, compiten bien por encima de su nivel, proporcionando un 80% de la financiación a las pymes. La proporcionalidad tiene una gran importancia en el debate político, y Basilea III debería evitar unas grandes ampliaciones de capital y garantizar unas condiciones de competencia equitativas. Adoptar las normas de Basilea III de forma cuidadosa, consciente de los riesgos y sensata mantendría los costes de financiación en unos niveles razonables. Esto ayudaría a los hogares y a las empresas, incluidas las pymes, a acceder a la financiación que necesitan durante el período de la crisis de la Covid-19.

### LOS PAGOS EUROPEOS, EN UNA ENCRUCIJADA

El mercado europeo de pagos ha experimentado unas transformaciones fundamentales en los últimos años, impulsadas por los cambios en las necesidades de los clientes, la tecnología y la innovación, y el aumento de la competencia. La Directiva revisada sobre servicios de pago y el Reglamento sobre las tasas de intercambio han sido fundamentales para permitir la entrada de nuevos actores y reducir el coste de aceptación de pagos por parte de los comerciantes. Los bancos están obligados a ofrecer a los nuevos actores acceso a los datos de las cuentas de pago sin ser compensados por las inversiones necesarias para permitir este acceso, manteniendo al mismo tiempo la seguridad del cliente. Por este motivo, solo es posible beneficiarse completamente de los pagos abiertos más allá de la DSP II sobre la base de unos beneficios mutuos.

### UN MUNDO DIGITAL SEGURO Y EFICIENTE

La crisis de la Covid-19 ha sido un catalizador de los servicios financieros digitales, lo que hace que los marcos normativos para la digitalización sean aún más importantes. Apoyamos unas condiciones de competencia equitativas para los servicios digitales y consideramos que la fragmentación de los marcos normativos y de supervisión es un obstáculo importante para adoptar unas tecnologías innovadoras en el sector financiero europeo. Los requisitos de identificación electrónica, por ejemplo, difieren enormemente entre los Estados miembros.

Los datos se encuentran en el núcleo de la ola sin precedentes de transformación digital. La ESBG está de acuerdo con la ambición de la Comisión Europea de crear un espacio de datos a escala de la UE, pero señala la naturaleza sensible de los datos financieros y la actual falta de reconocimiento del valor de los datos.

Al mismo tiempo, los ciberataques e incidentes cibernéticos suponen un riesgo importante para la estabilidad del sector financiero en general. Están aumentando tanto en número como en complejidad, especialmente desde el inicio de la pandemia de la Covid-19, ya que el sector financiero depende cada vez más de las tecnologías digitales. La ESBG advierte contra la multiplicación actual de las obligaciones de notificación de incidentes cibernéticos.

## UNIÓN DE LOS MERCADOS DE CAPITALES: UMC 2.0

Un nuevo plan 2.0 de la UMC de la Comisión Europea debería equilibrar la necesidad de una menor acumulación de normativas y una base de inversores más amplia para liberar capital en toda Europa. Una mayor participación de los inversores minoristas en los mercados de capitales de la UE requiere restablecer la tranquilidad de los inversores y mejorar su confianza en los mercados de capitales. Al mismo tiempo, Europa necesita unos inversores bien informados que tomen decisiones de inversión responsables. Los requisitos normativos deben tener en cuenta un mayor acceso a la renta variable, especialmente en relación con la MiFID y los PRIIP. Al desarrollar la Unión de los Mercados de Capitales, los responsables de políticas deben tener en cuenta las estructuras de las pymes, así como el hecho de que las empresas europeas recurren principalmente a la financiación bancaria, no a los mercados de capitales.

## MÁS ALLÁ DE LA BANCA: UN ENFOQUE BANCARIO RESPONSABLE

El mundo actual muestra el buen funcionamiento de las cajas de ahorros y bancos minoristas. Su enfoque bancario consigue un equilibrio entre la necesidad de sostenibilidad financiera y un retorno a la sociedad. Los miembros de la ESBG, al tiempo que mantenían su rentabilidad, han asignado una mayor cantidad de sus presupuestos para actividades filantrópicas a satisfacer las necesidades derivadas de la crisis del coronavirus y hacia un futuro sostenible. Al reservar una parte de sus ganancias anuales para la reinversión en la economía local, contribuyen no solo a mantener intactos los programas sociales, medioambientales y culturales, sino también los proyectos educativos y sociales que ayudan a las personas afectadas por la pandemia, como jóvenes, inmigrantes y personas mayores.

Su enfoque también se aplica a la educación financiera. Para que los europeos sean más resilientes, se necesita una mayor educación financiera. Complementada por unas normas adecuadas de protección de los consumidores, Europa crea unas sociedades más justas e inclusivas, especialmente en el ámbito financiero. La cooperación público-privada, incluyendo con el ámbito académico, puede ayudar. Los legisladores de la Unión Europea ayudan a promover la causa de la educación financiera. La ESBG y sus miembros también ayudan, apoyando nuevos proyectos de investigación, iniciativas de divulgación y campañas anuales como la Semana Europea del Dinero y el Día Mundial del Ahorro.

## HACIA DÓNDE VA EUROPA

La Comisión Europea, el Consejo y el Parlamento han tenido que hacer frente a una oleada de malas noticias y decisiones difíciles. La salud de las personas, la solidez de la economía y la situación medioambiental del planeta están en peligro. Puesto que hay tanto por hacer para abordar las tres cosas, los responsables de políticas tendrán que mantener el rumbo para velar por que los flujos financieros construyan un futuro sostenible que tenga en cuenta el impacto social. Las cajas de ahorros y los bancos minoristas miembros de la ESBG están dispuestos a emplear su experiencia y su compromiso con su misión «minorista, regional y responsable» para ayudar a garantizar que los responsables de políticas de la UE cumplan la promesa que implica una economía social de mercado: resiliencia en tiempos de incertidumbre.

Mientras el mundo busca ahora una vacuna para dominar la Covid-19, los europeos desean y necesitan unas nuevas formas de trabajar y de vivir. Europa necesita un marco normativo que mantenga un sistema bancario diversificado, fuerte y con una orientación local. Un régimen regulador proporcionado y bien equilibrado ayuda a lograr esto. Cuando se dispone de estos elementos, las cajas de ahorros y los bancos minoristas ayudan a Europa a soportar mejor las conmociones y a acelerar la recuperación cuando mengüen las dificultades. La economía social de mercado europea y las personas que viven y trabajan en ella dependen más que nunca de ese tipo de apoyo.

# Zusammenfassung: ein belastbares Europa

„Es ist besser, einen guten Nachbarn zu haben als einen fernen Freund“, heißt es. Das konnten Bankkunden während der Covid-19-Krise erleben, mit der wir aktuell zu kämpfen haben. Seit Ausbruch der Krise haben Europas Sparkassen und Retailbanken die notwendigen Maßnahmen ergriffen, sobald das beispiellose Ausmaß und die Art der Bedrohung klar wurde, um die Geschäftsbeziehungen zu Unternehmen und Privatkunden aufrecht zu erhalten – egal was passiert.

Das ist kein Zufall. Ein Teil des Erfolges in schwierigen Zeiten beruht in Europa auf starken lokalen Banken in Kundennähe. Dazu gehören die 885 Sparkassen und Retailbanken, die mit der European Savings and Retail Banking Group zusammenarbeiten, um 164 Millionen Menschen in der Europäischen Union zu unterstützen. Sie fördern die Realwirtschaft mit Unternehmenskrediten im Wert von 1 Billion Euro, die meist an kleine und mittlere Unternehmen ausgegeben werden. Rund 660.000 Mitarbeiter in 20 Ländern betreuen die Realwirtschaft tagtäglich. Sparkassen und Retailbanken helfen der europäischen Wirtschaft, indem sie die erforderlichen Darlehen und Unterstützung bereitstellen, damit Unternehmen aktiv, private Haushalte stark und Gemeinden langfristig robust bleiben.

Lokale Banken, auf die ein Fünftel der Vermögenswerte des EU-Bankensektors entfällt, bieten ihre Dienstleistungen nicht nur in Großstädten an, sondern auch in kleineren Orten und ländlichen Gebieten. Als Basis der sozialen Marktwirtschaft Europas sind lokale Banken konsequent auf lokaler Ebene präsent. Deshalb muss dieses Modell auch im Zuge von Covid-19, Klimawandel und Digitalisierung weiter gedeihen. Dadurch werden Vielfalt und Pluralismus im europäischen Bankensektor gefördert, der 2020 eine entscheidende Rolle dabei spielte, die Stabilität des Finanzsystems zu erhalten und die Widerstandskraft der Europäer unter dem Druck von Lockdown, Ausgangsbeschränkungen und Abstandsregeln zu fördern. Da die Menschen mehr Zeit zu Hause verbringen, helfen die ESBG-Mitglieder den privaten Haushalten bei der Finanzierung ihrer Wohnungen mit Immobilienkrediten im Wert von insgesamt 1,2 Billionen Euro in der Europäischen Union. Das entspricht rund 16% aller Wohnungsbaukredite auf Märkten, auf denen die Mitglieder tätig sind.

## CORONAKRISE: DAS BANKWESEN IST WICHTIGER DENN JE

Während die Menschen weiterhin mit Covid-19 leben müssen, sind 47.000 Geschäftsstellen von Sparkassen und Retailbanken offen geblieben und haben mehrere Millionen Vorgänge bearbeitet, in denen die Menschen Hilfe bekamen, um ihre Immobilien- oder Geschäftskredit in schwierigen Zeiten zu bedienen. Unternehmer und Unternehmen in der Startphase erhielten die zusätzliche Finanzierung, die sie benötigen, um weiter zu arbeiten und die erforderlichen Änderungen vorzunehmen, um ihr Geschäft und ihre Mitarbeiter zu stützen. ESBG-Mitglieder haben starke digitale Kanäle – online und über benutzerfreundliche und sichere mobile Apps – eingerichtet, damit die Menschen den Kontakt mit ihren Konten, ihrem Bankberater und ihrer finanziellen Zukunft halten. Über persönliche und mobile Verbindungen erhielten die Menschen weiterhin die maßgeschneiderten Finanzdienstleistungen, die sie erwarten.

Durch ihre Best Practices kommen die Banken ihren Kunden noch näher, während ihre Serviceleistungen unverändert aufrecht erhalten werden. Dazu gehören Moratorien für Kreditrückzahlungen, die Mitglieder gewähren, um Privathaushalten und Unternehmen zu helfen. In der Zwischenzeit stellen dringend benötigte und rasch bereitgestellte spezielle Kreditfazilitäten einen Rettungsanker für die Zukunft von Mittelstandsunternehmen dar – oft in Zusammenarbeit mit einzelstaatlichen Entwicklungsbanken und anderen Behörden. Diese Maßnahmen berücksichtigen die Notwendigkeit für Unternehmen und ESBG-Mitglieder, Risiken zu managen.

Die politischen Entscheidungsträger sollten die durch Covid-19 verursachte Unsicherheit und die Herausforderungen, die sich auf Grund der Pandemie in den Debatten über notleidende Kredite herauskristallisieren, berücksichtigen. Neue Maßnahmen können eine breitere Investorenbasis auf einen Sekundärmarkt für notleidende Kredite locken. Ein gemeinsamer Rechtsrahmen kann das richtige Gleichgewicht zwischen Schuldnerschutz, Datenschutz und Privatsphäre gewährleisten. Die Förderung externer Kreditdienstleister kann die Effizienz des Sekundärkreditmarktes erhöhen.

Banken arbeiten unermüdlich daran, die durch Covid-19 für das wirtschaftliche Leben verursachten Probleme zu lösen. Deshalb muss die EU-Strategie vor dem Hintergrund der aktuellen Rahmenbedingungen für Aufschwung und Abwicklung eine flexible Haltung einnehmen, die es den Banken ermöglicht, sich auf die Bereitstellung von Finanzdienstleistungen für die Realwirtschaft zu konzentrieren. Die in den Nachwehen der Finanzkrise 2008 festgelegten Regeln für den Aufschwung müssen an Covid-19 angepasst werden.

## **SUBSIDIARITÄT UNTERMAUERT STARKE BANKENSYSTEME**

Lokale Banken aller Formen und Größen arbeiten in diesen unsicheren Zeiten unermüdlich mit den Europäern zusammen. Aufbauend auf starke Verbindungen auf lokaler Ebene wissen Banken die Subsidiarität zu schätzen – ein Grundsatz, der in den EU-Behörden auf nationaler, regionaler oder lokaler Ebene verankert ist. Sie sorgt für eine effizientere und effektivere Politik, die die Banken stärkt und widerstandsfähig hält. Das von Vielfalt und Pluralismus geprägte Europa unterstützt ein starkes Bankensystem, das bei Krisen effizient auf die Bedürfnisse der Realwirtschaft reagiert.

## **NACHHALTIGE FINANZEN: DIE ZEIT WIRD KNAPP FÜR MENSCHEN, DEN PLANETEN UND DEN FORTSCHRITT**

Unmittelbare Krisen können von längerfristigen Bedrohungen ablenken. Das gilt auch für Covid-19 und den Klimawandel. Die Renewed Sustainable Finance Strategy (Erneuerte Nachhaltige Finanzstrategie) der EU zeigt die subtilen Zusammenhänge zwischen Covid-19 und den Risiken in Verbindung mit der Tätigkeit des Menschen, dem Zusammenbruch des Klimas und dem Verlust der Artenvielfalt sowie die entscheidende Notwendigkeit auf, nachhaltige und widerstandsfähige Gesellschaften und Volkswirtschaften weiter zu stützen.

Da der Europäische Green Deal und die Erholung von den wirtschaftlichen Folgen der Covid-19-Krise notwendige Investitionen in allen Sektoren ankurbeln, müssen sowohl öffentliche als auch private Finanzierungsrahmen umfassende Unterstützung leisten, da die öffentliche Politik der EU in diese Richtung geht. Die Renewed Sustainable Finance Strategy für eine nachhaltige Finanzwirtschaft soll die politischen Instrumente zur Verfügung stellen, um sicherzustellen, dass die Finanzsysteme den Wandel von Unternehmen hin zu mehr Nachhaltigkeit effektiv unterstützen und gleichzeitig den Aufschwung befördern. Eine gut geplante Renewed Sustainable Finance Strategy berücksichtigt Akteure wie Sparkassen und Retailbanken, deren nachhaltiges Geschäftsmodell den gesellschaftlichen Bedürfnissen Rechnung trägt.

Es müssen Maßnahmen ergriffen werden, um soziales Engagement, nachhaltige Finanzierung des Strukturwandels und soziale Aspekte der Nachhaltigkeit im Bankwesen gemäß den UN-Nachhaltigkeitszielen zu fördern. Auch die Green Securitisation spielt eine wichtige Rolle, da sie die Zusammenführung kleinerer Projekte ermöglicht, die ansonsten institutionelle Anleger gar nicht erreichen würden.

Bei der nachhaltigen Finanztaxonomie besteht die absolute Notwendigkeit, einen funktionierenden Rahmen zu definieren, um eine nahtlose Einbeziehung von Umweltfaktoren in der gesamten Europäischen Union sicherzustellen und die Finanzierung des Übergangs zu einer Wirtschaft mit niedrigem CO<sub>2</sub>-Ausstoß zu gewährleisten. Obwohl sich ESG-Produkte in Europa wachsender Beliebtheit erfreuen, rechtfertigt ein relativ neuer Teil der Gleichung gemeinsame vereinheitlichte Vorschriften zur Produktoffenlegung – der Bereich des „Principal Adverse Impact Reporting“. Datenbeschränkungen stellen eine der größten Herausforderungen dar, wenn es um nachhaltigkeitsbezogene Informationen für Endinvestoren geht, insbesondere mit Blick auf die negativen Folgen von Anlageentscheidungen. Die Datenerhebung spielt eine besonders wichtige Rolle, könnte aber eine große Belastung für kleine und mittelgroße Banken sowie kleine und mittlere Unternehmen darstellen. Das sollte die Politik berücksichtigen. Die Politik sollte auf der Grundlage bestehender Lösungen ein zentralisiertes europäisches elektronisches ESG-Datenregister aufbauen und unterstützen. Ein freiwilliges Öko-Siegel würde dem EU-Finanzsektor zugutekommen.

## REGIONALE BANKEN UND BASEL III

Nicht alle Banken sind gleich. Lokale Institute, ob klein oder groß, spielen mit einem Anteil von 80% an der KMU-Finanzierung eine überproportionale Rolle. Verhältnismäßigkeit ist ein wichtiges Thema in der politischen Diskussion, da Basel III starke Kapitalerhöhungen vermeiden und gleiche Wettbewerbsbedingungen gewährleisten soll. Eine zurückhaltende, risikobewusste und vernünftige Umsetzung von Basel III würde die Kreditkosten auf einer angemessenen Höhe halten. Dies würde Privathaushalten und Unternehmen, einschließlich KMU, helfen, sich die Finanzierung zu leisten, die sie in der Covid-19-Krisenzeit benötigen.

## EUROPÄISCHE ZAHLUNGEN AM SCHEIDEWEG

Der europäische Zahlungsverkehrsmarkt hat sich in den letzten Jahren grundlegend verändert, ausgelöst durch veränderte Kundenbedürfnisse, Technologie und Innovation sowie zunehmenden Wettbewerb. Die überarbeitete Zahlungsdiensterichtlinie und die Verordnung für Interbankenentgelte haben entscheidend dazu beigetragen, dass neue Akteure auf den Markt kamen und die Zahlungsannahmekosten bei Händlern gesenkt wurden. Banken sind verpflichtet, neuen Marktteilnehmern Zugang zu Zahlungskontodaten zu gewähren, ohne für die Investitionen vergütet zu werden, die erforderlich sind, um diesen Zugang zu ermöglichen und gleichzeitig die Sicherheit der Kunden zu gewährleisten. Daher können die umfassenden Vorteile offener Zahlungen über PSD2 hinaus nur auf der Grundlage des gegenseitigen Nutzens gerntet werden.

## EINE SICHERE UND EFFIZIENTE DIGITALE WELT

Die Covid-19-Krise war ein Katalysator für digitale Finanzdienstleistungen, was einen regulatorischen Rahmen für die Digitalisierung noch wichtiger macht. Wir befürworten gleiche Wettbewerbsbedingungen für digitale Dienstleistungen und sehen unübersichtliche regulatorische und aufsichtsrechtliche Vorgaben als erhebliches Hindernis für die Umsetzung innovativer Technologien im europäischen Finanzsektor. Die Anforderungen an die elektronische Identifizierung beispielsweise unterscheiden sich zwischen den Mitgliedstaaten deutlich.

Im Mittelpunkt der beispiellosen Digitalisierungswelle stehen Daten. Die ESBG stimmt dem Bestreben der Europäischen Kommission zu, einen EU-weiten Datenraum zu schaffen, verweist aber auf die Sensibilität von Finanzdaten und auf die derzeit fehlende Anerkennung des Wertes von Daten.

Gleichzeitig stellen Cyber-Angriffe und Zwischenfälle ein erhebliches Risiko für die Stabilität des gesamten Finanzsektors dar. Sie nehmen sowohl zahlenmäßig als auch in puncto Komplexität zu, insbesondere seit Beginn der Covid-19-Pandemie, da der Finanzsektor zunehmend von digitalen Technologien abhängig ist. Die ESBG warnt vor Überschneidungen der aktuellen Meldepflichten für Cyber-Vorfälle.

## KAPITALMARKTUNION: CMU 2.0

Ein neuer Plan der Europäischen Kommission für CMU 2.0 soll den Bedarf an weniger Regulierungssumpf und einer breiteren Investorenbasis ausgleichen, um Kapital in ganz Europa freizusetzen. Eine stärkere Beteiligung von Kleinanlegern an den EU-Kapitalmärkten erfordert die Wiederherstellung des Vertrauens der Anleger und die Stärkung des Vertrauens in die Kapitalmärkte. Gleichzeitig braucht Europa gut informierte Investoren, die verantwortungsvolle Anlageentscheidungen treffen. Ein breiterer Zugang zu Aktien muss in Regelanforderungen berücksichtigt werden, insbesondere im Zusammenhang mit MiFID und PRIIPs. Mit Blick auf die Kapitalmarktunion müssen die politischen Entscheidungsträger Mittelstandsstrukturen ebenso wie europäische Unternehmen berücksichtigen, die sich überwiegend der Bankfinanzierung und nicht den Kapitalmärkten zuwenden.

## ÜBER DAS BANKGESCHÄFT HINAUS: EIN VERANTWORTUNGSBEWUSSTER UMGANG MIT BANKGESCHÄFTEN

Die Welt von heute zeigt Sparkassen und Retailbanken von ihrer besten Seite. Ihr Ansatz bringt das Bankwesen mit der Notwendigkeit finanzieller Nachhaltigkeit und der Stützung der Gesellschaft in Einklang. Während sie gleichzeitig rentabel wirtschafteten, verlagerten die ESBG-Mitglieder ihre philanthropischen Projekte, um die Bedürfnisse der Coronakrise mit Blick auf eine nachhaltige Zukunft zu erfüllen. Indem sie einen Teil ihrer Jahresgewinne für Wiederanlagen in die lokale Wirtschaft vorsehen, helfen sie nicht nur dabei mit, soziale, ökologische und kulturelle Programme aufrecht zu halten, sondern auch Bildungs- und Sozialprojekte anzubieten, die von der Pandemie betroffenen Menschen, darunter Jugendliche, Einwanderer und ältere Menschen, helfen.

Dieser Ansatz gilt auch für die Finanzbildung. Damit die Europäer belastbarer sind, ist ein höheres Maß an Finanzkompetenz erforderlich. Ergänzt durch angemessenen Verbraucherschutz schafft Europa gerechtere und inklusivere Gesellschaften, insbesondere im Finanzbereich. Hilfreich ist dabei die Zusammenarbeit zwischen Staat und Privatwirtschaft unter Einbeziehung der Wissenschaft. Die Politiker der Europäischen Union tragen dazu bei, Finanzbildung voranzutreiben. Auch die ESBG und ihre Mitglieder helfen mit, indem sie neues Research, Öffentlichkeitsarbeit und jährliche Kampagnen wie die European Money Week und den Weltspartag unterstützen.

## DIE NÄCHSTEN SCHRITTE FÜR EUROPA

Die Europäische Kommission, der Rat und das Parlament waren mit einer Welle schlechter Nachrichten und harter Entscheidungen konfrontiert. Es gab Bedrohungen für die Gesundheit der Menschen, die Solidität der Wirtschaft und einen gefährdeten Planeten. Um dieser gewaltigen Herausforderungen Herr zu werden, müssen die politischen Entscheidungsträger Kurs halten, um sicherzustellen, dass die Finanzströme eine nachhaltige Zukunft aufbauen, die sozialen Auswirkungen Rechnung trägt. Sparkassen und Retailbanken, die ESBG-Mitglieder sind, sind bereit, ihre Erfahrung und ihr Engagement für „retail, regional, responsible“ zu nutzen, um sicherzustellen, dass die EU-Politik das Versprechen einhält, das eine soziale Marktwirtschaft mit sich bringt – Widerstandskraft in Zeiten der Unsicherheit.

Während die Welt nach einem Impfstoff gegen Covid-19 sucht, wollen und brauchen die Europäer neue Arbeits- und Lebensweisen. Europa braucht einen politischen Rahmen, der das Bankwesen diversifiziert, stärkt und lokal ausrichtet. Ein verhältnismäßiges und ausgewogenes Regulierungssystem trägt dazu bei. Wenn all dies gegeben ist, können Sparkassen und Retailbanken Europa dabei helfen, Krisen besser zu überstehen und die Erholung zu beschleunigen, wenn der Gegenwind nachlässt. Europas soziale Marktwirtschaft und die Menschen, die in ihr leben und arbeiten, sind mehr denn je auf diese Unterstützung angewiesen.



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# Covid-19 crisis: adapt, adjust, act

## Covid-19 – Economy 0

The Coronavirus crisis started in a far-away place, and until then, a little-known city in China. It quickly spread to the rest of the world and took most governments by surprise. In Europe, regulators and supervisors, including the European Central Bank and the European Banking Authority, reacted quickly and strongly, and in a coordinated manner – among themselves and with the national governments. This undoubtedly helped quell panic during a totally unprecedented situation.

The European economy came to a nearly complete standstill, with schools and public services closed. Countries depended on essential workers – such as medical staff and food and public sector workers – to courageously stay on the job while vast armies of the non-essential workforce took to telework at unprecedented levels.

### EUROPE'S BANKS: FROM PROBLEM CHILDREN TO “PART OF THE SOLUTION”

Never before have we witnessed the European economy disrupted to this extent, not even after the 2008 financial crisis. That crisis wreaked havoc on the financial markets and certain areas like real estate, oftentimes sparing widespread contagion to factories, offices, hotels and airlines. This time, it became quickly clear that hardship would be felt deep and wide.

Although a crisis, the Covid-19 pandemic provides an opportunity. ESBG member savings and retail banks show once again how they remain close to their customers in good times and in bad. They play a crucial role in helping European real-economy businesses and households get the financing they need.

### ECB EFFORTS NOTED, NEEDED

Savings and retail banks value the European Central Bank's efforts and initiatives. From the 12 March 2020 move to provide additional longer-term refinancing operations, to a new €750 billion Pandemic Emergency Purchase Programme unleashed one week later, for a wide range of asset categories. The governing council declared it would do everything necessary in its mandate.

Meantime, at member-state level, the German Savings Banks Association, DSGV, an ESBG member, fully supported the measures taken by the German government – an immediate fiscal outlay of €456 billion, tax deferrals of €251 billion and a staggering €932 billion of liquidity and guarantee measures. Relatedly, the payment infrastructure of Sparkassen-Finanzgruppe – the biggest in the country – was fully capable of taking on extra usage of the network that already handles about half of all bank transfers and card-based transactions in the country. A few days later, DSGV President Schleweis declared that his organisation would closely work with the German development bank KfW to provide credit to the country's businesses.

ESBG members in other European countries took at the same time similar measures, such as Groupe BPCE in France, Spanish Association of Savings and Retail Banks CECA, Erste Bank in Austria and BCEE in Luxembourg.

## SAVINGS AND RETAIL BANKS: HELPING HOUSEHOLDS, SMES BREATHE A BIT MORE EASILY

ESBG members began discussing moratoria on existing loans, exceeding often the legal rules foreseen in this field, such as in Spain. In Germany alone, some 360,000 moratoria were accepted in the first half of the year by savings banks.

Necessity being the mother of invention proved true again during the difficult first half of the year. ESGB members went beyond their legal requirement, showing above-and-beyond flexibility towards consumers hit with financial hardship from the Covid-19 crisis. Austria's Erste Bank launched in early April 2020 a secure payment solution for traditional brick-and-mortar retailers. They also developed an online payment solution for SMEs up-and-running within an hour – a much-needed tool as most of the population turned to online shopping. For home deliveries, which often became the only lifeline for restaurants, Erste Bank developed options for fast payments via email or text message. The Spanish savings banks signed a deal with the government to pay in advance social allowances to people entitled to them.

On the front foot in times of need, retail and savings banks helped people pick up the pieces left by the crisis. Those actions were acknowledged by the European Commission-convened stakeholder roundtable that brought together groups representing consumers, businesses along with the banking and insurance sector. A little help beyond banking

Solid, strong and firmly rooted in their regions, savings and retail banks were active both on the banking and community service front. Foundations created by ESGB members spend every year more than €1 billion in social, environmental and cultural philanthropy. Important swaths of this budget have been reassigned and dedicated to helping out associations, communities and organisations.

## AN UNCERTAIN FUTURE REMAINS

Economists predicted Covid-19 would ravage economic output. It did. And policymakers responded. When the European Commission proposed on 20 March 2020 to insert a general escape clause within the Stability and Growth Pact, they sacrificed the sacrosanct 3% deficit rule and the 60% public debt rule. That proved historic, as Europeans saw the gravity of the situation. But more was needed. The unprecedented €1.820 billion coronavirus recovery package agreed on 21 July by the European leaders came as a relief to thwart the 7.5% contraction foreseen for the EU economy in 2020, according to the Commission Spring 2020 Economic forecast published in May. At member-state level, once-expanding countries like Belgium shrank 12% in the second quarter while economic powerhouse Germany contracted by 10%.

During this time, the low-interest rate environment remained in place, with little wriggle room. The debt stimulus that underpins low rates does not provide a free lunch. Despite public support and a responsive banking system to policy measures, many companies and small businesses may still go bankrupt. Non-performing loan levels will rise, including loans on ESGB member savings and retail banks' balance sheets. When the real economy suffers, retail banks find themselves closest to its effects. They feel the pain. Banks in Europe remain, however, the main provider of funding to the business sector, especially so to the SME segment.

For society, problems already faced by Europe before the "Coronacrisis, geopolitical instability, growing populism, low-interest rates and climate change, to name but a few, –only become more pronounced.

## CUT RED TAPE, POSTPONE CERTAIN MEASURES TO RELIEVE PRESSURE

Given this backdrop, policymakers should refrain from piling up more rules to an already struggling banking sector that indirectly hurt bank customers. Planned implementations should be delayed by one or two years, or perhaps more depending on how the crisis evolves.

As non-performing loans go up, postponing the implementation of the definition of default across the prudential framework would be appropriate given the current exceptional situation to remove burden on the capital position of financial institutions. Given the current circumstances, the already highly challenging deadline of 1 January 2021 appears overly optimistic. A postponement of one year would be useful to both banks and supervisors to get ready to apply the new definition consistently across Europe. The EU application of Basel III rules has already required an extraordinary effort by deposit taking financial institutions and touched in a disproportionate way local banks who, per definition, gear themselves more towards serving real economy households and SMEs. More flexibility on the prudential treatment of non-performing exposures would help too when they can be directly attributed to the consequences of Covid-19.

In the reporting area, we strongly encourage the European Banking Authority and European Central Bank to review the format and frequency of the new centralised Covid-19-related reporting package, taking into account operational constraints facing banks. Data submission should be more flexible and done on a best-effort basis.

### **THE NEW ABNORMAL: SUPERVISORS PLAY IMPORTANT ROLE**

As Europe navigates abnormal times marked by exceptional events, Europeans witness exceptional measures. EU leaders have stepped up, financial institutions have responded quickly. While they do their part, supervisors can too. Savings and retail banks provide needed support to Europe's citizens and businesses, as well as the regional structures and communities, to get through this difficult period.

As Europe grapples with the much-predicted next waves, ESBG member savings and retail banks continue to adapt to help Europeans stay resilient. The right public policy can help those banks do their job even better.

# The COVID-19 crisis: how ESBG members have reacted

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## GERMAN SAVINGS BANKS: STAYING CONNECTED

The 377 savings banks in Germany remain a strong partner for companies and private customers during the Coronacrisis. By the end of April alone, bank staff held some 1.4 million consultations with Corona-affected customers. Each meeting focuses mainly on maintaining the economic performance of customers and their companies and securing current liquidity requirements. Around 20 to 30% of these discussions resulted in changes to credit lines, suspension of interest or repayments or applications for promotional loans. Between 85 to 90% of customer requests could be fulfilled. In 159,000 cases, interest and principal payments were suspended for commercial customers until the end of April 2020.

Other measures carried out included €17 billion in new loans granted to companies, self-employed and private individuals in March 2020. That is 22.3 percent more than in March 2019. In March 2020, €9.7 billion worth of new loans were granted to companies and the self-employed, 22.6 percent more than in the previous year. The remaining €6.9 billion went to private individuals. Some 270,000 deferrals have been made by Sparkasse customers of interest and principal payments as of 22 April 2020, including 127,000 private customers and 143,000 commercial customers.

Savings banks have applied for 7,674 loans for their customers from KfW, of which 7,125 have already been approved. Around half of all applications for KfW loans come from companies and the self-employed who are looked after by savings banks. Savings banks have increased their capacity for contactless payments while the upper limit of a contactless transaction was raised to €50.

## SWIFT COVID-19 RESPONSE IN ITALY

As the Italian government addressed the pandemic, ESBG Italian member “Associazione di Fondazioni e di Casse di Risparmio Spa”, or Acri Foundation, with its 13 member savings banks and 83 foundations, swiftly mobilised themselves to help 60 million people tackle the health emergency.

Since the crisis hit, individual member foundations allocated funds valued at more than €130 million to help their respective regions step in when need arises on the ground. For the most part, these resources were made immediately available for hospitals and healthcare companies to purchase much-needed intensive care unit systems, respirators, monitoring systems, beds for resuscitation and everything needed to respond to the emergency. Acri Foundation also supported non-profit and cultural organisations hit by the lockdown measures.

## COVID-19: EXTRA MEASURES MATTER AT AUSTRIAN SAVINGS BANKS

The Austrian Savings Banks Association takes measures above and beyond the call of duty to help people manage and remain resilient during the Covid-19 pandemic. From donations to the Austrian Red Cross to launching a voucher campaign to support regional businesses, the association of savings banks finds creative ways to help the country's nearly 9 million people as well as several of the 330,000 small and medium-sized firms that employ some 2 million people nationwide. Vouchers bought from various companies are donated to those in need. This is done in coordination with aid organisations. The companies where the vouchers can be redeemed include high street retailers and grocers, bakeries, restaurants, hairdressers and beauty salons, farmers and winegrowers, and taxi companies.

To support local associations committed to active work with youth, even in times of crisis, vouchers for products and services by local companies could be redeemed once government measures were lifted. The effort supports both local associations and the regional economy.

## HELPING FIGHT COVID-19 IN FRANCE: SAVINGS BANKS HELP HOSPITALS

The leading private financier in the public hospital sector in France, savings banks– referred to as Caisses d'Epargne – mobilise to respond to new challenges linked to the health crisis brought on by Covid-19. To do this, they are implementing a large-scale financial support plan for the public hospital sector. This €1 billion support plan includes: cash loans available within 48 hours; a medium-and long-term financing offer; and a credit solution for very long-term investment needs over periods of up to 40 years.

The health crisis faced by France during Covid-19 highlights the essential role of public health establishments and their staff. The unprecedented mobilisation of public hospitals is profoundly changing their activities and, consequently, their revenue system. Faced with this situation, short-term financing needs have been raised to support the exceptional expenses brought on by the pandemic, and, subsequently, the heavier investments that will be necessary for hospital infrastructure.

## SPANISH SAVINGS AND RETAIL BANKS: SOCIETY POSITIVELY VALUES ITS WORK IN THE FACE OF THE COVID-19 CRISIS

According to a survey carried out at a national level by the social research consultancy GAD3, the initiatives most valued among the population developed by the Spanish banking sector have been, among others: the advancement of pensions, the advance payment of unemployment benefits and the elimination of commissions at ATMs, with scores higher than 8 out of 10.

Also Small and medium-sized companies, one of the groups most affected by the crisis, value positively the support received (scores higher than 7).CECA entities, which represent 31% of the Spanish financial sector, in August 2020 granted €28.4 billion within the framework of the guarantee programme established by the ICO (Spanish State Finance Agency). Among the exceptional actions aimed at contributing to the economy of families, the moratoriums on the payment of mortgages and consumer loans stand out, with the CECA entities having granted €21.9 billion at the end of August 2020.

The commitment to society is a hallmark of the entities associated with CECA, which have invested more than €135 million in social initiatives during the pandemic. Measures such as donations to food banks, cooperation in assistance programs for the distribution of food or the provision of telephone lines to serve the elderly are known by more than half of the population, who value them above 8, 5 points.

Spanish society also values positively the attention received by the CECA sector workforce, in accordance with the professionalism and commitment that the employees have shown during the crisis to continue offering an essential service to society. The entities associated with CECA kept open some 90 percent of the 10,804 branches that make up their network.

# Sustainable finance: future focused action now



**Renewed Sustainable Finance Strategy**  
**Disclosures and reporting**  
**EU Taxonomy**  
**EU Ecolabel**  
**Prudential treatment of assets and risk**  
**management**  
**MIFID II suitability assessment and**  
**sustainability risks**

# Renewed Sustainable Finance Strategy

## PROPOSED SOLUTIONS AND ACTIONS

Regulatory actions in the financial sector must prioritize the completion and implementation of the regulation developed in the 2018 Sustainable Finance Action Plan and what is provided in the EU Green Deal and the upcoming Renewed Sustainable Finance Strategy. Overlaps and misalignments between regulations as well as misalignments in implementation deadlines of interdependent regulations should be avoided. New regulations must be targeted to specific objectives – to address market failures or observed deficiencies proportionate to the regulatory objective avoid excessive burdens for entities – and must follow the materiality principle.

The EU legal framework should furthermore promote social aspects of sustainability in banking according to United Nations Sustainable Development Goals and the European Union should consider the further development of an EU Taxonomy including social objectives.

To enhance data availability and comparability, ESBG calls on the European Commission to build or support a central European ESG free-of-cost – or low cost – data register.

The European Union should provide the right incentives to investors to achieve the aim of redirecting economic flows to finance sustainable projects. EU policymakers should explore how to provide incentives for small private investors. The role that financial education can play is very important in this context. The European Union should support the development of more structured actions in the area of financial literacy and sustainability to raise awareness and knowledge of sustainable finance among citizens and finance professionals rather than providing detailed guidance through regulatory intervention.

## IDENTIFIED CONCERNS

Although ESBG members recognise the clear need of targeted regulatory intervention to foster the transition to a climate-neutral economy and reorient investment flows to achieve this objective, we would like to point out the risks of excessive regulation:

- Excessive regulation could put the European financial sector at a disadvantage vis-à-vis other jurisdictions, such as the US, both in the banking market and in the capital markets;
- Excessive regulation reduces the attractiveness of public markets;
- Excessive regulation puts us at a disadvantage against technological competitors that do not have all this bureaucratic burden;
- Excessive regulation adds a regulatory burden and direct and indirect costs that impact upward the cost of capital, at a time when it needs to be reduced to revive the economy.

The integration of sustainability in the financial sector is, in ESBG's view, also delayed by the lack of available data; the costly purchase of non-financial information by data providers; excessive regulation, misalignment between different legislative and regulatory acts regarding definitions and application deadlines, and too short application deadlines.

## BACKGROUND

On 11 December 2019, the Commission presented its EU Green Deal, announcing an ambitious package of measures for a just and inclusive transition towards achieving climate neutrality by 2050. As the EU moves towards climate-neutrality and steps up its fight against environmental degradation, the financial and industrial sectors will undergo a large-scale transformation too. Although the financial sector has already made considerable progress, its transition, in the opinion of many, is not fast enough to achieve the climate targets of 2030 and 2050.

Moreover, the Covid-19 pandemic has shown the critical need to strengthen the sustainability and resilience of our societies and the ways in which our economies function. In the next years, a more sustainable financial system will be essential to ensure a green recovery from the crisis and support the prevention of other pandemics in the future.

For all of these reasons, the Green Deal announced a Renewed Sustainable Finance Strategy to be published at the end of 2020. The renewed strategy will build on the 10 actions put forward in the European Commission's initial 2018 Action Plan on Financing Sustainable Growth, which laid down the foundations for channelling private capital towards sustainable investments, and will shift the focus to the real economy and corporates, as well as to public authorities and citizens to give everyone the necessary tools to transition from brown to green. The Renewed Sustainable Finance Strategy will predominantly focus on three areas:

1. Strengthening the foundations for sustainable investment by creating an enabling framework, with appropriate tools and structures.
2. Increased opportunities to have a positive impact on sustainability for citizens, financial institutions and corporates.
3. Climate and environmental risks will need to be fully managed and integrated into financial institutions and the financial system as a whole, while ensuring social risks are duly taken into account where relevant.

### **Why policymakers should act**

The European Green Deal and the recovery from the economic consequences of the Covid-19 crisis will significantly increase the investment efforts needed across all sectors, meaning that financing frameworks, both public and private, must support this overall policy direction. A Renewed Sustainable Finance Strategy aims to provide the policy tools to ensure that the financial systems genuinely support the transition of businesses towards sustainability in a context of recovery. The importance of a Renewed Sustainable Finance Strategy is highlighted through the ongoing Covid-19 crisis, which underscores some of the subtle links and risks associated with human activity, climate change, and biodiversity loss, as well as the subsequently critical need to strengthen the sustainability and resilience of our societies and economies. It will be hugely important that the Renewed Sustainable Finance Strategy is well-designed, clear and takes into account the considerations of stakeholders, such as savings and retail banks, whose business model is conscious of the needs of society, for more than 200 years. A smart strategy and appropriate follow-up actions will be of great value.

# Disclosures and reporting in the context of sustainable finance

## PROPOSED SOLUTIONS AND ACTIONS

We call the EU to build or support, based on existing solutions, a centralised electronic European ESG data register. We understand that a common European Green Deal dataspace to support the Green Deal priorities is already envisaged in the EU data strategy. As a first building block, the European data register should focus on ESG disclosure in line with the Non-Financial Reporting Directive (NFRD), EU taxonomy-based information, starting with climate change adaptation and mitigation objectives, as well as ESG data necessary to financial market participants to comply with the SFDR. As another building block the register should include relevant ESG information already collected by European and national institutions such as governments, central banks, statistical bodies, etc. The EU should open up its databases that collect environmental reporting data and make those re-usable. This data is critical for financing, and to track the economic performance of sustainable activities. Such data should be gathered and made available digitally to users of non-financial information – not only investors, but also lenders, academia, researchers, authorities and others. To facilitate the collection, a certain level of standardisation would be necessary. Finally, data should be provided to users ideally free of charge.

Sustainability regulation must establish uniform and clear standards throughout Europe and prevent greenwashing. For that reason we request the Commission not to adhere to the timetable of the SFDR. A full postponement of the implementation date of the SFDR to 1 January 2022 would facilitate financial market participants' and financial advisors' compliance with the new disclosure requirements. This moderate extension would give market participants more time for practical implementation (assuming publication of the draft RTS by end January 2021). It would also help not to impede the distribution of sustainable financial products.

In addition, ESG disclosures under SFDR still need to be complemented by Taxonomy related information which will require further adaptations of the RTS, to be effective as from 1 January 2022. The suggested extension for the application of SFDR would therefore have the additional advantage of allowing the coordinated implementation of all ESG-related disclosure requirements for sustainable products with lower implementation costs in the interest of the end-investors.

ESBG acknowledges the benefits that an improved non-financial reporting can have in order to improve the competitiveness of the company, CEO engagement in ESG matters, accountability; the integration of externalities risk assessments, financial assessments, as well as to mitigate negative impacts on the climate while building trust with stakeholders. While supportive of the implementation of the recommendations of the TCFD, savings and retail banks nonetheless draw attention to the issue of data availability in relation to the proposed indicators. For these reasons, non-financial reporting should remain reliable and as flexible as possible, and companies should be able to choose the reporting strategy and guidelines that fits better their strategies and position, considering information related to the four main topics and the principle of materiality.

## IDENTIFIED CONCERNS

The recent regulatory developments in the context of the EU Sustainable Finance agenda create an urgent need for publicly available ESG data as well as how to enhance their sourcing. Compliance with the new disclosure obligations introduced by the SFDR requires financial market participants to have access to comparable robust and reliable ESG data at the level of companies. From the perspective of the EU Taxonomy Regulation, companies subject to the NFRD will have to disclose how and to what extent their activities qualify as environmentally sustainable as defined in the Regulation. Unfortunately, the availability of comparable, reliable and public ESG data of good quality is currently insufficient to comply with the increasing expectations and new regulatory requirements due to apply shortly. When available, data is often difficult to compare and raises reliability questions. Moreover, ESG data by third party providers is often expensive in particular for small-size financial market players, researchers or academia. With an increasing demand for ESG information, the fragmentation in ESG third party data providers risks leading to insufficient availability of comparable and reliable ESG data as well as to unnecessary costs and competition concerns.

Corporate reporting has to change – it is not broken; but it will be unless it changes. It has gotten better at showing what is valuable for companies. There is a confusion between what should be and how to change. Reporting is important for better business, better society, better information, better transparency and better capital markets.

Also, financial market participants and financial advisors face huge challenges in ensuring compliance with SFDR by 10 March 2021:

They must include templates for sustainability information in their distribution documents by the time the regulation comes into force on March 10, 2021. The requirements will be developed by the ESAs and will not be available before the end of January 2021. This leaves just five weeks to adapt the investor information.

We therefore echo the concerns highlighted by the ESAs in this regard that financial market participants need more time to properly implement the provisions in the RTS. This situation poses operational challenges in order to be able to update systems and documentation in time;

Furthermore, the timetables and regulatory content between the SFDR and the various sustainable finance work-streams have also been misaligned. These include the Taxonomy Regulation, NFRD, and also the MiFID II RTS on ESG factors and preferences, the latter of which has also been published for feedback quite late. Previously discussed issues still persist such as the lack of an ESG data register, and the legal risk for ESG products arising from unclear and inconsistent data indicators, methodologies, definitions etc.

## BACKGROUND

Following the adoption of the 2015 Paris Agreement on climate change and the United Nations 2030 Agenda for Sustainable Development, the Commission has expressed in the 2018 Action Plan “Financing Sustainable Growth” its intention to increase transparency in the field of sustainability risks and sustainable investment opportunities

Given the challenging situation in terms of global warming, urgent action is needed and financial market participants and financial advisers are expected to disclose specific information on their approaches to the integration of sustainability risks and the consideration of adverse sustainability impacts.

In December 2019, the EU Disclosure Regulation entered into force and will be applicable as of 10 March 2021. The Regulation will apply to financial market participants and financial advisers (e.g. insurance intermediaries; credit institutions, investment firms, AIFMs and UCITS management companies which provide investment advice as defined in MiFID II Directive). Also, the Regulation introduces a range of other new definitions, including for concepts such as sustainable investments, sustainability risks and adverse impacts on sustainability factors.

EBA, EIOPA and ESMA (*Joint Committee*) are tasked with drafting Regulatory Technical Standards (RTS) on:

- pre-contractual disclosures to specify the details of the presentation and content of the information disclosed;
- the content, methodologies and presentation of information published in financial markets participants’ websites;
- the content and presentation of information disclosed in periodical reports;

and Implementing Technical Standards (ITS) to determine the standard presentation of information on the promotion of environmental or social characteristics and sustainable investments.

The Non-Financial Reporting Directive (Directive 2014/95/EU), which elaborates on the disclosure of non-financial and diversity information by certain large undertakings and groups, which is an amendment to the Accounting Directive, applies to all public interest companies in the EU (banks and insurance companies are thus included), and to those companies who have more than 500 employees. The Directive is high level and is principles-based. It identifies four main topics: Environmental, Social and employee matters, respect for Human Rights, and anti-corruption and bribery matters. The Directive does not define Key Performance Indicators (KPI), nor imposes particular reporting frameworks nor a third-party verification of the reported information. The Directive introduces an important innovation change regarding materiality, introducing the “impact” concept. Moreover, the Directive is accompanied by non-binding Guidelines that help implement the Directive. The non-binding Guidelines were reviewed in 2019, and now the NFRD is being evaluated.

## Why policymakers should act

While ESG products are becoming more popular in Europe, justifying common harmonised product disclosure rules, the area of principal adverse impact reporting is relatively new. Data constraint is one of the biggest challenges when it comes to sustainability-related information to end-investors, especially in the case of principal adverse impacts of investment decisions.

Harmonised EU rules on sustainability-related disclosures to end-investors is fundamental to achieve the objectives of the SFDR, i.e. to enhance data availability and comparability and foster sustainable investments while avoiding the risk of greenwashing. Otherwise, in the absence of harmonised EU rules on sustainability-related disclosures to end-investors, it is likely that diverging measures in some EU member states will have the effect that investors are provided with information only in a piecemeal fashion. Such divergent approaches would continue to cause significant distortions of competition resulting from significant differences in disclosure standards. Divergent disclosure standards make it very difficult to compare between different financial products and create an uneven playing field between these products and between distribution channels, and erect additional barriers to the internal market. Such divergences can also be confusing for end-investors and can distort their investment decisions.

Apart from that, the availability of raw harmonized ESG data would allow for better comparability, increase transparency, lower barriers and costs, generate efficiency, reduce complexity and attract new players. Robust, comparable and reliable ESG data is key to identify and assess sustainability risks in lending activities. In addition, availability of ESG data is also necessary to enable financial institutions and investors to steer their portfolios towards the objectives of the Paris Agreement and of the European Green Deal much more efficiently and on a much broader scale.

EU institutions have identified the need to become active. In particular, it is being assessed to which extent the non-financial reporting framework is still fit for purpose and for new challenges (sustainability, assurance and digitalisation).

The principle of proportionality is crucial in this respect. Policy-makers need to bear it in mind when designing legislation and reporting and disclosure requirements for both financial institutions and corporates, including SMEs.

# EU Taxonomy

## PROPOSED SOLUTIONS AND ACTIONS

The specificities of retail banking should be taken into account in the framework in order to make sure that the taxonomy works for all types of economic activities, such as SME lending, energy efficiency of residential real estate. While the technical screening criteria of the taxonomy must remain consistent and encourage capital reallocation towards a sustainable economy, they should be selected so that they may be applied to all relevant financing activities without creating an excessive administrative burden for some players. In other words, all financial institutions should have the tools at hand to play a vital role in financing the transition to a more sustainable EU economy. Definitions should therefore be clear, and applicable indicators should ensure a sufficient degree of comparability.

Where criteria already exist in relevant legislation, such as in forestry, those criteria should be used and referred to. As a matter of legal certainty, financial contracts concluded before the framework to facilitate sustainable investment (Taxonomy Regulation) and the associated delegated acts enter into force should be grandfathered, out of their scope. Generally speaking, we regard it as important that the clients keep freedom of choice on whether to invest or lend in sustainable products.

A workable and dynamic taxonomy is essential to ensure a homogeneous inclusion of environmental considerations throughout the EU. The taxonomy needs to take into account SME lending and improvement of the energy efficiency of private real estate.

Also, to avoid conflicting objectives between environmental protection concerns and social objectives (prosperity and employment) the taxonomy and its delegated regulation should ascertain that greening the economy is fully coherent with the social aims supported by retail banks, sustaining local communities and SMEs, which is most crucial for innovation and job creation.

The European Commission should make sure regulation around sustainability always takes into account a policy measure's social impact. Although ESBG acknowledges the fundamental importance of the fight against climate change, ESBG stresses the importance of building a holistic framework fostering both environmental and social goals. As the European Commission itself also pointed out in its action plan, the concept of sustainability rests on environmental and social considerations alike. Thus, we urge the decision makers to accelerate and focus their work on establishing social criteria. Beyond that, good governance principles and a commitment to good corporate citizenship are especially important in the financial sector.

Finally, considering that the Level 2 work will not be ready before the end of the year, more time is needed for a solid consultation process and in-depth discussion with stakeholders. Also, it would be reasonable to adjust the date of entry into force of the Regulation. The response to the Covid-19 outbreak has shifted the focus of financial institutions to essential regulatory and supervisory actions and is significantly limiting the available time of institutions to prepare the implementation of new legislation.

## IDENTIFIED CONCERNS

ESBG fully acknowledges the need to address the lack of clarity on what can be considered environmentally sustainable for investment purposes, to scale up green investment to meet the EU's climate and energy targets for 2030 and 2050. The regulation establishing a framework to facilitate sustainable investment will play a central role, as it will not only harmonise national public taxonomies but also define standardised disclosure obligations on financial market participants. It should hence be the basis for upcoming legislations relating to sustainability in finance. As an indispensable milestone, the taxonomy should be made operative before regulatory measures relying on it are implemented and the different sustainable finance legislative proposals should be synchronised. Considering that the Level 2 work will not be ready before the end of the year in combination with the response to the Covid-19 outbreak that has shifted the focus of financial institutions to essential regulatory and supervisory actions and is significantly limiting the available time of institutions to prepare the implementation of new legislation, there is not enough time for a solid consultation process and in-depth discussion with stakeholders as well as for its implementation.

Also, the principle of proportionality is vital to make sustainable finance work in practice. The taxonomy should also be simple enough to facilitate its understanding and use. The length of the technical annex of the TEG final report on the EU taxonomy points out the complexity of the taxonomy. Such a complex level of detail will likely delay the implementation and also render it difficult to keep pace with technological progress in the area of sustainable economic activities. Its use will thus be unreasonably difficult for SMEs in particular.

The transition towards a more low-carbon EU economy involves structural sectoral changes, and changes in business models and skill requirements that take time and additional resources to implement. The taxonomy might accelerate the transition of certain sectors and contribute indirectly to social impacts, for instance, by affecting employment in transitioning sectors. This may cause conflicting objectives between environmental protection concerns and social objectives (prosperity and employment).

While we welcome the minimum social safeguards included in the Regulation as one of the 4 eligibility conditions, the taxonomy is currently purely environmental, and does not tackle the social externalities of economic activities. However, it should be ensured that addressing social objectives too will not weaken the savings banks' position in the market. Instead, savings and retails banks need to put themselves in the middle of the discussion. Also, taking into account that the discussion on the green taxonomy was long and complicated, we need to make sure that the social taxonomy is simple and in favour of our role. It was also noted that the difference in how things are organised in the public sector in different countries could make the development of a social taxonomy difficult and complex.

Data availability is a significant issue that financial market participants will face when implementing and using the taxonomy. We can already anticipate that the issue will be even stronger when it comes to assess the eligibility of SMEs in banking portfolios. Indeed, the level of information/documentation is generally not sufficient to generate an audit track of all aspects to be reviewed in the classification (especially DNSH criteria and ongoing monitoring of the fulfilment of the mitigation criteria).

Finally, we think it is still too early to discuss about the development of a brown taxonomy. For example, it could put at risk the transition of sectors considered "brown" since it could restrict their access to finance.

## BACKGROUND

Acknowledging the urgent need to further promote sustainable growth, the European Commission published an Action Plan on Sustainable Finance in March 2018. The Action Plan set out 10 actions to reorient capital flows, manage financial risks stemming from climate change, resource depletion, environmental degradation and social issues, and to foster transparency and long-termism. One of the central pillars was to establish an EU classification system for sustainable activities, i.e. an EU taxonomy. The European Commission followed through on this action in May 2018 with a proposal for a regulation on the establishment of a framework to facilitate sustainable investment (Taxonomy regulation). Meanwhile, the regulation was published in the Official Journal of the EU and entered into force on 12 July 2020. It will apply in two stages: as of 1st January 2022 for the first 2 environmental objectives (climate change mitigation and adaptation) and as of 1st January 2023 for the 4 other environmental objectives.

The Taxonomy Regulation sets out four requirements for economic activities to comply with in order to qualify as environmentally sustainable, for the purpose of establishing the degree of environmental sustainability of an investment (art. 3). An economic activity should:

1. Contribute substantially to one or more of the environmental objectives;
2. Not cause significant harm to any of the environmental objectives;
3. Must be carried out in compliance with minimum safeguards (such as adherence to international social and business standards and conventions);
4. Must comply with technical screening criteria.

Under art. 5 of the Regulation, environmental objectives are:

1. climate change mitigation;
2. climate change adaptation;
3. sustainable use and protection of water and marine resources;
4. transition to a circular economy
5. pollution prevention and control;
6. protection and restoration of biodiversity and ecosystems.

Moreover, the Regulation introduces disclosure requirements for financial market participants, i.e. institutional investors and corporates preparing non-financial statements under the EU Non-Financial Reporting Directive to disclose how and to what extent their underlying investment and company's activities are associated with environmentally sustainable economic activities as defined in the Regulation. The regulation also includes a clause allowing the Commission to consider extending the Taxonomy to harmful activities (so-called "brown taxonomy").

The Taxonomy Regulation tasks the Commission with establishing the actual list of environmentally sustainable activities by defining technical screening criteria for each environmental objective. These criteria will be established through delegated acts. The taxonomy for climate change mitigation and climate change adaptation should be established by the end of 2020, in order to ensure its full application by end of 2021. For the four other environmental objectives, the taxonomy should be established by the end of 2021 and will apply by the end of 2022. The first company reports and investor disclosures using the EU Taxonomy are due at the start of 2022.

## Why policymakers should act

Because of the key role of the regulation establishing the sustainable finance taxonomy, defining a workable framework is absolutely necessary to ensure a homogeneous inclusion of environmental considerations throughout the EU and ensure the financing of the transition towards a low-carbon economy. Furthermore, it is important for policymakers to acknowledge the dynamic inherent to the transition process in order to reflect it in the taxonomy and make sure adequate incentives can be put in place. This is something the static approach of the current taxonomy cannot do.

Also, securing simple and clear rules that are being applied with respect to the principle of proportionality contributes to the facilitation of the taxonomy regulation's understanding and use by all financial market participants. Apart from that, it is essential for policy makers to ensure equal opportunities for all financial participants taking into consideration that the transition towards a more low-carbon EU economy involves structural sectoral changes, and changes in business models and skill requirements that take time and additional resources to implement, especially for SMEs.

Lastly, given that a social taxonomy is already in the Commission's plans and considering that banks are already requested to report their social impact although there is no social taxonomy yet, a common understanding of "Social Objectives" will be helpful for the industry. We urge policy-makers to also focus on the social dimension of sustainable finance as savings and retail banks in Europe have been doing for a long time.

# EU Ecolabel for financial products

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## PROPOSED SOLUTIONS AND ACTIONS

ESBG fully supports the development of a voluntary label to increase transparency for consumers on sustainability. However, regulators should firstly observe market developments and make sure that an EU standard will not complicate future harmonisation. It is also important that such a label underpins an effective transition of the economy to a carbon-neutral society and sustainable development. Therefore, labels should not only apply to products that are strictly low-carbon but also support transition and enabling activities to promote a faster, broader, and more effective transition. Both low carbon activities, transition, and enabling activities should be included in the scope of the EU ecolabel.

With regards to the traceability of green deposits, an alternative solution of the current proposal of ring-fencing with similar outcome could be to trace the use of the assets a bank receives from the green deposits by ensuring that the right proposition of the assets coming from deposits are used to finance ecolabelled projects. It appears increasingly likely that banks will have to trace their green lending for risk reasons in the EU, by “tagging” the assets they finance.

## IDENTIFIED CONCERNS

Our main concerns are the asset classes that can be labelled, and the reality-check applied to the thresholds defined for each asset class. The ambition of the ecolabel should be maintained as high as possible, but also adapted to the asset class considered, and taken into account when defining the thresholds of green for each type of fund. ESBG is in favour of a label that is both environmentally ambitious and realistic, to ensure that thanks to the label, more and more dedicated green investment strategies will be developed for retail and institutional investors.

Another important question is the way the EU Taxonomy will be integrated in the EU ecolabel: the level of granularity of information that can be obtained from corporate issuers and banking clients is most of the time not adapted to the technical requirements (criteria, metrics) listed in the EU taxonomy. An example: the technical screening criteria for all environmental objectives will be ready by 31 December 2022. However, the EU Ecolabel for financial products is expected to be adopted in autumn 2021. It is not clear how the EC will ensure the alignment.

Moreover, we are concerned about the correct way of tracing the use of green deposits. The current proposal of the Commission refers to the option of “ring-fencing” green deposits. However, this option could cause a balance sheet burden for banks as well create regulatory issues relating to complying with liquidity requirements.

## BACKGROUND

The development of the EU Ecolabel for Financial Products is based on the European Commission's 2018 Sustainable Finance Action Plan. The EU Ecolabel is a voluntary scheme that provides producers with an opportunity to market their products or services with a label of environmental excellence, provided that they fulfil the criteria on environmental performance.

In December 2019, the Commission's Joint Research Centre (JRC) published its 2nd technical report on the ecolabel for retail financial products, with a draft proposal on the scope and criteria for granting an ecolabel to such products within the EU.

While the initial focus of proposals for an EU Ecolabel for retail financial products has been on investment products subject to the PRIIPs regulation (equity, fixed income and hybrid funds, including UCITS and AIFMs; as well as IBIPs), the scope has now been extended to include savings deposit and fixed-term deposit accounts.

According to the proposal, in order to award the EU Ecolabel to the service of managing a deposit account, the link must be established between:

- the decision of a retail customer to open an account and deposit money with a credit institution;
- the lending of the money deposited to new green projects and economic activities, and;
- the payment of interest and the reporting of the associated environmental benefits to the account holder.

In particular, JRC sets three requirements that allow for the earmarking of green loans and traceability of the link between each retail customer's deposited money and their contribution to the total value of the green loans granted:

- Green loan to deposit ratio: At least 70% of the value of the total deposits shall be used to make green loans and/or to invest in green bonds.
- Green loans made using the deposited money: Loans contributing to the green loan to deposit ratio shall only be granted to green economic activities.
- Internal ring fencing of the deposited money: The money held in deposit and granted as loans shall be strictly ring fenced within the accounts of the Credit Institution.

### **Why policymakers should act**

Building on the EU taxonomy, EU standards and labels for sustainable financial products would protect the integrity of and trust in the sustainable financial market, as well as enable easier access for investors seeking those products. An EU standard accessible to market participants would facilitate channelling more investments into green projects and would constitute a basis for the development of reliable labelling of financial products. Labelling schemes can be particularly useful for retail investors who would like to express their investment preferences on sustainable activities. However, the lack of labelled financial products may prevent investors from directly channelling their funds into sustainable investments.

Moving on to the traceability of green deposits, the idea of ring-fencing sounds right at first sight, but it could at minimum complicate the debate and the hopes many have on making it work and become mainstream.

A smart Ecolabel scheme, which takes into account the considerations above and below, will certainly be of added value to the EU's financial system.

# Prudential treatment of assets and risk management

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## PROPOSED SOLUTIONS AND ACTIONS

ESBG believes that the green supporting factor should be looked at in careful detail in order to ensure that it is a secure tool. The SME supporting factor was established after a lot of research and data provided by banks, which should be the case in this instance.

Regarding the brown penalising factor, ESBG is not in favour of such a tool. Penalization of financing to more exposed sectors to climate risk shall be avoided. It could raise serious concerns, and in particular, it may burden their transition and increase social risks if the needed steps to transition haven't been taken.

Finally, a unanimous set of definitions enhances legal certainty and consistency. Similarly, aligned implementation deadlines would be very helpful. Apart from that, specific guidance on what is expected from financial market participants would be appreciated. It would facilitate the better organisation and preparation to comply with the new rules.

## BACKGROUND

Climate change and the response to it by the public sector and society in general have led to the identification of new sources of financial risk to which the regulatory and supervisory community is paying increased attention. Notably, climate change gives rise to both transition risk and physical risk. In this context, both public sector policy choices and the expectations of stakeholders are likely to change over time. This makes it essential that financial institutions be able to measure and monitor their exposures in order to deal with transition and physical risks and understand how they can be affected by changes in societal expectations.

In line with the expectation that consideration of ESG factors will be incorporated into all regulatory products, the EBA included references to green lending and ESG factors in its guidelines on loan origination and monitoring which will apply to internal governance and procedures in relation to credit granting processes and risk management. Based on the guidelines the institutions will be required to include the ESG factors in their risk management policies, including credit risk policies and procedures. These guidelines are the first specific policy product developed by the EBA incorporating sustainability considerations.

Furthermore, the revised CRR 2/CRD 5 package (Article 98(8) of CRD 2) calls on the EBA to assess the potential inclusion of ESG risks in the supervisory review and evaluation process performed by competent authorities. To that end, the EBA's assessment must comprise, inter alia:

- the development of a uniform definition of ESG risks including physical risks and transition risks;
- the development of criteria for understanding the impact of ESG risks on the financial stability of institutions in the short, medium and long terms;
- the arrangements, processes, mechanisms and strategies to be implemented by the institutions to identify, assess and manage these risks; and
- the analysis methods and tools to assess the impact of ESG risks on lending and the financial intermediation activities of institutions.

Also, the revised CRR 2/CRD 5 package (Article 501c of CRR 2) requires the EBA to assess whether a dedicated prudential treatment of exposures related to assets or activities associated substantially with environmental and/or social objectives would be justified (as a component of Pillar 1 capital requirements). In particular, the EBA must assess:

- methodologies for the assessment of the effective riskiness of exposures related to assets and activities associated substantially with environmental and/or social objectives compared with the riskiness of other exposures;
- the development of appropriate criteria for the assessment of physical risks and transition risks; and the potential effects of a dedicated prudential treatment of exposures associated substantially with environmental and/or social objectives and activities on financial stability and bank lending in the Union.

In parallel with the work of EBA, the ECB has published a guide for consultation that explains how it expects banks to safely and prudently manage climate-related and environmental risks and disclose such risks transparently under the current prudential framework. The ECB wants banks to account for these risks given that they drive existing prudential risk categories and can substantially impact the real economy and banks. The guide specifies how ECB Banking Supervision expects banks to consider climate-related and environmental risks in their governance and risk management frameworks and when formulating and implementing their business strategy. It also outlines how the ECB expects banks to become more transparent by enhancing their climate-related and environmental disclosures.

## IDENTIFIED CONCERNS

ESBG recognises the need to integrate ESG considerations into the risk management process. However, it identifies some lack of harmonisation between the guidance provided by the EBA and ECB. In particular, in the EBA guidelines, the risks of climate change for the financial performance of borrowers are identified as physical risks, such as risks to the borrower that arise from the physical effects of climate change, including liability risks for contributing to climate change, or transition risks, e.g. risks to the borrower that arise from the transition to a low-carbon and climate-resilient economy. The ECB guide, on the other hand, includes in the definition of climate related and environmental risks not only risks deriving from the effects of climate change but also environmental degradation. Also, the EBA guidelines apply from 30 June 2021. In particular, the guidance referring to loan origination procedures, including the assessment of borrower's creditworthiness and loan pricing, applies to loans and advances that are originated after 30 June 2021. The ECB will apply from the final publication date, i.e. probably from the end of 2020.

### Why policymakers should act

**Prudential treatment of exposures, with the introduction of a green supporting factor or a brown penalising factor, should be risk-based to avoid jeopardising the financial stability of financial institutions and the whole economy.**

**Common definitions, as well as harmonised and realistic implementation deadlines of interdependent rules used by all regulatory and supervisory European bodies, ensure legal certainty and trust. This also facilitates the compliance of financial market participants with the new regulations. Ensuring this, in our view, should be one of the major points to focus on for EU decision-makers.**

# MiFID II suitability assessment & sustainability risks

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## PROPOSED SOLUTIONS AND ACTIONS

We strongly believe that the same products must be considered as sustainable throughout all EU legislation. The requirements for sustainable products in MiFID II and the SFDR must be harmonised. The requirements for the target market assessment according to MiFID II may, not go beyond the existing requirements of the SFDR.

Also, in view of greater legal certainty and consistency, a unanimous implementation date should be set for all different pieces of legislation related to Sustainable Finance that have been adopted recently. Regarding the implementation of the MiFID II Delegated Directive we call for the inclusion of an appropriate provision. The national transposition should be completed no later than six months prior to the application deadline.

## IDENTIFIED CONCERNS

ESBG is supportive of the European Commission's aim to create a strong framework for sustainable investment that supports the green transition and understands that the current proposals are central to this. However, as currently drafted, we have serious concerns that these proposals will, in fact, restrict customers' access to sustainable finance by unduly limiting the range of products that banks, fund managers and insurers are able to offer them. Restricting the range of available products for end investors would seriously jeopardise the CMU objective of improving investors' access to capital markets.

We understand the desire to include a direct reference to the Sustainable Finance Disclosures Regulation (SFDR) in MiFID II. However, it is paramount that these references, including the definition of "sustainability preferences", are aligned with SFDR. Unfortunately, instead of simply inserting the necessary references to Article 8 products (i.e. products promoting environmental and social characteristics) and Article 9 products (i.e. products pursuing sustainability investments), the proposals introduce additional requirements for Article 8 products in MiFID II, which are confusing and inconsistent with the SFDR framework. First, the additional reference to Article 2(17) SFDR creates a new category of Article 8 products which would need to integrate additional sustainable investment considerations intended only for Article 9 products. Second, the draft delegated acts also require the consideration of principal adverse impact (PAI) for Article 8 products.

These additional requirements for Article 8 products would mean that a customer who expresses sustainability preferences cannot be offered an Article 8 product that does not meet these additional conditions, despite the product being marketed as promoting environmental or social characteristics under SFDR. This will considerably restrict the available product offering excluding many products (including some which comply with national eco-label standards) from being offered to customers who express a preference for sustainable products. It risks sustainable finance becoming a niche market, available only to customers specifically looking for an Article 9 product. This restriction placed on the distribution of sustainable products risks becoming an obstacle to the transition to a green EU economy by preventing the mainstream take-up of sustainable retail financial services products.

Also, in the recent months, different pieces of legislation related to Sustainable Finance have been adopted, each one having different applicability deadlines.

## Why policymakers should act

The introduction of additional requirements for Article 8 products that go beyond the requirements of the SFDR has the risk that a strategy product may be considered sustainable under the SFDR, but it is treated as unsustainable in the target market according to MiFID II e.g. if a financial market participant decides not to report on the adverse impacts on sustainability. A correction of this mismatch is needed.

The regulation in sustainable finance in the last months may cause legal uncertainty and confusion to financial market participants. A common implementation period for all interdependent regulations would help enhance legal certainty and consistency and facilitate the compliance of financial market participants.

## BACKGROUND

The delegated Regulation of MiFID II is part of a broader Commission's initiative on sustainable development. It lays the foundation for an EU framework which puts sustainability considerations at the heart of the financial system to support transforming Europe's economy into a greener, more resilient and circular system in line with the European Green Deal objectives. The Commission announced in the 2018 Action Plan the integration of sustainability in so-called fiduciary duties in sectoral legislation.

The draft MiFID II delegated act, regarding product governance, lays down further details on the integration of sustainability preferences in the product oversight and governance process for both investment firms manufacturing financial instruments and their distributors.

Under the existing MiFID II framework, an investment firm which manufactures financial instruments for sale to clients shall maintain, operate and review a process for the approval of each financial instrument and significant adaptations of existing financial instruments before it is marketed or distributed to clients. The product approval process shall specify an identified target market of end clients within the relevant category of clients for each financial instrument and shall ensure that all relevant risks to such identified target market are assessed and that the intended distribution strategy is consistent with the identified target market. Further, Article 24(2) MiFID II requires investment firms to ensure that those financial instruments are designed to meet the needs of an identified target market of end clients within the relevant category of clients, the strategy for distribution of the financial instruments is compatible with the identified target market, and the investment firm takes reasonable steps to ensure that the financial instrument is distributed to the identified target market.

The new, draft MiFID II delegated act modifies Commission Delegated Regulation (EU) 2017/565 in the following, very central way: It integrates sustainability factors in the suitability assessment. Under the existing MiFID II framework, firms providing investment advice and portfolio management are required to obtain the necessary information about the client's knowledge and experience in the investment field, their ability to bear losses, and objectives including the client's risk tolerance, in order to enable the firm to provide services and products that are suitable for the client (suitability assessment). The information regarding the investment objectives of the client includes information on the length of time for which the client wishes to hold the investment, his/her preferences regarding risk taking, risk profile, and the purposes of the investment. However, the information about investment objectives generally relates to financial objectives, while non-financial objectives of the client, such as sustainability preferences, are usually not addressed.

# Prudent banking, specific rules



**Finalisation of Basel III**  
**Stress Tests**  
**Non-performing Loans**  
**Banking Resolution MREL**  
**Banking Resolution SRF**

# Finalisation of Basel III

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## PROPOSED SOLUTIONS AND ACTIONS

ESBG welcomes that implementing the latest Basel standards will increase financial stability. We also believe that the European legislators can achieve this while taking into account the specificities of the European banking market and with the proportionality principle in mind. This means that the EU legislation should adjust the Basel text where it is justifiable.

More specifically, ESBG believes that the proposals outlined below should be taken into account when implementing the Basel III standards (if at all the decision is made to go ahead with the implementation, against the background of the current economic crisis triggered by the Covid pandemic).

**Proportionate implementation:** ESBG argues that the implementation of the final elements of Basel III in the EU should account for factors such as an institution's size, business model, risk profile and interconnectedness. Proportionate regulation allows savings and retail banks to abide by legal texts whilst still carrying out their daily activities, such as SME lending.

**Maintaining the EU specificities:** The EU regulatory framework on capital adequacy (CRR/CRR II) contains features, such as the treatment of financial equity holdings, exemptions from holding capital against credit valuation adjustment (CVA) risk on corporate derivatives exposures and supporting factors for SMEs and infrastructure exposures. These features have been carefully calibrated to support important segments of the EU economy and should, therefore, be maintained. This is especially important considering that the credit supply to the economy will be a particularly important theme in the context of the Covid-19 crisis.

**New Standardised Approach to Credit Risk (SA-CR):** We advocate a proper implementation of the new SA-CR that aims to avoid large and unwarranted increases in capital requirements for banks in the EU that apply the standardised approaches and for Internal Ratings Based (IRB) banks that would be constrained by the output floor based on the SA-CR. The new SA-CR approach should avoid broad-brush measures that pose a risk of misalignment of underlying risks and capital requirements, e.g. unduly high capital requirements for low-risk client portfolios. For instance, the following types of exposures will be unduly affected due to lack of risk sensitivity in the regulatory treatment:

- European mid-sized corporates without an external credit rating;
- Commercial as well as residential real estate;
- Development projects (in a Basel context referred to as "specialized lending");
- Some equity and off-balance sheet items.

**Output floor:** The application of the output floor in Europe should take into account the interaction with EU specific capital buffers to avoid any undue capital increase compared to the international standards agreement. Moreover, the output floor should be applied as originally designed in the Basel framework, i.e. at the highest level of consolidation, to recognise diversification effects and avoid any unintended impact on specific business models. Otherwise, banks will be incentivised to optimise capital requirements and opt for a cross-border branch rather than subsidiary structures, also known as "branchification", that often is not well-received by host country regulators.

**Operational risk:** EBA and BCBS impact studies indicate that EU banks are impacted more than their international peers by the revised standards for operational risk. ESBG recommends to carefully assess the question of supervisory discretion on the setting of the factor that impacts the capital requirement for operational risk, the so-called Internal Loss Multiplier (ILM) introduced in the revised framework. EU banks need a policy that would reward good historical operational risk management without penalising banks for past issues that have been remediated.

## IDENTIFIED CONCERNS

The Basel standards are designed for internationally active banks and as such they do not take into consideration the nature, scale and complexity of the activities of all individual credit institutions.

A study from Copenhagen Economics (CE), a leading economic consultancy, documented that the finalised Basel III framework will bring fewer benefits than costs for the European economy.<sup>1</sup> With the level of recapitalisation that European Union (EU) banks have achieved since the 2008 crisis, any additional layer of capital adds only insignificant improvements to financial stability; even in the most adverse economic scenarios, research by the International Monetary Fund (IMF) and others suggests that banks will not run into likely insolvency scenarios.

The EBA pre-Covid-19 figures showed that the capital shortfall in Europe could be around EUR 124.8 billion. The actual increase in capital can be expected to be significantly higher since banks typically operate well above the minimal capital requirements. The higher levels of relatively expensive equity capital will increase the cost of capital for banks and ultimately the borrowing costs for European households and businesses, leading to a permanent reduction in Gross Domestic Product (GDP) estimated around 0.4%, as well as giving rise to job losses in the short to medium term. Households and Small and Medium Enterprises (SMEs) are likely to be most affected as they cannot seek alternative funding through capital markets.

It is also foreseeable that the Covid-19 pandemic will have a significant negative impact on private households and the real economy, depending on the nature and duration of State measures. Banks might as a consequence face higher NPLs and higher provisions, but in any case are expected to be able to continue supporting their clients during and after the crisis. The question is therefore about the best timing to introduce the new rules: these are undoubtedly imposing additional capital requirements to the banks. Reducing banks' lending capacity could lead to a significant delay in the recovery of the real economy.

Against this background, the European Commission should once again, e.g. through a new impact assessment, closely examine the absolute effects of the reform package, independently from the transitory short-term impacts and, if necessary, postpone its implementation further. In order to avoid competitive disadvantage, the European legislator should also closely monitor the transitory measures in other regions.

### Why policymakers should act

European decision-makers have, in previous legislative acts, transposed the Basel standards to all credit institutions in Europe, while the Basel Committee on Banking Supervision (BCBS) generally expects the standards to be applied only to the internationally active institutions. Hence, the adoption should be always done with the utmost care in order to ensure proportionate rules to small, simple, locally-focused institutions, which is almost half of the European banks. This is particularly important in the EU where banks play a pivotal role in the economy and provide 80% of financing in the economy as compared to the 25% in the US. Moreover, according to the European Parliament resolution issued in 2016, the implementation of the Basel III should not trigger any significant capital increase, it should promote a level-playing field at the global level while paying attention to the peculiarities of the EU economy and of European banking models.

Perhaps most important, only a careful and well-thought-out implementation will ensure that borrowing costs for households and companies, including SMEs, will not increase in a substantial manner.

<sup>1</sup> Copenhagen Economics impact analysis on the finalisation of Basel III: [https://www.copenhageneconomics.com/dyn/resources/Publication/publicationPDF/0/510/1574257984/191122\\_copenhagen-economics\\_final-basel-iii-evaluation.pdf](https://www.copenhageneconomics.com/dyn/resources/Publication/publicationPDF/0/510/1574257984/191122_copenhagen-economics_final-basel-iii-evaluation.pdf)

## BACKGROUND

On 7 December 2017, the Basel Committee on Banking Supervision (BCBS) agreed on the final elements of Basel III. Following the postponements granted by the BCBS due to the Covid-19 outbreak (further outlined below), the new rules would now need to be implemented by 2023, including the fundamental review of the trading (FRTB), which is now also due for implementation by 2023.

The general outline of the deal is as following:

- Output floor set at 72.5% – implemented from 2023 until 2028 – special treatment for low risk mortgages, which was a big ask by multiple (Northern) European jurisdictions;
- FRTB implementation postponed until 2023 – recalibration of some aspects (including P&L attribution and modellability of risk factors);
- Leverage Ratio G-SIB surcharge;
- New Operational Risk standardised approach;
- Changes to standardised approach and internal model approach for credit risk – including limitation of use of models for low default portfolios (e.g. exposures to large corporates);
- Move to a revised standardised approach on credit valuation adjustment (CVA) charge, removal of possibility of using internal models.

As mentioned above, the Basel Committee's oversight body, the Group of Central Bank Governors and Heads of Supervision (GHOS), has endorsed on 27 March 2020 a set of measures to provide additional operational capacity for banks and supervisors to respond to the immediate financial stability priorities resulting from the impact of the Covid-19 crisis on the global banking system:

- The implementation date of the Basel III standards finalised in December 2017 has been deferred by one year to 1 January 2023. The accompanying transitional arrangements for the output floor have also been extended by one year to 1 January 2028;
- The implementation date of the revised market risk framework finalised in January 2019 has been deferred by one year to 1 January 2023;
- The implementation date of the revised Pillar 3 disclosure requirements finalised in December 2018 has been deferred by one year to 1 January 2023.

In terms of implementation within the EU, following the BCBS postponement, the European Commission is expected to issue a legislative proposal to implement the final elements of Basel III in the EU in the beginning of 2021. The Commission is in the meantime analysing the feedback to the public consultation concluded in January 2020 and awaiting for the EBA to update its impact assessment following the Covid-19 outbreak.

# Stress Tests

## PROPOSED SOLUTIONS AND ACTIONS

ESBG believes the stress test process should be more stable in terms of methodology and its interpretations, as well as the information templates required. Dedicated workshops should be organised by the EBA and the ECB with technical experts earlier in the process to improve the methodology and its alignment with the templates. The legacy of each national industry and the specificities of each business model should not be negated in the methodology or by Joint Supervisory Teams (JSTs) under unilateral adjustment requests, not to disconnect the exercise from reality. It is necessary to respect the foreseen calendars and to grant banks sufficiently comfortable deadlines to answer any requirements that appear during the process. Transparency could also be improved.

Regarding the future of the EU-wide stress test, we welcome the EBA initiative to revise and re-centre the current framework and hope that any changes will result in increased transparency and simplicity of the overall process. Introducing a two-legs stress test, as described in the EBA recent discussion paper, may however not bring additional benefits and risks reducing some of the advantages of the existing process. The different results of the supervisory and bank legs would in all probability increase costs, complexity and quality assurance requirements. ESBG therefore encourages the EBA to continue future stress tests with only a single-leg. This would allow to focus on improving the existing and already-known processes of the established stress test governance, procedure and methodology.

## IDENTIFIED CONCERNS

The main worries are related to the lack of transparency and stability of the stress test process, in addition to the short time frame provided to banks to answer the numerous data requests. Moreover, specific explanations provided by banks to the EBA and the ECB have not always been taken into account, and the authorities have rather continued to apply a “one-size fits all” approach. As a result, the EU-wide stress test exercise would qualify as purely theoretical, as it does not take into account local particularities to a satisfactory extent.

### **Why policymakers should act**

**Authorities should continue in their good efforts in improving the European stress testing framework aiming to improve its efficiency, governance, process, stability and significance. A stress test that is stable, well-designed and open to business models' specificities would, in fact, best contribute to the stability of the financial system in the EU. Any support that goes in this direction would be very welcome and useful.**

## BACKGROUND

One of the responsibilities of the European Banking Authority (EBA) is to help ensure the orderly functioning and integrity of financial markets and the stability of the financial system in the EU. To this end, the EBA is mandated to monitor and assess market developments as well as to identify trends, potential risks and vulnerabilities stemming from the micro-prudential level.

One of the primary supervisory tools to conduct such an analysis is the EU-wide stress test exercise. The EBA Regulation gives the Authority powers to initiate and coordinate the EU-wide stress tests, in cooperation with the European Systemic Risk Board (ESRB). The aim of such tests is to assess the resilience of financial institutions to adverse market developments, as well as to contribute to the overall assessment of systemic risk in the EU financial system.

The EBA's EU-wide stress tests are currently conducted in a bottom-up fashion, using consistent methodologies, scenarios and key assumptions developed in cooperation with the ESRB, the European Central Bank (ECB) and the European Commission ("The Commission").

In the context of the Covid-19 crisis and its global spread since February 2020, the EBA has decided on 19 March 2020 to postpone the 2020 EU-wide stress test to 2021 as a measure to alleviate the immediate operational burden for banks at this challenging juncture. The final timeline for the EU-wide stress test will be communicated in due course.

# Non-Performing Loans

## PROPOSED SOLUTIONS AND ACTIONS

ESBG believes that the new measures should not force banks to get rid of their NPLs through “fire-sales”. In particular, we advocate for: (i) Measures to attract a wider investor base to a secondary market for NPLs, (ii) A common legal framework to ensure the right balance between debtor protection, data secrecy and privacy, (iii) The promotion of third-party loan servicers to increase secondary loan market efficiency and (iv) The introduction of an instrument along the lines of the ‘accelerated loan security’ facility with clearly defined processes and rules. Moreover, ESBG believes that the new Accelerated Extrajudicial Collateral Enforcement mechanism (AECE) should not negatively impact the functioning of national systems for collateral enforcement.

## IDENTIFIED CONCERNS

The introduction of measures to develop secondary markets for NPLs might have the unintended effect to push banks too hard to get rid of their NPLs stock. These deteriorated loans might end up being sold for a price lower than their real economic value (the so-called “fire-sale”), and this would also deprive banks of the opportunity to try to make these loans performing again.

Moreover, the Co-legislators would also need to make sure that the introduction of the AECE mechanism doesn’t necessarily affect well-functioning national collateral enforcement systems.

### Why policymakers should act

**MEPs and the Commission should continue their good work in making the financial sector more stable and safer, but they should also keep in mind economic growth and easing the conditions for lending to the real economy when designing additional legislation on NPLs. Policymakers should also take into account the uncertainty and challenges that have emerged after the Covid-19 outbreak in any debates on NPLs.**

## BACKGROUND

In March 2018, the Commission proposed an ambitious and comprehensive package of measures to tackle Non-Performing Loans (NPLs) in Europe, which included:

1. A proposal for a Directive on credit servicers, credit purchasers and recovery of collateral (also known as the “Directive on NPLs secondary markets”);
2. A proposal for a Regulation amending the Capital Requirements Regulation (CRR) as regards minimum loss coverage for non-performing exposures (also known as the “NPLs prudential backstop”); and
3. A blueprint on the set-up of national asset management companies (AMCs).

The Regulation on the prudential backstop has been published in the Official Journal of the EU on 25 April 2019. On the other hand, also due to the pandemic outbreak in the EU, the European Parliament hasn’t reached an agreement on the Directive on secondary markets as well as on the Accelerated Extrajudicial Collateral Enforcement (AECE) mechanism, which was originally part of the Directive and was at a later stage separated by it. Trilogue negotiations with the Council of the European Union, which has already reached a General Approach both on the Directive on secondary markets and on the AECE mechanism, will start as soon as the European Parliament finalises its position.

# Banking resolution – MREL

## PROPOSED SOLUTIONS AND ACTIONS

The principle of proportionality plays a crucial role in prudential regulation for all banks, regardless of their size and complexity. For banks falling within the resolution regime, MREL requirements should be proportionate to the goal of the BRRD which is to ensure that taxpayers should no longer be liable to bail out troubled institutions. When calibrating MREL, resolution authorities should therefore appropriately take into account a bank's size, business model, funding model, risk profile, SREP and stress tests results, degree of systemic relevance, the relevant resolution scenario and the preferred resolution strategy.

Correspondingly, small, less-complex institutions should be excluded from the scope of application entirely when liquidation is planned through normal insolvency proceedings ("insolvency institutions"). If the proposed resolution strategy is liquidation, there is no plan to use a bail-in tool, and hence no MREL requirement is needed. This fact should be reflected more clearly in the BRRD. The current approach of restricting the MREL requirements to the loss absorption amount and the exemption from reporting and disclosure obligations causes a high administrative burden, especially for the resolution authorities, and leads to high complexity. Excluding insolvency institutions from the scope of MREL from the outset would be much more proportionate and adequate while at the same time enabling the resolution authority to dedicate more of its time to the resolution plans of institutions falling within the resolution regime. The SRB should also be flexible with the timing of the MREL decisions, letting banks use the period envisaged in the BRRD2 until 2024, thus avoiding the pressure to issue or renew issuances during the current market instability.

## IDENTIFIED CONCERNS

ESBG welcomes the efforts undertaken to make financial institutions resolvable in order to create a more resilient financial system and avoid taxpayer bail-outs. While this obviously demands for strong efforts by both small and larger financial institutions, a certain fine-tuning of requirements would allow to eliminate unnecessary burdens. Currently the calibration of the minimum requirement for own funds and eligible liabilities (MREL) does not sufficiently take into account the specificities of ESBG members as well as current market conditions and certain reporting and disclosure requirements have proven to be challenging and burdensome. Increased expectations on resolvability have also led to additional compliance efforts which must be carefully evaluated and considered.

### Why policymakers should act

**In the current Covid-19 pandemic context, banks should be considered as an integral part of the solution on the road to improving EU economic conditions. To this end, flexibility in the current recovery and resolution framework should be granted to allow banks to focus their efforts on delivering financial services to the real economy. Recovery rules established in the aftermath of the financial crisis of 2008 need to be fine-tuned to adequately face the specifics of the Covid-19 crisis.**

## BACKGROUND

The minimum requirement for own funds and eligible liabilities (MREL) is a key regulatory requirement intended to build a solvency buffer capable of absorbing the losses of a financial institution in case of resolution. It falls within the broader framework of the Single Resolution Mechanism (SRM) which defines the unified resolution procedure for financial institutions within the euro area and the Bank Recovery and Resolution Directive (BRRD) which sets the framework for all banks in the EU. First adopted in spring 2014, the BRRD/SRM has been updated in June 2019 as part of the Risk Reduction Measure (RRM) package. Since it started operating in January 2015 as the resolution authority for participating Member States within the Banking Union (BU), the Single Resolution Board (SRB) has been issuing MREL decisions for all banks falling under its remit based on annual policies on yearly resolution planning cycles.

# Banking resolution – SRF

## PROPOSED SOLUTIONS AND ACTIONS

Due to the Covid-19 related context, ESBG calls for a reduction of contributions made to the Single Resolution Fund (SRF) for 2021. The sharing of information regarding the calculation of the contributions should also be urgently revised for the sake of transparency. Banks have swings in their contribution between 10% and 50% and these amounts are not immaterial for them. They need this information in order to do their budgeting in a better way.

More proactive planning of the SRB cycle and realistic timeframes would also lift a huge burden from the shoulders of the financial institutions. Covered deposits' information and coefficients could be disclosed at an earlier date in order to help banks modelise their SRF contributions in due time. The calculation of target level could also be shared by the SRB in a timelier manner which would help savings and retail banks for preparing their audit trail. Another aspect of the calculation methodology that would deserve more transparency are linked to the parameters associated to the calibration of the bins for individual risk indicators.

## IDENTIFIED CONCERNS

The raise of total covered deposits in recent years leading to an increase of the SRF contribution amounts is concerning as it diverts parts of banks' resources from the real economy channel. This trend is expected to continue in 2020 as covered deposit amounts are predicted to go up in the context of Covid-19. The volatility of the covered deposit amounts is therefore concerning for ESBG members as it creates uncertainty to the annual amount to be contributed by banks to the Fund. Current market conditions are additionally putting pressure on savings and retail banks who are facing liquidity constraints thus weighting on their capacity of transforming deposits into loans to the real economy.

### Why policymakers should act

**More than ever, savings and retail banks need to be considered as key players in helping mitigate the impact of the Covid-19 crisis. With many business sectors severely challenged, the demand for business loans and financing is immense, particularly for small and medium enterprises (SMEs). The specificities of the current Covid-19 crisis must push authorities and regulators to respond adequately to the significant pressure put on the financial sector. As much as possible, authorities should re-assess current priorities in the SRF regulatory framework and develop policies that allow financial institutions to direct available resources to the real economy in order to support growth and jobs. Regulatory requirements governing recovery and resolution of banks in distress should be given the necessary flexibility in order to further provide liquidity to the banking sector and contribute to the recovery of the European economy as a whole.**

## BACKGROUND

The Single Resolution Fund (SRF) was established in 2016 in the context of the Single Resolution Mechanism (SRM) and enacted through an intergovernmental agreement (IGA) on the transfer and mutualisation of contributions to the SRF. The SRF pools contributions which are raised on an annual basis at national level from credit institutions within the 19 participating Member States. The objective of the SRF is to finance the restructuring of failing credit institutions at a minimum cost for taxpayers. In this logic, a precondition for accessing the Fund is the application of a minimum amount of creditors' bail-in (8% of total liabilities) as laid down in the BRRD and in the SRM. The total amount in the SRF currently stands at €42 billion. The target level of the SRF to be reached by the end of 2023 amounts to 1% of the covered deposits of all banks in participating Member States and is expected to exceed €60 billion.

# Lucid approach: information flow, less fuss



**Capital Markets Union**  
**PRIIPs Review**  
**Mifid II**  
**Benchmark Regulation**  
**Preventing Money Laundering and terrorist**  
**financing**  
**Financial reporting (IFRS)**  
**Prudential Treatment of Software Investments**  
**Consumer Credit**  
**Distance Marketing**  
**Mortgage Credit**

# Capital Markets Union

## PROPOSED SOLUTIONS AND ACTIONS

ESBG believes that a new European Commission plan for a 'CMU 2.0' should be used to identify and remove burdens presented by bureaucracy with the objectives of ensuring capital markets stability as well as providing capital markets access to all investors. Since the CMU aims at unlocking capital around Europe, increase in the participation of retail investors in EU capital markets is necessary. Therefore, in our opinion, the 'CMU 2.0' should be focused on:

- Restoring investor trust and raising confidence in capital markets.
- Increasing financial education. Well-informed investors will make responsible investment decisions from the range of available capital markets products that are more adequately suited for their needs.

Making capital market financing more attractive by reducing "bureaucracy". In the retail securities markets in particular, numerous regulations have been created in recent years (keyword MiFID II, PRIIPs), which lead to a bureaucratization of securities distribution without creating recognizable added value for clients.

As stated above, ESBG is convinced that it would not be in the interest of the European economy, taking into consideration that is strongly based on SME structures, to favour funding from capital markets over traditional bank lending. While deepening the CMU, which ESBG is fully supportive of, we believe that the European Commission should also ensure the proper functioning of the lending market. Pluralism and diversity in the European banking sector should be preserved in order to have a safer financial market.

## IDENTIFIED CONCERNS

ESBG supports the European Commission's plan to create a CMU. However, the success of the CMU is not conceivable without a properly functioning lending market. SMEs rely significantly on bank loans for funding. 70% of outstanding SME external funding in Europe comes from banks, and evidence shows that bank lending remains the favourite source of SME financing for the majority of SMEs. CMU is a supplementary vehicle, not a primary path to support SME financing.

### Why policymakers should act

ESBG believes that a policy of complementarity remains the best way forward to create a stronger and more competitive European Union. This should be borne in mind by policy-makers when further designing the CMU. In our opinion, it is equally important to promote the lending capacity of European credit institutions. This is where savings and retail banks in Europe can help. Backed by their long-standing experience in the regions, their wide network and proximity to the local companies enables them to build irreplaceable knowledge and trustworthy relationships. It also puts savings and retail banks in an ideally placed position to help empower the economy and boost sustainable, inclusive and smart growth by granting loans to SMEs.

ESBG welcomes that the Commission addresses many important issues on MiFID II in the MiFID "quick fix" in a very positive way.

## BACKGROUND

A High-Level Forum (HLF) was set up in November 2019 with the mandate to propose independent policy recommendations that would feed into the Commission's work on CMU. On 10 June, it published its Final Report, with 17 very granular recommendations (many of them including multiple sub-recommendations for action), with a timeline, on what should be done to achieve a CMU. The Forum emphasised that 17 clusters of recommendations are a package, that they are mutually reinforcing and dependent on each other – and thus all need to be implemented to achieve the CMU. The adoption of the CMU Action Plan is currently foreseen for early autumn 2020.

# Packaged retail investment and insurance products (PRIIPs) review

## PROPOSED SOLUTIONS AND ACTIONS

The review of PRIIPs should be a key priority for the Commission. After almost three years of implementation, it is crucial to ensure a consumer-friendly KID. We strongly encourage policy-makers to improve the methodology to calculate the performance scenarios and costs. In our opinion, new changes should also be subject to consumer testing, meaning that the effects that the amendments will have on consumers' behaviour and understanding should be assessed.

Furthermore, ESG believes that the scope of the Regulation should be reviewed in order to provide legal clarity and certainty on which products fall in the scope and to exclude OTC derivatives (as in most cases they are not investment products) from the scope.

The European Supervision Authorities (ESAs) have not been able to agree on a concrete proposal that would address the immense problems deriving from the current legal framework. We doubt that the remaining 15 months until funds will fall in the scope of the PRIIPs regulation will suffice to implement legal requirements that would solve the existing problems and really improve the KIDs.

The intense work by the ESAs, that has not led to a concrete proposal has clearly shown that more time is needed for a thorough review that will lead to comprehensible KIDs. Therefore, the European legislator should prolong the exemption period for funds.

If the European legislator should decide against a prolongment, it should quickly explain the will to abolish the requirement to provide a UCITS KIID for funds so that all market participants know that they only have to set up and provide the PRIIPs KID as the single product information. At the moment, there is the risk that from 1 January 2022 there will be both documents for funds, the UCITS KIID and the KID for funds.

## IDENTIFIED CONCERNS

ESBG believes that there are still open issues in the PRIIPs, in particular in the following areas that need further examination in the review process:

- Calculation of the performance scenarios in the KID:
  - For some products, the outcomes of the calculation of the performance scenarios are absurd. KIDs that are drafted in full compliance with the legal requirements could contain information that can be false and misleading for investors. The following issues have been identified:
    - Extravagant short-term results beyond 10 000%;
    - Misleading procyclical anticipations: such extrapolation from historical data lead to suggest that the short-term trend will most likely continue indefinitely. On the contrary, it would be wiser to counter this naïve view and remind the non-professional client that economic cycles entail unforeseeable mean reversions
    - For some underlyings like interest rates, whose current five-year historical trend points downwards:
      - All 3 standard scenarios show nearly identical results – which is absurd
      - The stress scenario may present the best return, which is counter intuitive
    - For other underlyings like equities, whose current five-year historical trend points upwards: all three standard scenarios show over-optimistic returns – which make no sense
    - For some underlyings like EUR/CHF FX rate, whose current five-year historical trend entails sudden jumps: the stress scenario present absurd returns
    - The Interim Holding Period show better returns than the Recommended Holding Period.

ESBG is very concerned that this information is misleading and goes directly against the obligation to present information to the client that is fair, clear and non-misleading. This creates the situation that manufacturers are urged to provide false information in order to comply with the legal requirements.

## Why policymakers should act

The Key Information Documents (KIDs) that are drafted in full compliance with the legal requirements contain information that can be false and misleading for investors. Manufacturers and distributors of PRIIPs are confronted with many questions regarding the contents of the KIDs. The European supervisors have already stated that some of the legal requirements to draw up the KIDs can be misleading for clients. They recommended to manufactures to include a warning statement for the retail investors: *'in view of the potential risk that the performance scenarios may provide retail investors with inappropriate expectations about the possible returns they may receive, it is recommended to include a statement in the KID warning the retail investor of the limitations of the figures shown'*. Policy-makers need to tackle these issues before the PRIIPs regulation will apply to funds which is currently foreseen on 1st January 2022.

## BACKGROUND

The EU has adopted a Regulation on packaged retail investment and insurance products (PRIIPs) which obliges those who produce or sell investment products to provide investors with key information documents (KIDs). A typical KID will provide information on the product's main features, as well as the risks and costs associated with the investment in that product. Information on risks aims at being as straight-forward and comparable as possible, without over-simplifying often complex products. The KID is intended to make clear to every consumer whether or not they could lose money with a certain product and how complex the product is.

The PRIIPs Regulation entered into application on 1 January 2018, following a one-year delay. The European Commission was supposed to issue a review of the PRIIPs regulation by year-end 2021 in order to address implementation issues. In the meanwhile, the ESAs have been working on a review of the PRIIPs Delegated Regulation in order to analyse necessary changes in the performance scenario, in the differentiation between different types of PRIIPs and in the costs. In this context, in July 2020, the draft Regulatory Technical Standards (RTS) was adopted at the EBA and ESMA Boards but at the EIOPA Board it did not receive the support of a qualified majority. Hence, the three ESAs were not in the position to present a proposal to the Commission. This clearly indicates that a thorough review that will improve the current KIDs needs more time so that the exemption for funds has to be prolonged. At this point, Commission could restart the review of the PRIIPs regulation at level 1.

# Markets in Financial Instruments Directive (MiFID) II

## PROPOSED SOLUTIONS AND ACTIONS

Both, industry and investors, have clearly expressed their dissatisfaction with several measures that have been implemented in 2018 in order to comply with the new requirements under MiFID II. ESBG has several times asked to use the upcoming review of MiFID II to adjust the current requirements.

Against this background, ESBG welcomes the Commission's proposals for a MiFID "quick fix" providing quick solutions for some of the major problems that are inter alia:

- Proposal for an exemption for eligible counterparties and professional clients with regard to costs and charges disclosure – the exemption should also cover the disclosure of inducements since they are regularly disclosed in the cost information.
- Exemption for the product governance requirements for corporate bonds with make whole clause – the exemption seems too narrow and should be widened.
- Introducing electronic format as the new standard for the provision of information (replacing paper-based information which is rather antiquated).

Despite of the proposal of the quick fix, which is very much appreciated, there are other important issues that should be addressed in the regular review that should follow the quick fix:

- EBSG would be in favour of including a further category, between professional investors and retail investors, for people who are not professionals, but trade very frequently within a certain reference period.
- We would recommend reviewing the requirement to record all telephone conversations, taking into account the fact that ESBG members have learned that their clients do not like that their conversations are being recorded and the recordings stored.
- The review should be used to remove existing differences between the provision of information on costs of financial products according to PRIIPs and MiFID II. E.g., both legal bases use the wording 'total cost', but they provide different results on the same financial instrument, as the total costs according to PRIIPs just refer to product costs and the total costs according to MiFID II refer to service costs and product costs. To avoid further confusion amongst clients, we strongly suggest using different wordings in the context of PRIIPs and in the context of MiFID. A possible solution to the problem of reconciling the PRIIPs Regulation and the Delegated Regulation with MiFID II would be to dispense with the presentation of costs in the KID if the product in question was a financial instrument within the meaning of MiFID II. This would avoid giving clients contradictory information while nevertheless informing them about the costs in accordance with the requirements of MiFID II.
- Clarification that the ex-ante cost information can in certain cases (products with no product costs or sale orders) be done in a standardised format via a cost grid so that investors do not have to receive redundant cost information.

## IDENTIFIED CONCERNS

- **A tremendous client dissatisfaction with the flood of information.** Data shows many investors are of the opinion that they do not need all the information foreseen under MiFID II. They feel overwhelmed about all the paperwork for (often simple) investment products. Regulators should therefore take into consideration a further client category, between professional investors and retail investors (and understood as sub-category of retail as argued below), in order to differentiate sophisticated retail clients (who trade frequently and usually undertake a great number of investments, and who may not need the full set of information every time they become active) and less sophisticated retail clients (who do just few investments in a lifetime and who should always be provided with the full set of information).

- **Telephone conversation:** option to waive voice recording. Many clients complain about the obligation to record telephone conversations. If the client contacts the institution by phone, the parts of the conversation that are relevant for securities must be recorded, and the voice files have to be stored for between five and seven years (for investment advice and advice-free orders). Clients feel patronised and feel that the relationship of trust with their advisors has been impaired.
- **Costs: Harmonisation of legislation such as MiFID II and the PRIIPs Regulation.** The largest problems for clients is, that they are provided with differing product costs for the same product (if it is both a PRIIP and a financial instrument under MiFID II), even if the information in both cases is based on the same investment amount of €10,000. This discrepancy, which has to be explained to clients and is difficult for them to understand, is a result of contradictory calculation requirements in EU legislation.
- **Information requirements in the wholesale business.** Professional clients and eligible counterparties are familiar with the way capital markets function. They have significantly more knowledge and experience than retail clients. Both their need for information and their need for protection are significantly lower than those of retail investors. These client groups frequently include banks and institutional investors (which are usually classified as eligible counterparties, though sometimes as professional clients), which meet the investment firm on an equal footing. In many cases these market participants are not only familiar with the market conditions and prices of the various providers but specify the conditions of the transaction in question themselves.

### Why policymakers should act

ESBG welcomes the background to the introduction of MiFID II, e.g. increased transparency and investor protection. However, savings and retail banks experienced that many clients did not welcome the changes that MiFID II introduced and complained about the amount of often unhelpful (and overlapping) transaction-based information they have to go through, in particular ex-ante and ex-post costs disclosures. The administrative burden and the additional steps do not improve the investment experience. Many clients feel 'misunderstood' and wish for 'opt out' options. They feel overwhelmed by the sheer amount of information and would rather have the possibility to waive parts of it. Many investors want to decide for themselves if they wish to do without certain information (such as constantly repetitive information on costs) or receive information afterwards (following telephone orders, for instance). ESGB urges policy-makers to streamline the respective provisions in the imminent review process and welcomes the proposals by the Commission for a MIFID quick fix. Nevertheless, other issues need to be addressed in the course of the review.

### BACKGROUND

MiFID II (and MiFIR) started to apply in January 2018, with aim of bringing significant improvements to the functioning and transparency of EU financial markets. To assess the overall functioning of the regime after two years of application, MiFID II/MiFIR require that the Commission presents the Parliament and Council with a report on the operation of the new framework, together with a legislative proposal for reform on areas that would merit targeted adjustments. A review proposal for a "MiFID quick fix" by the Commission was published on 24 July 2020. The proposal targets "short-term" amendments to MiFID II (such as exemptions for eligible counterparties and professional clients with regard to costs and charges disclosure and the phase-out of the paper-based default method for communication in favour of electronic format).

# Benchmark Regulation (BMR)

## PROPOSED SOLUTIONS AND ACTIONS

As hinted at above, we would welcome the extension of the powers of the NCAs or ESMA, so that they can determine the replacement rate and also allow the use of non-compliant benchmarks in legacy contracts, particularly in those contracts that do not contain a specific fallback provision (silent contracts) or the applicable clause is either not appropriate or not workable. Benchmark users should be allowed to continue using such benchmark in certain circumstances avoiding its automatic cessation, in order to ensure the continuity of the contracts using such benchmark as a reference. This provision could be established either for users of certain products or transactions that may prove impossible to modify (e.g. mortgage loans), or for a sufficient period of time which allows its replacement by another benchmark.

## IDENTIFIED CONCERNS

ESBG supports the Commission's approach on a revision of the Benchmark Regulation (BMR). The main objective should be granting broader powers to competent authorities at national or European level to ensure an orderly cessation of a critical benchmark. These powers should include the mandate to continue granting the provision of a critical benchmark using a different methodology or a replacement rate. The introduction of those powers is crucial in order to avoid significant market disruption and extensive litigation and reduce legal risk. For legacy contracts, competent authorities should decide the replacement rate or the maintenance of the old IBOR rate. Without providing these measures, the IBOR transition process can result in a risk to financial stability, a major legal risk for financial entities due to contract frustration and, without doubt, could cause detriment to investors.

### Why policymakers should act

**The BMR should grant customised powers to competent authorities to ensure the orderly transition from a critical benchmark to a replacement rate. ESGB is convinced that the public sector can play a role in helping the private sector to manage the risk associated with reference rate transition, in particular requiring a shift from one reference rate to another by law. We think that the problems of contract law can indeed be better compensated by a legal replacement.**

## BACKGROUND

The European Commission proposed in September 2013 a draft regulation on indices used as benchmarks in financial instruments and financial contracts (the "Benchmarks Regulation" or "BMR"). The Regulation was published in the Official Journal on 29 June 2016, and applied as of 1 January 2018. It introduced a common framework to ensure the accuracy and integrity of indices used as benchmarks in financial instruments and financial contracts, or to measure the performance of investment funds in the Union. The Regulation provides that by January 2020, the Commission should review and submit a report to the European Parliament and to the Council on this Regulation and in particular on (a) the functioning and effectiveness of the critical benchmark, mandatory administration and mandatory contribution regime; (b) the effectiveness of the authorisation, registration and supervision regime of administrators and (c) the functioning and effectiveness of Article 19(2) (commodity benchmarks as critical benchmarks), in particular the scope of its application. The formal review process was meanwhile launched. The Commission published on 24 July 2020 a proposal for a regulation amending the EU Benchmarks Regulation. In this proposal the Commission would be able to designate a statutory replacement benchmark.

# Preventing Money Laundering and terrorist financing

## PROPOSED SOLUTIONS AND ACTIONS

The adoption of an **EU Regulation** could be a way to help clarify the grey zones in the existing rulebook and would allow banks that operate cross-border to develop common EU-wide AML/CFT policies and processes, create synergies and facilitate effective cross-border supervision.

Supervisory fragmentation could be addressed by the **creation of an independent EU body/authority** with a clear AML/CFT mandate, or by giving an existing EU authority a deeper AML/CFT mandate, always taking into account also the national specificities. ESBG is supportive of harmonised guidance, better coordinated implementation and unified supervisory practices across the EU, leveraging the experience and expertise of national supervisors as well as banking institutions in this field. However, EU policymakers should be very cautious of overlaps with national authorities. It is therefore of the utmost importance that centralisation does not come at the cost of efficiency. ESBG suggests that synergies be tapped into to avoid placing additional reporting burdens and cost inefficiencies on the industry, including potential duplicate procedures and overlaps between national and EU entities whilst ensuring that the monitoring regime is strengthened.

ESBG believes that the EU supervisor should have indirect powers over some obliged entities, with the possibility of directly intervening in justified cases. ESBG considers that the EBA is the best option due to the following reasons:

- It already has deep knowledge, expertise and experience in the financial sector, and the appropriate staff to supervise financial institutions.
- It currently has some coordination powers in terms of the supervision of AML risks in the financial sector, so it could easily build on those competences and responsibilities.
- Building on the two reasons mentioned above, the costs of implementing a new AML supervisory system based on the EBA would be easier for the EU and the financial sector to assume. In the context of the Covid-19 crisis, costs and sources of funds will need to be seriously taken into account, and the EBA provides a first-best option in that regard.

In addition to the European Commission AML/CFT Action Plan, European institutions could incorporate some of these additional reflections on policy action:

- **NCA's and obliged entities to start building up respective know-how.** ESBG believes that there is a need to develop an additional new set of skills and capabilities such as statistics, mathematics and IT, including Big Data and transaction monitoring.
- **Sharing innovative technologies/approaches** as best practices in the EU.
- **Enhance the AML regulatory framework to regulate more and grant controlled personal data access and exchange** between and within public authorities and financial services to fight crime (even without explicit customer consent). Enhance exchange between banking groups, and between banking groups and public authorities. ESBG calls on the European Commission to develop a communication on the usage of Big Data in anti-financial crime analytics and production, which will include an assessment and proposal to adapt the legal framework.
- **Evaluate EU centralized AML sanction utility**, which gathers all necessary/transaction data and apply advanced analytics to detect financial crimes.

## IDENTIFIED CONCERNS

ESBG has always supported preventing money laundering and curbing terrorist financing. Furthermore, ESBG very much supports cooperation between national supervisors and regulators and sees room for further improvements in this area. ESBG also insists that cooperation between supervisors and the private sector should be reinforced as the main flaws in AML and CTF mechanisms are caused by a lack of cooperation and communication between the market operators and the supervisory authority. An ongoing dialogue needs to be fostered between policy and industry.

ESBG encourages EU regulators to continue identifying AML risk related to crypto-assets, wallet services providers and other assets providing a high level of anonymity, and also encourages the establishment of an appropriate legal framework. Moreover, ESBG considers that the GDPR and AML rules still are not coherent enough, especially when it comes to innovation in digital onboarding and the remote digital identification of clients.

### Why policymakers should act

As reported by diverse reports from blockchain analysis, a large part of crypto-assets markets is linked to activities related to financial crime. We consider that novel issues arising from the use of new technologies in financial services require a proper regulation under a new approach. For example, new economic operators should be included in the list of obliged entities, as done by some member states when transposing the AMLD 5 into their national rules. Crowdfunding platforms and different types of service providers related to crypto-assets, including miners and issuers, should be included among the obliged entities.

Policymakers should remain vigilant regarding other assets providing a high-level of anonymity (e.g., pre-paid payment cards which are issued without bearing cardholder's name), and lack of an appropriate legal framework.

In addition, in our members still observe some cases where applying AML and CTF measures is difficult. For instance:

- International transfers, amounts of which are increasing, from/to countries with low-levels of bank secrecy protection or from/to offshore jurisdictions;
- Schemes using payment accounts of newly incorporated legal entities, which spark big investment interest in order to transfer big cash flows all at once for money laundering purposes.

## BACKGROUND

Recent developments in legislation have aimed to strengthen the EU anti-money laundering and countering the financing of terrorism (AML/CFT) framework. These include amendments to the 4th Anti-Money Laundering Directive (4AMLD) introduced by the 5th Anti-Money Laundering Directive (5AMLD), an upgraded mandate for the European Banking Authority, new provisions that will apply to cash controls starting from June 2021, amendments to the Capital Requirements Directive (CRDV), new rules on access to financial information by law enforcement authorities and a harmonised definition of offences and sanctions related to money laundering.

More recently, the European Commission presented its political strategy on 7 May 2020 and invited authorities, stakeholders and citizens to provide their feedback. Its action plan is built on six pillars, each of which is aimed at improving the EU's overall fight against money laundering and terrorist financing, as well as strengthening the EU's global role in this area. According to the European Commission, these six pillars, when combined, will ensure that EU rules are more harmonised and therefore more effective. The rules will be supervised more closely and there will be better coordination between member state authorities.

In addition, the Commission plans to propose a package of legislative proposals in the first quarter of 2021, with the objective of bringing about an integrated EU AML/CFT system by 2023.

# Financial reporting (IFRS)

## PROPOSED SOLUTIONS AND ACTIONS

**IBOR:** European legislators should not underestimate issues related to the IBOR reform. We consider that due to the possible extent of the instruments facing this issue it should be in the IASB's attention. Especially IBOR rates with longer tenors replaced by lagged 'in advance' rates resulting in time gaps of three and more months would be of a particular concern, due to a high risk of failing the solely payments of principal and interest (SPPI) benchmark test. Central authorities in many jurisdictions decided that no forward-looking term rates will be officially provided and consequently the alternative benchmark rate has an imperfect time value of money element.

**IFRS 17:** ESBG believes that the standard cannot be acceptable without a solution to all issues, as certain business models would not be faithfully portrayed under the current requirements of the standard. A high-quality standard does not correctly reflect certain contracts issued by ESBG members, that represent long-term life-saving products managed under cash flow matching and, to a certain extent, participating contracts, through its measurement nor its presentation requirements.

**PFS:** Regarding the requirement to disclose tax and non-controlling interest (NCI) effects for each reconciling item, there are strong doubts whether this is substantiated on cost/benefit basis. We consider that the IASB should provide at least 24 months for implementing after the new standard is issued.

## IDENTIFIED CONCERNS

The major points of concern identified by the ESBG members are the following:

- New proposed IFRS do not consider the business models that entities have in place; therefore not portraying faithfully their financial position and limiting the production of useful information.
- The need to have enough and reasonable time to implement any new requirement on a timely manner.
- Costs of implementing proposed new requirements and the likely ongoing associated costs and benefits of each new IFRS Standard.
- The possible broader economic consequences of new financial reporting requirements, particularly on financial stability.

## BACKGROUND

International Financial Reporting Standards (IFRS) set common rules so that financial statements can be consistent, transparent and comparable around the world. IFRS are issued by the International Accounting Standards Board (IASB). They specify how companies must maintain and report their accounts, defining types of transactions and other events with financial impact. IFRS were established to create a common accounting language, so that businesses and their financial statements can be consistent and reliable from company to company and country to country. The current suite of IFRS consists of 25 IAS, 17 IFRS and 18 Interpretations. 144 jurisdictions require IFRS or 87% of the world. IFRS are designed to bring consistency to accounting language, practices and statements, and to help businesses and investors make educated financial analyses and decisions.

## Why policymakers should act

### IFRS 9 FINANCIAL INSTRUMENTS – IBOR PHASE II

IBOR (Interbank Offered Rate) Phase II - Recent market developments have brought into question the long-term viability of some interbank offered rates (IBORs). IBORs are reference interest rates which are used as benchmarks for a broad range of financial products and contracts. We are of the opinion that it contributes to provide relevant and useful information about financial instruments and hedging transactions presented in the financial statements by avoiding unexpected accounting consequences that the IBOR reform could have caused under the current standards. The proposed amendments will avoid discontinuing hedging relationships when the hedged items and hedging instruments become modified and the related hedging documentation amended accordingly due to the sole IBOR reform. SPPI-CHF is a real problem and shouldn't be discarded - 'In advance' rates bring time lack when working with historical data. In general, the conclusion is that this issue is not related to IBOR, it may be a consequence of it, but mostly it is an issue how do you apply IFRS9 and not directly related to IBOR reform.

### IFRS 17 INSURANCE CONTRACTS

IFRS 17 *Insurance contracts* sets out the requirements an entity must apply when accounting for insurance contracts issued and reinsurance contracts entered into. Ongoing implementation projects, however, have identified the need for more time and for improvements to the standard in order to address issues that impact on meaningful reporting and introduce significant operational challenges. ESBG continues to support a high-quality standard for insurance contract accounting. If a solution for the annual cohorts issue is rejected during the discussion at a global level, careful attention should be given to the conclusions of this topic for European endorsement purposes.

### IAS 1 – PRIMARY FINANCIAL STATEMENTS (PFS)

The IASB does not actually address the presentation of the income statement of financial conglomerates (bank and insurance main business activities). The presentation of insurance business within the income statement of a bank-insurer raises the issue of a by-nature or by-function presentation of operating costs. It is difficult to evaluate which approaches are compliant – the one of IFRS 17 or the one of PFS IAS 1. The P&L presentation issue at group level for a financial conglomerate is a key issue also for financial communication purposes. General disclosure requirements are welcome. But it will be burdensome to prepare the information for reconciliation of Management Performance Measures (MPMs). The definitions of integral and non-integral associates are also questionable. There are not big issues when the associate is located in the same country as the parent. But when it is located in a foreign country, the influence the parent has on the activities of the associate show a certain dependency, but not the same as the IASB proposes. Examples were given also for issues with the new mandatory subtotals for operating activities- they are very formal and not helpful for all institutions. In this case the subtotals are so similar to the overall P&L that creating them would not be of big importance.

# Prudential treatment of software investments

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## PROPOSED SOLUTIONS AND ACTIONS

In today's digital era, the current approach of the EU-Legislator to the capital treatment of software assets is a disadvantage in comparison with non-EU banks and FinTech Companies and must be tackled in order to achieve a level playing field, preserve fair competition and advance technological innovations and digitalisation in the financial (banking) sector. Furthermore, banks can be encouraged to foster investment in digital solutions and/or IT systems only if software is not treated differently than other (e.g. tangible) assets and can be non-deductible.

Additionally, we advocate that the exemption rule for avoiding capital deduction should be optional (opt-out) for certain institutions. For institutions that have hardly any software assets capitalised, the cost of implementing the prudential amortisation approach would be disproportionate to the capital savings. The institutions in question should therefore have the option of continuing to deduct the software assets in full from CET 1.

The EBA provides some relief when it comes to the capital treatment of software, but it is still far too restrictive and inefficient in comparison to the US/Swiss Model. The prudential treatment of software assets in Europe should not penalize innovation. At the same time, banks need flexibility in cases where the benefits do not compensate the cost. Therefore, an option to not apply the RTS would be welcomed by certain institutions. This may lead to situations where implementation of the new approach will not be completely supported and continuation of complete deduction of the software from CET 1 would be preferred instead. If the RTS is too burdensome a possibility to opt out and not apply, it may become important for some financial institutions. Another possibly not very well accepted point is the proposed time period for the prudential amortization which is deemed extremely short.

## IDENTIFIED CONCERNS

Article 36 (1) (b) CRR 2 states that the decisive criterion for the exception is that the value of software assets is not negatively affected by resolution, insolvency or liquidation. This provision could be interpreted that the exception applies to software assets, where the value does not materially suffer in a crisis. In addition, the Art. 36 (4) CRR 2 mandates EBA to define a threshold below which the software is affected to an extent that it cannot be deducted from the CET 1 Capital. Banks should focus on the turning point from which the software assets would be negatively affected by the resolution, insolvency or liquidation to a degree that the exemption in Art. 36 (1) (b) CRR2 would not be applicable.

We do not see a simplification but rather a complication having another amortization for prudential purposes. In our view, a pragmatic approach is, as stated above, to trust in the work of external auditors and apply the accounting amortization rules for prudential purposes as well.

If regulators want to include a certain margin of conservatism or prudence in the valuation of software assets, an easy to implement haircut on top of the accounting amortization would be the most efficient way for implementation.

### **Why policymakers should act**

Therefore, it needs to be ensured that EBA develops clear criteria to specify the materiality of negative effects on the values, which do not cause prudential concerns and provides a comprehensive guidance on how to perform this assessment in a way that is not unnecessarily burdensome and complex.

Furthermore, we would prefer the RTS to enter into force already on the day following its publication in the OJ (instead of twenty days thereafter; see Article 2 of the Draft RTS on p. 28). This would ensure that banks can apply these provisions as early as possible (as intended by the CRR Quick Fix). Alternatively, we propose a (possibly also retroactive) application of the provisions as of 30 September 2020 and therefore we request such a provision to be added to Article 2.

Finally, in the light of the short consultation period as well as the CRR Quick Fix, we would like to express the need to prioritize the work on this RTS and faster finalization of the RTS. Otherwise the process would counter the efforts of EU legislators and wouldn't allow for a fast relief for banks.

### **BACKGROUND**

As part of the Risk Reduction Measures (RRM) package adopted by the European legislators, the Capital Requirements Regulation (CRR) has been amended and introduced, among other things, an exemption from the deduction of intangible assets from Common Equity Tier 1 (CET1) items for prudently valued software assets, the value of which is not negatively affected by resolution, insolvency or liquidation of the institution. In addition, the EBA was mandated to develop draft RTS to specify how this provision shall be applied.

These EBA draft RTS specify the methodology to be adopted by institutions for the purpose of the prudential treatment of software assets. In particular, these draft RTS introduce a prudential treatment based on their amortisation, which is deemed to strike an appropriate balance between the need to maintain a certain margin of conservatism in the treatment of software assets as intangibles, and their relevance from a business and an economic perspective.

# Consumer Credit

## PROPOSED SOLUTIONS AND ACTIONS

### → Simplification of information

Consumer credit is normally partially executed through the granting of a handful of small operations to consumers. Those operations are of limited complexity and – in comparison to mortgage credit – of small amounts, but are, in turn, regulated by considerably complex rules.

As an example of that, the CCD requires creditors to give excessively detailed information to the consumer prior to entering a consumer credit agreement. Nonetheless, consumers ignore information which is too complex or difficult to remember and there is evidence that simpler information with fewer figures is much more effective at landing critical messages. That information may refer to information that only reflects the specifics of the product and meets with client's expectations for short and clear information – for example – the repayment periods, the amount of the repayment instalments and the applicable interest rate.

### → Reduction of information

Regarding the pre-contractual information, it is important to focus on diminishing the number of pre-contractual documents, which banks are obliged to serve to consumers in any case. This approach has not proved itself to be useful for consumers and for that reason the requirements for serving pre-contractual information and Standard European Consumer Credit Information aren't helping in achieving the objectives of the Directive. Bearing digitalisation in mind, the required information can barely be presented in a clear and comprehensive way on mobile devices.

A critical look should also be taken at the amount of mandatory information to be included in the credit agreements themselves. From the consumer's point of view, the agreement should contain only what is necessary, i.e. in addition to the total amount of credit, above all the repayment plan, the default interest rate and information about the typical consequences for the borrower during the performance of the contract (consequences of overdue payments, rights of withdrawal, early repayment conditions).

The reduction of information may be also observed through the role of the right of withdrawal. The right of withdrawal is an instrument for the consumer's protection and when it is granted to the consumer it should diminish some of the requirements for the service providers, especially in the field of the pre-contractual information that needs to be provided to consumers. If the amount of information is not diminished, there is not a substantial meaning of the right of withdrawal.

### → Regulate activities rather than institutions

In ESBG's opinion, gold plating practices in the implementation of the CCD by Member States have limited its effectiveness. The use of innovative technologies has prompted the arrival of new operators to the consumer credit market. Unregulated entities can take advantage of the consumer trust that regulated entities have gained through the years, and even put that trust at risk if they fail to deliver fair and transparent results, increasing regulated entities' reputational risk. Therefore, a strict implementation of the CCD by all Member States would give consumers better visibility on their level of protection in Europe. In this sense, the CCD should regulate that consumer credit activity should be a reserved activity and should require the application of policies on responsible lending, transparency and customer protection. Any revision to the CCD should be based on the principle "same activity, same rules".

Creditworthiness assessment requirements should be flexible and preserved for each Member State and each credit institution. There is no need for harmonisation.

In our view an effective creditworthiness assessment can't be standardised, because of the following non-exhaustive reasons:

- it should be based on the knowledge of the borrower and on the ability to take into account the specificities of his situation, not on a mechanically applied criterion. This knowledge - inherent to the banker's job - can't be standardised.
- standardising the assessment of risk profile would block the market without taking into consideration the peculiarities of each Member State.
- it also may lead to a legal risk of not being able to deny credit if the European criteria are met.
- common indicators wouldn't allow to take into consideration the economic and cultural background: the same indicators will not necessarily mean the same in different countries (e.g.: savings habits, national rates of divorce, cost of education for children).

## IDENTIFIED CONCERNS

The CCD evaluation has so far looked at the relationship between the needs and problems in society and the objectives of the Directive.

However, more importantly for us is the impact that digitalisation has had on consumer credit. The emergence of a variety of new technologies has commanded the development of the digital transformation in the commercial and corporate aspects of banking. It is easy to observe a significant upward trend in the budget share dedicated to R&D.

However, the CCD did not anticipate that technological disruption, and new digital means have brought a diverse set of innovative distribution channels, and along with them, new communication means, new ways to access credit and the uniformity of credit agreements.

The use of smartphones, tablets, computers, headsets, and other devices, for not only searching products, but also for entering into credit agreements, is a reflection of the reality that has exceeded the expectations considered by the legislators when agreeing the CCD.

In this regard, special attention needs to be paid to the information to be provided to consumers before entering into the credit agreement. In some Member States, particular attention must be paid to the actual conclusion of the credit agreement when using these devices. Art. 10 (1) CCD, in which the text form of credit agreements is standardised as sufficient, should be harmonised to a maximum in the future, in order to enable a digital conclusion. At present, many Member States have adopted stricter rules (e.g. written form), representing a real barrier for the single market. In our view, in order to adjust the already adopted measures to the new digital technologies it is necessary to assess how much detailed information is required and how it can best be provided to consumers.

We have noticed that new market players such as crowdfunding platforms or SMS loan-providers have not yet played such a major role in the area of consumer loans. Nevertheless, we see a tendency for this role to increase in the future and for considerable changes to be expected in consumer loans as well.

### **Why policymakers should act**

**We fully support the principles of the CCD, but we believe that it is reasonable to measure the objectives of the Directive having in mind that:**

- **consumers want to receive clear and manageable information in a short time.**
- **it is important not to overburden the consumers with information.**
- **its requirements should be suitable for new technology and distribution channels.**
- **a clear balance should be created between the objectives of the Directive and the rights of the creditors.**

## BACKGROUND

The EU Consumer Credit Directive (CCD) is designed to strengthen consumer rights and help potential customers make an informed choice when signing up to a credit agreement. Lenders provide standardised information on the product, allowing clear comparison by the consumer with other products available to them. In addition, lenders provide detailed information on the annual percentage rate of charge; including the total cost of the credit.

The EU CCD was finalised in 2008. In 2011, an annex was added to clarify the rules on calculating the Annual Percentage Rate of Charge (APR). Finally, in 2014 a report was published in the Implementation of the directive. In 2019, the European Commission launched a consultation on the evaluation of the CCD, following on from an evaluation and fitness check roadmap. The review – still ongoing – aims to assess the effectiveness, efficiency, coherence, relevance and EU added value of the Consumer Credit Directive.

# Distance Marketing

## PROPOSED SOLUTIONS AND ACTIONS

ESBG believes that providing simple and shorter information to consumers will correspond more with the clients' expectations and will have a positive effect on their well-informed decision. Special attention needs to be paid to the information to be provided to consumers before entering into an agreement. We believe that it is necessary to assess how much detailed information is required and how it can best be provided to consumers in order to ensure that they are well protected.

### → Simplification of information

The DMFSD requires service providers to give excessively detailed information to the consumer prior to entering an agreement. Consumers often ignore information which is too complex or difficult to remember and there is evidence that simpler information with fewer figures is much more effective at landing critical messages.

### → Reduction of information

Regarding the pre-contractual information, it is important to focus on diminishing the number of pre-contractual documents, which service providers are obliged to serve to consumers in any case. Mobile devices can only display a limited amount of information in a clear and comprehensive way.

### → The way the information is provided and right of withdrawal

ESBG believes that detailed contractual terms and conditions and the information referred to in Article 3(1) and Article 4 from the Directive should be provided to the consumer on paper/another durable medium after concluding the contract (as stated in Art. 5 (2)). Even though the consumer might not have had the possibility to read all of the relevant information, they would still be protected under the right of withdrawal.

The right of withdrawal is an instrument for the consumer's protection and when it is granted to the consumer it should diminish some of the requirements for the service providers, especially in the field of the pre-contractual information that needs to be provided to consumers. If the amount of information is not diminished, there is not a substantial meaning of the right of withdrawal.

### → Coherence with other pieces of legislation

The provisions of the Directive are not entirely coherent with the Consumer Credit Directive, the Mortgage Credit Directive, the Payment Services Directive, the Payment Accounts Directive, the Insurance Distribution Directive, the Markets in Financial Instruments Directive, the Packaged Retail Investment and Insurance Products and Services Directive – about the information due before signing the agreement.

### → GDPR, E-privacy Directive, E-commerce Directive – about the consent for direct marketing and unsolicited communications.

In order to achieve a coherent and easy to apply legislation in the matter of distance marketing of financial services, we would like to stress on the regulatory approach – it would be very useful if the Directive includes only the specific requirements for the distance marketing of financial services and if there is a specific product legislation, the Directive refers to the applicable parts of this specific legislation instead of repeating them.

### → Goldplating

The tendency of Member States' goldplating practices, as observed with the DMFSD, adds costs and limits the effectiveness of the EU legislation in building the single market. The European Commission should ensure a strict implementation of this Directive, which will give consumers better visibility on their level of protection in Europe.

## IDENTIFIED CONCERNS

Some ESBG members believe that the revision of the DMFSD is both important and necessary, as it questions the efficiency of its provisions that aim at consumer protection, compromises the service itself and contradicts one of the basic principles of the distance marketing of financial services – that the service should be easy, accessible and time saving. Nevertheless this does not mean that the way distance marketing should be done should overburden the service providers.

The Directive did not anticipate that technological disruption and new digital means have brought a diverse set of innovative distribution channels. This is the main reason why some ESBG members believe that the DMFSD should be reviewed in order to adapt the legislation to the new technology and distribution channels that have emerged from the new digital context. It should also be applied to regulation and supervision on marketing, advertising and risk reporting to the services provided by new operators as those applicable to financial institutions, when rendering the same services because the purpose thereof is to protect consumers and, therefore, they must not discriminate based on who provides/offers the product or service.

ESBG is also keen to comment on some of the issues raised in the behavioural study on the digitalisation of the marketing and distance selling of retail financial services. We do not agree with attitude surveys and research suggesting that personalisation and targeting tend to be negatively perceived by consumers. Current marketing practices allow customers to receive information about unknown products. These practices must fulfil with the relevant legislation (GDPR and e-privacy) and additionally it is important to underline that the consumers always have the right to request stop receiving this advertisement information. In particular, some ESBG members are of the opinion that the format requirements for standardising product-specific legislation is a step too far and that the obligation for clear and intelligible information in product specific regulation is already sufficient. In addition, using regulation to slow down the purchasing process for financial products and services would reduce the benefit of banks' investments for attractive and competitive customer experiences and would lead to a deterioration in the customer experience of all customers in response to possibly excessive behaviour of a minority.

### Why policymakers should act

The current DMFSD is 18 years old and there have been many developments in the banking sector since then. It is important to update the text and take into account:

- new market players;
- digitalisation - financial services for consumers are nowadays presented, proposed and used in a very different business environment where technologies have a major role;
- consumers want to receive clear and manageable information in a short time;
- it is important not to overburden the consumers with information;
- the right of withdrawal is an instrument for the consumers protection and when it is granted to the consumer it should diminish some of the requirements for the service providers, especially in the field of the pre-contractual information that needs to be provided;
- other EU texts which have been implemented since the financial crisis and should be consistent with the Directive. It should also state which of the requirements of the specific legislation (such as CCD, MCD, PSD 2 etc.) should be kept when distance marketing is executed.

The regulation should also avoid using the references to “vulnerable consumers”. The ECJ literature generally addresses an “average consumer who is reasonably well-informed”. To ensure legal coherence, the Directive should be grounded on the “average consumer” and not on the “vulnerable consumer”.

## BACKGROUND

The development of a deeper and fairer single market is one of the European Commission's key priorities. As part of this objective, the European Commission is working to help consumers to access good quality financial services offered outside their home Member State by harmonising consumer protection rules governing distance marketing. The Distance Marketing of Financial Services Directive (DMFSD) sets out what information a consumer should receive about a financial service and its provider before concluding a distance contract. For certain financial services, it also gives the consumer a 14-day right of withdrawal. In addition, the DMFSD bans services and communications from suppliers that a consumer has neither solicited nor consented to receive.

Since its adoption in 2002, several pieces of product-specific EU legislation have been adopted in the areas of consumer credit, mortgages, payment accounts, payment services, insurance products and investment products. These acts specify, for instance, the type of information a consumer should receive about a product and its provider. The legal framework also includes general consumer protection rules on unfair commercial practices and unfair contract terms, as well as rules on the e-commerce framework, data protection and e-privacy.

# Mortgage Credit

## PROPOSED SOLUTIONS AND ACTION

ESBG believes that providing simple and shorter information to consumers will correspond more on the client's expectations and will have a positive effect on their well-informed decision.

### → Simplification of information

MCD, like CCD, requires creditors to give excessively detailed information to the consumer prior to entering a consumer credit agreement. Nonetheless, consumers ignore information which is too complex or difficult to remember and there is evidence that simpler information with fewer figures is much more effective at landing critical messages. That information may refer to information that only reflects the specifics of the product and meets with client's expectations for short and clear information – for example – the repayment periods, the amount of the repayment instalments and the applicable interest rate.

### → Reduction of information

Regarding the pre-contractual information, it is important to focus on diminishing the number of pre-contractual documents, which banks are obliged to serve to consumers in any case. This approach has not proved itself to be useful for consumers and for that reason the requirements for serving pre-contractual information and Standard European Consumer Credit Information aren't helping in achieving the objectives of the Directive. Bearing digitalisation in mind, the required information can barely be presented in a clear and comprehensive way on mobile devices.

The reduction of information may be also observed through the role of the right of withdrawal. The right of withdrawal is an instrument for the consumer's protection and when it is granted to the consumer it should diminish some of the requirements for the service providers, especially in the field of the pre-contractual information that needs to be provided to consumers. If the amount of information is not diminished, there is not a substantial meaning of the right of withdrawal.

### → Definition of foreign currency loans

ESBG would like to make a proposal to change the current definition of a foreign currency loan making cumulative and non-alternative the conditions.

This option:

- would be simple to apply and appears fully justified to allow the development of cross-border financing, while maintaining a good level of consumer protection;
- limits the scope of the provisions of Article 23 of the MCD to loans more likely to induce currency risk;
- would be completely aligned with the wish of consumer protection developed by the European Commission in the MCD. Indeed, Article 23 of the MCD Directive provides, among the modalities for limiting currency risk, the right for the consumer to convert the credit agreement into an alternative currency, which shall be either:
  - the currency in which the consumer primarily receives income or holds assets from which the credit is to be repaid,
  - or the currency of the Member State in which the consumer is resident.

These two currencies (income and of place of residence) are considered by the MCD as sufficiently protective of the consumer to propose them as limiting the foreign exchange risk of a loan in a currency. The notion of foreign currency therefore seems legitimate only to apply to a currency that is different from both the currency of income and the currency of the place of residence, which correspond to the proposal of a "cumulative" definition.

## IDENTIFIED CONCERNS

The review of the Mortgage Credit Directive is expected soon. In our opinion, there is a need for guidance from the Commission on pre-contractual information and how best to provide 'barrier-free' information on, for example, smartphones.

In our view, there is also a problem with cross-border loans which is not only related to the MCD, but also:

- for the fact that those credits are secured with an immovable property and the execution of that property (if the credit is not repaid) may be done in a country different from the country where consumer is domiciled.
- because of jurisdiction in court procedures (EU Regulations 1215/2012, 655/2014 and 1896/2006): proceedings may be brought against a consumer by the other party to the contract only in the courts of the Member State in which the consumer is domiciled. The last provision may be departed from only by an agreement which is entered into by the consumer and the creditor, both of whom are at the time of conclusion of the contract domiciled or habitually resident in the same Member State, and which confers jurisdiction on the courts of that Member State, provided that such an agreement is not contrary to the law of that Member State. This means that in order to bring a procedure against the debtor in the country of the creditor, the debtor has to have a domicile within the territory of the country. Having in mind that consumers tend to travel a lot and change domiciles easily these days, bringing a procedure against them is most of the time very difficult or even impossible, because creditors are often in a situation that they do not know where the consumer's new domicile is.
- when it comes to servicing notices for voluntary payment of the debts and judicial papers – it is almost impossible to find the debtor and serve them with such kind of documents and/or understand where their current domicile is. And this puts a lot of obstacles in terms of the debt collection processes and procedures.

### **Why policymakers should act**

Financial institutions are willing to adapt their mortgage lending process but call for adequate implementation deadlines and help with any additional IT support or other additional costs. A proportionate application of the mortgage credit directive could also be examined in more detail by a cost-benefit analysis.

In our view it is very important that during the revision the Commission assesses the consumers' understanding of, and satisfaction with, the ESIS Art. 44a from the Directive. The effectiveness and appropriateness of the Directive should be the core focus of the Commission study.

The Commission should examine the current definition of foreign currency loans. The market is experiencing difficulties in the application of the rules and we note that due to the current definition there are cases that fall within the scope of foreign currency loans for which the consumer protection measures set out in the Directive should not be addressed or are disproportionate to actual risk for consumers.

It would be beneficial for consumers to narrow the scope, establishing that the definition will imply cumulative conditions (being residence and receiving the incomes or holding the assets in a currency other than the credit is to be repaid). As a result, the current regime excludes certain consumers from mortgage credit, while creditors would be willing to provide credit in a number of scenarios if the foreign currency loan regime were better aligned with the real risks.

## BACKGROUND

The EU Mortgage Credit Directive aims to integrate the market for mortgage credit, promote common standards across the bloc and protect consumers at an EU level through responsible lending. The 2014 MCD applies to all loans available to consumers when buying residential property. It has the following provisions:

- an obligation for lenders to provide clear and detailed information on loan conditions to consumers;
- an obligation for lenders to assess the creditworthiness of consumers according to common EU standards;
- common quality standards and business conduct principles for all EU lenders;
- the right for consumers to repay credit earlier than determined in a contract;
- an EU passport scheme that allows credit intermediaries authorised to operate in any EU country to deliver services across the EU.

Since the MCD came into force, there have been numerous additions in the form of supplementary acts (both implementation and delegated) to help strengthen the original text.

The Mortgage Credit Directive 'study' is under preparation and will focus only on the topics listed in Articles 44 and 45 of the current directive. It will look into the effectiveness and appropriateness of the provisions on consumers and the internal market. The study will also look into digitalisation and sustainable finance (for example, the EC-funded study on green mortgages). Depending on the conclusions of the Study and the Commission's assessment, legislative changes may be proposed. Some issues have already been identified as being particularly relevant to the review:

- Loans in a foreign currency (Article 23)
- Digitalisation
- Sustainable finance

# Digital banking: unleash further innovation



**Fintech-Digital Strategy**  
**Electronic Identification**  
**Artificial Intelligence**  
**Cybersecurity**  
**Big Data**  
**Cloud**  
**RegTech and Innovation Facilitators**  
**Crypto-assets**

# FinTech – Digital strategy

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## PROPOSED SOLUTIONS AND ACTIONS

ESBG fully supports regulatory initiatives aimed at fostering the uptake of nascent technologies and business models in Europe. ESBG encourages EU regulators to prioritise the following action points:

- Support for codes of conduct for all market participants on applications of new technologies in the financial sector.
- Enhancing legal clarity through guidance at EU level for technologies and/or use cases
- Strengthening of existing European standardisation and specifications initiatives (e.g. in payments or in API developments).
- Supporting further initiatives like the European Institute of Innovation and Technology partner network that helps business and entrepreneurs be at the frontier of digital innovation by providing them with technology, talent and growth support.
- Setting up and funding expert groups to define and implement nascent technology pilots.
- Funding experimentation on certain applications of new technologies in finance at European level to encourage the emergence of EU-wide businesses that would be able to compete with comparably sized peers from other jurisdictions.
- Cross-border coordination within the EU is fundamental to promote the scale-up of technological innovation and to prevent an unlevel playing field and regulatory arbitrage. Fragmentation (e.g. differences in regulatory requirement) is already limiting the potential of technological developments, which also affects the overall competitiveness of the EU.
- Establishing a framework for consent management to ensure that consumers have the correct tools to share and control their personal data.

## IDENTIFIED CONCERNS

New technologies are transforming financial services and the way they are accessed by consumers; this digital transformation is shaping the future of banking. ESBG believes that it is difficult to encourage innovation through regulation and that digitalisation efforts need to be market-driven, where the right conditions are set to ensure that European companies can become global champions, meeting the highest requirements for consumer protection and financial stability.

At the same time, ESBG is supportive of technology-neutral legislation that creates a level playing field and allows for offering digital services under sustainable business models that are beneficial to all stakeholders, and that will hence stimulate the digital transition.

The main obstacles to fully reaping the opportunities of innovative technologies in the European financial sector, as identified by ESBG, are the following:

1. Regulatory and supervisory fragmentation. To mitigate fragmentation, there is need for harmonisation of the European regulatory and supervisory framework, particularly in the process of electronic identification. In fact, the identification requirements of European consumers in digital channels differ vastly between member states, especially due to the different interpretation, implementation and applications of, for instance, AML-requirements and PSD2 by both legislators and supervisors. This has created a fragmented and ineffective market environment across the EU. Something that hinders European citizens and corporations. However, when harmonizing identification requirements, care must be taken not to weaken money laundering and fraud prevention.

2. Unlevel playing field. Currently there are differences in legal requirements between established financial institutions and new market entrants providing the same or similar services. The banking sector is mandated to operate with specific requirements which other market players are able to bypass as they avoid a banking licence – although they provide the same services. Significant risks are introduced in the financial ecosystem by the ability of FinTech companies to operate in a grey area, performing activities that need to be properly supervised. The principle of equal requirements for equal activities must apply.
3. The regulatory link between privacy, data protection, and innovation is not always optimally balanced: the financial sector fully supports regulatory and supervisory authorities in relation to the approval and implementation of rules on privacy and data protection. However, this should not restrict the industry innovation capacity. The complex legal framework of consent management between PSD2 and GDPR might constitute an obstacle. If public authorities aim at supporting innovation from companies that hold (personal data of) thousands of clients, there needs to be a common ground on the terms of where innovation can be undertaken.

Concerning the relation between regulated entities and supervisors, ESBG has observed the following challenges:

- New digital players are born global, where their market reach goes beyond the mandate of EU financial authorities. In addition, they sometimes do not belong to a regulated industry, making their supervision complex.
- Supervisors lack the necessary resources and competences to implement new supervising processes, which include many technical questions and new products and services. There is also a lack of coordination between supervisors both within and across member states.
- Regulators and supervisors therefore need to move closer to the industry, taking instead a collaborative approach.
- All providers should be subject to the existing regulatory framework for financial services.
- Regulation shall adapt to the specific service (payments, investment advice, etc.) and not the service provider (start-up, scale-up or incumbent).

## Why policymakers should act

The EU lags behind other jurisdictions in terms of capacity and competitiveness to innovate, scale up and compete with non-European players. European banks oftentimes face difficulties in accessing platforms and technical interfaces of BigTech companies, which are increasingly entering the financial sector.

To avoid giving a competitive advantage to non-EU companies, European regulators should properly balance consumer interest when assessing the risks of both banks and BigTech companies. Even though this also depends on financial and economic factors, ESBG believes that a less rigid and time-consuming regulatory framework could help foster the competitiveness of European firms globally.

In order to ensure a future-proof regulatory framework that does not hamper innovation, consumer protection and financial stability, the general principle of “same activity and same risks should comply same rules and supervision”, as well as the broad principle of technology neutrality, need to be respected.

Furthermore, Europe is currently facing an educational gap due to a lack of digital skills, both in terms of consumer awareness and lack of qualified workforce; this might limit the opportunities linked to harnessing the potential of technology. We strongly recommend promoting the digital literacy of citizens. Important skills for dealing with and understanding digitization and a constantly changing environment must be taught at school and beyond.

## BACKGROUND

The financial sector has historically been subject to high regulatory and supervisory requirements. Such requirements have had an overall positive impact on society and have helped the financial sector show resilience in response to the recent Covid-19 crisis. The pandemic crisis has also triggered an increase in customer demand for digital financial services, making regulatory frameworks for digitalisation even more important.

ESBG submitted a response to the European Commission consultation on digital finance in June 2020, aimed at seeking views on the possible measures needed to further enable innovative digital financial services in the EU. On 24 September 2020, the European Commission adopted a Digital Finance Package, consisting of a Digital Finance Strategy, a Retail Payments Strategy, legislative proposals for an EU regulatory framework on crypto-assets, and proposals for an EU regulatory framework on digital operational resilience.

BigTech companies are already present in the market for multiple financial products and services (e.g. payments, provision of consumer and SMEs credit), and that presence is expected to continue growing. Customer data is at the heart of their business model:

- Customisation and anticipation of needs are at the heart of the success of BigTech companies: for this reason, their access to granular customer data and mastery of AI is key;
- Access to banking APIs is strategic; many BigTech companies have the necessary authorisations to exploit the opportunities opened up by the PSD2.

Non-European BigTech companies can also penetrate the European market via massive investment policies, exploiting the weakness of European positions and the absence of a major European player. By becoming digital platforms where financial products and services are distributed, acquired, advertised, etc., BigTech companies can play a significant role in the intermediation of financial products and services, without having to comply with financial regulation and rules governing incumbent financial institutions. This situation creates an imbalance in the level-playing field necessary to guaranteeing the “same activity creating the same risks should be regulated in the same way” principle.

# Electronic identification (e-ID)

## PROPOSED SOLUTIONS AND ACTIONS

The provision of interoperable e-identity tools will boost cross-border transactions, paving the road for a Single Digital Market in the EU. High acceptance rates and technical neutrality will be key in determining the success of European e-IDs. It is now time for the EU to push the harmonisation of its electronic identification regulatory and supervisory framework. In order to facilitate the process, the following initiatives should be taken:

- Harmonise the documents required for the verification of identity (e.g. passports, utility bills, municipal records, tax documents) and their format (acceptability of electronic copies in addition to physical copies);
- Provide further guidance or standards in support of the customer due diligence process (e.g. detailed ID elements, eligible trusted sources; risk assessment of remote identification technologies);
- Put forward a common regulatory approach for customer identification and due diligence processes when performed remotely;
- Adopt a high level of assurance approach for increased electronic KYC for financial services;
- Broaden access for obliged entities to publicly held information (public databases and registers) to enable verification of customer identities;
- Provide further guidance relating to reliance on third parties for carrying out identification and verification through digital means, including on issues relating to liability.

## IDENTIFIED CONCERNS

In an increasingly digital world, where most customer interaction happens online, an e-ID can considerably smoothen the customer journey across digital channels, while safeguarding privacy and security. A harmonised e-ID framework at European level would be a key driver to achieve a digital single market and increased mobility for European citizens.

ESBG welcomes the objective to facilitate the cross-border use of electronic identification based on eIDAS, a fundamental requirement to build the Digital Single Market. ESBG believes that an optimal implementation of e-ID solutions in Europe can only be reached by directly involving the relevant industries, ensuring the participation of the private sector at par with the public sector.

However, ESBG considers the current regulatory, supervisory and technological fragmentation of cross-border electronic identities (e-ID) across member states as very disadvantageous for the EU, both in terms of operational and regulatory requirements. Additionally, the identification requirements of European consumers in digital channels differ vastly between member states, especially due to the different interpretation, implementation and applications of for instance AML-requirements and PSD2 by both legislators and supervisors. This has created a fragmented and ineffective market environment across the EU, hindering European citizens and corporations.

The provision of interoperable e-identity tools will boost cross-border transactions, paving the road for a Single Digital Market in the EU. High acceptance rates and technical neutrality will be key in determining the success of European e-IDs. Therefore, ESBG believes that it is important for the EU to empower its financial institutions with the abilities to identify customers through digital means.

## Why policymakers should act

At this point in time, developing a specific financial digital identity would not be ideal for consumers. Rather, we welcome broader solutions that would allow citizens to use their e-ID for different purposes. To do so, the EU should work towards a harmonised framework, first on member state level and then on union level, where consumers are able to decide which e-ID to use for identification in each daily use case and are certain that the chosen e-ID will be accepted (irrespective of the scheme being private or public-led).

Here the ESBG strongly believe banks are well positioned to not only participate but drive the development of e-IDs, given that they have already verified their customer's data during on-boarding processes. Additionally, customers are already used to accessing their bank accounts online and would thus benefit from an e-ID created without the need to provide personal data to a third party. This, in turn, would enhance customer protection and ensure a higher level of personal data privacy.

The current availability and offer of electronic trust services in the EU is not sufficient. Additional trust services should be regulated at EU level, such as electronic identification and authentication, and provision of trusted attributes linked to a verified identity (e.g. proof-of-age, credentials, KYC). At the same time, it is important to build on already existing knowledge and best practices, rather than requiring the development of new solutions from scratch. For instance, in some parts of Europe, already existing efficient solutions and well-established routines at a national levels, should be protected and taken into account by the regulator.

## BACKGROUND

Regulation EU No 910/2014 commonly known as eIDAS Regulation is an EU regulation on electronic identification and trust services for electronic transactions in the EU. It seeks to establish a single legal framework for recognizing electronic signatures and identities throughout the EU. eIDAS Regulation entered into force on 1 July 2016 making the European Union the first and only region in the world offering a viable and common framework that allows the cross-border user of trust and electronic identification services, which include electronic signatures, timestamps and web authentication services.

eIDAS foresees that if an EU Member State offers an online public service to citizens or businesses for which access is granted based on an electronic identification scheme – for example for tax declarations – then they must also recognise the eIDs of other Member States for the purposes of cross-border authentication. The regulation creates thus an internal market for electronic trust services and ensures that they will work across borders and that they have the same legal status as the traditional paper-based processes.

In other words, the eIDAS Regulation provides for a clear and predictable regulatory framework for secure and seamless electronic interactions between businesses, citizens and public authorities within the EU. This regulatory environment is provided by eIDAS, the European regulation on electronic identification and trust services for electronic identification in the internal market. The opportunities offered by eIDAS go beyond payments. Banks can offer consumer or SME-loans to customers that are on-boarded in a digital way, or they can offer investment services to customers based in other countries.

# Artificial Intelligence

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## PROPOSED SOLUTIONS AND ACTIONS

ESBG supports the EU approach on AI, and in our view policy should be technology-neutral: the same activities should be subject to the same regulation irrespective of the way that the service is delivered, so that innovation is enabled and a level playing field preserved. Therefore, no specific AI regulation applying to financial institutions should exist, as stricter requirements could be unfairly harmful for the financial services industry.

In our view, a strict regulation could hinder the development of AI in the banking sector. AI is in a phase of appropriation and exploration by the banking sector. In addition, the use of human expertise (data scientists, compliance and legal officers, client managers, etc.) remains essential to guaranteeing the quality and security of AI-related processing. Still, already existing regulatory frameworks need to be taken into account and to be reviewed in order to identify potential gaps (e.g. concerning liability regimes). ESBG advocates that currently no additional regulation is needed. Regulators and NCAs should work closely together with the industry to elaborate guidelines on how the current framework applies.

It has been recalled by the European Data Protection Board that the applicable EU legislation already allows for risks to be addressed (any processing of personal data through an algorithm falls within the scope of the GDPR). ESBG agrees that AI should comply with the rules in force, in particular the GDPR. Moreover, the banking industry is already subject to legal and regulatory obligations that address the risks mentioned. As a result, banks have already developed and continue to adapt their risk models when implementing AI applications into their processes and services.

ESBG would like to make the following recommendations:

- Voluntary commitment of stakeholders to adopt an ethical attitude towards AI is just as important as regulation to ensure the trust of individuals.
- It could be appropriate to make available to stakeholders a self-assessment mechanism of algorithms to determine the level of risk of each AI application, according to criteria defined by the Commission, and whether their AI application is subject to the mandatory requirements to be implemented by the Commission or not. It could be done on the same basis that the ALTAI portal recently launched by the EU AI alliance and that proposes a dynamic checklist for developers and deployers to self-assess their AI models.

## IDENTIFIED CONCERNS

European policymakers have to keep in mind that a choice should be made when it comes to the establishment of this regulatory framework: if it comes too early, it might put in place constraints hindering Europe's possibility to catch up with the US' and China's developments; if it comes too late, huge ethical issues could arise.

Thus, concerning the AI industry in general, research and development should be promoted and financed by the EU as it is such an important field for the EU to grow in, while, European regulators and supervisors agreed to enable a "Trustworthy and human-centric AI" to emerge.

Regarding the financial services industry, ESG believes that most fears of risks arising from deploying AI systems come from potential biases or – unintentional – consumer. However, we consider that the current financial services legislative framework already provides robust safeguards for consumer protection to be ensured and enforced. Regulations such as GDPR, e-Privacy rules, and requirements regarding responsible lending or the selection of the target market of financial services, all applying to AI systems, already provide a comprehensive framework and deliver appropriate safeguards.

### **Why policymakers should act**

The effort and will of the EU institutions to adopt an EU policy on AI and to foster EU commitment in this area is highly welcomed as these steps are necessary to encourage competition with US and Asian counterparts. A global level playing field needs to be ensured. Furthermore, ESG encourages the European policymakers to manage a complex trade-off between competitiveness on the one side and ethics on the other, while considering already available regulatory frameworks relating to consumer and data protection. A continued dialogue needs to be fostered between policymakers and the industry in order to ensure appropriate measures in line with a technology-neutral and sector-neutral approach. At the same time, talents should be encouraged to use their skills in the development of AI solutions in Europe. This applies to European talents as well as to scientists, programmers and AI experts from outside Europe

## **BACKGROUND**

On 19 February 2020, the European Commission presented its White Paper on Artificial Intelligence (AI) – A European approach to excellence and trust. The purpose of this White Paper is to set out policy options on how to achieve these objectives.

The European Commission supports a regulatory and investment-oriented approach with the twin objectives of promoting the uptake of AI and of addressing the risks associated with certain uses of this new technology. The European Commission advocates for a solid European regulatory framework for trustworthy AI that will protect all European citizens and help create a frictionless internal market for the further development and uptake of AI as well as strengthening Europe's industrial basis in AI.

The main building blocks of this White Paper are:

- Measures that will streamline research, foster collaboration between member states and increase investment into AI development and deployment;
- Policy options for a future EU regulatory framework that would determine the types of legal requirements that would apply to relevant actors, with a particular focus on high-risk applications.
- In addition, the European Commission published its Report on the safety and liability implications of Artificial Intelligence, the Internet of Things and robotics.

Further (legislative) steps by the Commission are expected for Q1 2021.

# Cybersecurity

## PROPOSED SOLUTIONS AND ACTIONS

- Establish a single authority that receives all reporting from all financial institutions into an EU central Hub/Database. This authority would be responsible for reporting to each competent authority depending on the issue (for example, PSD2, GDPR, NIS) and the country. A comprehensive and harmonised EU-wide system of ICT and security incident reporting should be designed for all financial entities and that would lead to harmonised incident reporting also at a national level.
- Create a standing mechanism to exchange incident reports among competent authorities to ensure that best practices are shared among financial players. It should be designed on two pillars: i) sharing good practices between authorities which support their supervisory powers and ii) receiving feedback from authorities to improve banks' internal practices.
- The legislator should examine the authorisation schemes based on compliance with pre-determined requirements, with the aim to speed up the processes. Concerning purely contractual considerations, a standardisation of all the main clauses is needed. In addition to the main standard contractual clauses (clause concerning audit; subcontracting clause; business continuity clause; withdrawal clause; data location clause; non-compliance case; penalties for non-compliance), ESBG would welcome a proposal for standard contractual clauses also in regard to confidentiality and the (relevant) bank secrecy act, GDPR and how to handle the potential "conflict" between GDPR and the Cloud Act (US).
- The Commission's approach to standardising certain mandatory and sensitive Cloud contractual clauses is a first and important reply. Nevertheless, this raises the question of which regulatory framework will be chosen by the Commission. If the selected standard framework is an EBA regulation, this will strengthen the financial sector's capacity to negotiate, but it will not always be imposed on providers since they are not in the EBA's supervision field. The most desirable outcome for ESBG would be to obtain a regulatory framework that could legally embed providers in the application of the major, mandatory Cloud clauses.

## IDENTIFIED CONCERNS

The current overlapping of reporting obligations regarding cyber incidents creates negative effects for all types of institutions. ESBG therefore urges regulators to harmonise their reporting requirements and processes as a fragmented approach diverts resources away from addressing the issue.

It is necessary to introduce materiality thresholds. The reporting obligation of financial institutions must be relevant and fit for purpose. The proportionality principle must also apply here. Reporting every single incident is not productive, and financial institutions might not always have the required capacity to do so.

ESBG members have experienced serious difficulties when negotiating certain outsourcing clauses related to contractual agreements with ICT third-party providers. We explore this aspect further in our position on Cloud computing.

### Why policymakers should act

The number of incident reporting requirements is increasing and can also vary from country to country. For an organisation with common business infrastructure supporting operations in several countries, this means that a single incident triggers several incident reports to multiple authorities in many different countries. European regulators should reduce compliance complexity by integrating regulatory guidance, expectations and requirements.

## BACKGROUND

In recent years, cyber-attacks on the financial sector have increased in number, sophistication and severity. The increasing digitalisation of finance is set to accelerate this trend.

Dependence on ICT and data raises new challenges in terms of operational resilience. The increasing level of digitalisation coupled with the presence of high-value assets and (often sensitive) data make the financial system vulnerable to operational incidents and cyber-attacks. While it already outspends other sectors in safeguarding itself against ICT risks (both of malicious and accidental nature) finance is nonetheless estimated to be three times more at risk of cyber-attacks than any other sector.

ESBG submitted a response to the European Commission consultation on a digital operational resilience framework in March 2020, and to the Financial Stability Board consultation on effective practices for cyber incident response and recovery in July 2020. The European Commission launched a public consultation on the revision of the NIS Directive. On 24 September 2020, in the context of the Digital Finance Package, the European Commission published a 'Digital Operational Resilience Act' (DORA), aiming to ensure that all participants in the financial system have the necessary safeguards in place to mitigate cyber-attacks and other risks. ESBG welcomes the initiative by the Commission to build a real single market for cybersecurity.

# Big Data

## PROPOSED SOLUTIONS AND ACTIONS

The banking industry acknowledges that it is necessary to promote data-driven innovative services, and that data sharing can be helpful for that purpose. If data sharing is mandated beyond PSD2, then, instead of making data available free of charge for the recipient, it would be necessary to implement a model based on mutual benefits (similar to those applied in the telecommunications industry and in the United States) under which data access should be on commercial terms to ensure the maintenance of infrastructure and further investments in innovation.

According to the model above, financial organisations would be able to share data with other licensed financial services providers whenever requested, while being compensated for the technical costs of necessary infrastructure implementation. These costs would be reasonable and would guarantee non-discrimination of smaller providers. Without this compensation model, open finance initiatives would make it costly to hold large amounts of data, which is equivalent to having large amounts of clients. There would be discrimination against the largest providers of financial services.

In the areas of standardisation and interoperability, ESBG advocates for the establishment of a sufficiently flexible and broad framework of which the requirements would be limited to elements that are truly useful in the perspective of "productive" standardisation.

## IDENTIFIED CONCERNS

ESBG agrees with the principle of data sharing. However, in sectors where data is particularly sensitive, like the financial sector, data sharing should not be mandatory. Data sharing is a complex issue which needs to be balanced against several other factors, such as:

- Defining a data taxonomy – Given the variety of data involved in the digital economy, it is essential to define a sectorial data taxonomy to make any data-sharing framework efficient and practical.
- Protect the trust asset – Customers must have absolute confidence about the security of their data. As trust is the most valuable asset that banks have to protect, security and cybersecurity should underpin a data-driven economy.
- Recognising the value of data – Processed data is a strategic and economic asset as well as a strong element of competitiveness for companies, that cannot be considered a public good, freely and automatically accessible to third parties, as they need financial, technical and human investments. The different stakeholders within the data sharing ecosystem need to have the right incentives to share their data.
- Customer data control – Customers should keep the control over their raw data, and decide which information they share, with whom, and for which purpose.
- Considering data rights – It is essential to consider the different rights that can protect data such as: intellectual property rights, banking secrecy, GDPR, competition law.

Furthermore, the following three aspects would need to be carefully evaluated by the regulator concerning the application of GDPR:

- Which categories of data should the user have the right to access (e.g. Raw data, Inferred data, Observed data);
- Whether the supervisor allows for the use of such data and in which particular way;
- How the information required would be used.

Upon the introduction of mandatory data sharing beyond PSD2, it needs to be recognised that implementing and maintaining data sharing mechanisms, processes and technical tools has a cost for those providing data sharing services. If institutions cannot provide infrastructure regarding commercial terms, it will not only have a negative effect on competition but also on quality and investments in terms of innovation.

As an advocate of technology neutrality, ESBG believes that the service and/or the product should always be regulated and not the technology. Though ESBG members have the possibility of accessing external data owned by BigTech companies, this usually comes at a high price. Some members have already encountered difficulties in using external data from other companies due to prohibitive prices. ESBG believes the financial sector does not need any further regulation in data sharing.

## BACKGROUND

Europe is undergoing a digital transition that is changing our societies and economies at an unprecedented speed. Data is at the core of this transformation.

Through the consultation on a European data strategy, the European Commission aims at making the EU a global data space, a role model and a leader for a society empowered by data. The goal is to create a European single market for data where:

- data can flow within the EU and across sectors, for the benefit of all;
- European rules, in particular privacy and data protection, as well as competition law, are fully respected;
- the rules for access and use of data are fair, practical and clear.

ESBG submitted a response to the consultation in May 2020, with additional comments.

# Cloud

## PROPOSED SOLUTIONS AND ACTIONS

The cloud certification would help reduce technical, operational and security risks, and would support compliance with the EBA Outsourcing Guidelines. It would also help the European banking industry be more competitive worldwide by quickly adopting new technologies. In any case, it is clear that a new oversight framework shall not increase the banking and financial sectors obligations and supervisions.

The EBA has advised the European Commission to look at the establishment of an appropriate oversight framework for third-party service providers (TPPs), in particular in the area of cloud services.

ESBG encourages and shares the need to strengthen and harmonise the current legislative framework for TPPs at both micro and macro level.

- At micro level, Supervisors should have access rights, audit rights and sanctioning rights directly from the regulatory framework rather than relying only on contractual provisions in outsourcing contracts. ESBG believes that the Cloud Certification is an additional toolkit and will contribute to achieving this policy objective. ESBG encourages policymakers to increase efforts to create a CSP certification framework.
- At macro level, ESBG also agrees with the EBA that for critical TPPs there is an urgent need for a new oversight framework that sets higher standards related to security and data protection (e.g. obligatory cybersecurity certification). The scope of oversight should aim at monitoring concentration risk, financial stability risks and ensuring cooperation with relevant authorities.

## IDENTIFIED CONCERNS

ESBG is concerned about the unbalanced power relationship between CSP (Google, Amazon, Microsoft, Alibaba, etc) and cloud service users, such as banks. It is indeed almost impossible for banks to negotiate contractual terms with the powerful CSP that are compliant with the EBA guidelines or applicable legal acts, and this situation generates compliance risk for banks as they are still responsible for the outsourcing arrangement.

Regarding the regulatory framework, the EBA in its Outsourcing Guidelines, sets unrealistic obligations for banks (e.g. auditing rights, data localisation), as the negotiating position of European banks towards cloud service providers is fairly weak.

### Why policymakers should act

Industry sectors like banking urgently need for cloud services offered by big players to fall under a centralised, Europe-wide, validated and standardised EU framework that puts in place legal, technology and security requirements. ESBG has identified some of the major cloud guarantees expected from cloud service providers to comply with the authorities' requirements and obtain trustworthy banking cloud services.

ESBG welcomes the European Commission's approach to standardising certain mandatory and sensitive Cloud contractual clauses. Nevertheless, additional efforts are required to strengthen the financial sector's capacity to negotiate. Beyond the standardisation of Cloud contractual clauses, a complementary approach could be considered to obtain a Trustworthy European Cloud certification for the financial sector.

## BACKGROUND

There is an ongoing reflection on the level of oversight and supervision for providers supplying a public Cloud to the banking and financial sectors. The underlying idea is to ensure that CSPs deliver on a trusted European Cloud which should comply with the technical, security, legal and regulatory requirements imposed by the 2019 EBA Outsourcing Guidelines and the 2020 Guidelines on ICT and security risk management or legal acts like GDPR.

# RegTech and Innovation facilitators

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## PROPOSED SOLUTIONS AND ACTIONS

ESBG believes that improving the efficiency of reporting obligations both at national and EU level would be hugely beneficial to the deployment of RegTech solutions.

ESBG believes that communication plays a key role, particularly when it comes to rethinking the relationship between banks (supervised entities) and supervisors. There is room for a more pro-active role of supervisors, which expresses advice and guidance ex ante, and not only ex post.

ESBG sees innovation hubs as extremely helpful and as a commitment from supervisors to evaluate ideas in a different way (e.g. pro-active approach, ex-ante, expressing guidance). Supervisors go beyond their traditional role of watchdogs and take a step closer to becoming sources of valuable guidance for the wider interest of the banking sector.

ESBG also believes regulatory sandboxes might be beneficial, provided they are: (a) inclusive (b) fully harmonised. For instance, when only a few players are accepted within a given regulatory sandbox, there is a risk of creating an unlevel playing field. Furthermore, the adoption of regulatory sandboxes in the EU is still too fragmented and differentiated: harmonisation is a key element when it comes to cross-border risk management.

## IDENTIFIED CONCERNS

ESBG identifies as main barriers for new RegTech solutions to scale up in the EU single market:

- Lack of harmonisation of EU rules
- Lack of clarity regarding the interpretation of regulatory requirements (e.g. reporting)
- Lack of standards
- Lack of supervision for RegTech within the EU
- Frequent changes in the applicable rules

ESBG strongly believes in the principle that innovation comes from different kinds of players (FinTech start-ups, BigTech companies, incumbent banks). Hence, players of any size should be included in innovation hubs or regulatory sandboxes so to always maintain a level playing field. The current selection criteria of regulatory sandboxes are not always clear. If regulatory sandboxes include regulatory relief, they can threaten the level playing field and consumer protection. This results in competitive disadvantages for market participants who do not participate in the sandbox. Under no circumstances should the selection of participants in an innovation facilitator be based on the type of the entity. Innovation facilitators can only be beneficial if they remain harmonised and equally open to all actors.

Competition between national supervisors on the basis of regulatory arbitrage should be avoided. Sandboxes should not become an economic tool to attract new national market entrants.

## Why policymakers should act

Regulating innovation is challenging. ESBG acknowledges the difficulties regulators might face in creating incentives for innovation. Proposals to enhance supervisory consistency could contribute to a convergence in domestic innovation policies across the EU, thereby facilitating the emergence of a single market for financial services.

Europe still remains outside the initiative of the Financial Conduct Authority' (FCA) to create a "Global Financial Innovation Network" (GFIN officially launched in January 2019), as there are, at this stage, only a small number of European supervisors involved (Lithuania, Luxembourg, Hungary). As one of the main functions of the GFIN is to establish a network of regulators, it is indeed essential to ensure that the views of Europe can be expressed and defended. EU authorities should represent Europe in any international network, including the GFIN. Furthermore, EU financial entities should have the possibility to be part of any trials across multiple jurisdictions globally.

## BACKGROUND

RegTech helps companies to identify, manage and mitigate risks. RegTech brings direct benefits to supervisors, allowing for a change in approach which is also beneficial for the banking industry. In order to be adopted effectively by the industry, RegTech needs a cultural shift. Supervisors should harmonise the regulatory framework. A pro-active dialogue between supervisors and banks could benefit not only innovation, but also governance.

Innovation hubs allow supervisors to work more closely with the industry and to get a more hands-on approach to innovative projects. There are increasing cooperation and partnership opportunities among incumbent banks and FinTech start-ups to provide innovative products and services that they indeed would need to test. ESBG supports the ability to experiment within a controlled environment and test new products and services, while exploring new regulatory requirements and building up critical know-how for future regulatory requirement definitions. Moreover, establishing networks of cross-sectoral innovation hubs could prevent situations where a regulator or supervisor adopts guidelines, recommendations or opinions without taking into account relevant implications that are analysed by a supervisor from another sector.

# Crypto-assets

## PROPOSED SOLUTIONS AND ACTIONS

ESBG believes that European policymakers should put in place a classification that is flexible enough to accommodate for technological progress and that a transitional regime could lead to a detailed classification. EU supervisors and NCAs first need to take initiatives and provide guidance; then EU legislators should enlarge the scope through a general/high-level cryptoasset classification and finally provide regulation for areas that do not fall under EU legislation.

- Regulatory policy should take into account the various purposes/functions of crypto-assets. Depending on the individual function/purpose of a crypto-asset, different aspects have to be considered. While e.g. payment tokens may raise questions on depositor and consumer protection as well as payment service issues, investment tokens may raise questions on investor protection.
- From a prudential point of view, it would be better to establish categories indicating how much risk is associated with the specific crypto-asset and to link these categories to existing asset classes where possible. We agree with the Basel Committee that it makes sense to classify crypto-assets on the basis of their different functions. The three major categories are payments, securities and utility access. Within these categories, a further distinction should be made as to whether or not the crypto-asset is backed by a conventional asset. ESBG believes that the prudential treatment of crypto-assets should be designed by adapting current prudential regulatory treatment to these assets; designing a whole new framework would not be necessary.
- Swift adoption of the MiCA regulation proposal and the proposal regulation on a pilot regime for market infrastructures based on distributed ledger technology. Policymakers are encouraged to deliver on the proposal and allow a smooth adoption and implementation of the proposed measures. ESBG would continue its contribution to the industry and public debate.

## IDENTIFIED CONCERNS

ESBG supports the establishment of an EU regulatory framework for crypto-asset markets as a key priority, especially as some crypto-assets are currently not covered by EU legislation. Since crypto-assets are of a digital/virtual nature, policymakers need to consider the legal nature of the issuer (private vs. public), the difference between asset and technology, and the possible stabilisation mechanisms behind the crypto-asset (e.g. in case of stablecoins).

### Why policymakers should act

ESBG is concerned by the abuse of retail investors' trust and the emergence of highways circumventing policy frameworks which were carefully crafted over the last decades. A general framework for both the definition and the classification of crypto-assets should be set-up through regulatory measures in order to ensure that a scope expansion of crypto-assets is done in a harmonized manner. Regulatory measures provide a level playing field for all market participants involved.

European policymakers should try to preserve and extend to the crypto-assets market the recent advances and improvements achieved in market integrity, investor and data protection, and anti-money laundering.

## BACKGROUND

Since the publication of the FinTech Action Plan in March 2018, the European Commission has been closely looking at the opportunities and challenges raised by crypto-assets and evaluating the suitability of the existing financial services regulatory framework on crypto-assets.

In January 2019, the EBA and ESMA reports pointed out that while some crypto-assets fall within the scope of EU legislation, effectively applying it to these assets is not always straightforward. Moreover, there are provisions in existing EU legislation that may inhibit the use of certain technologies, including DLT. At the same time, the EBA and ESMA have pointed out that most crypto-assets are outside the scope of EU legislation and hence are not subject to provisions on consumer and investor protection and market integrity. Finally, a number of member states have also legislated on issues related to crypto-assets which are currently not harmonised.

In September 2020, the European Commission proposed a comprehensive framework that will protect consumers and the integrity of previously unregulated markets in crypto-assets. The 'Regulation on Markets in Crypto Assets' (MiCA) will boost innovation while preserving financial stability and protecting investors from risks. The new rules will allow operators authorised in one Member State to provide their services across the EU ("passporting"). Safeguards include capital requirements, custody of assets, a mandatory complaint holder procedure available to investors, and rights of the investor against the issuer. Issuers of significant asset-backed crypto-assets – so-called global 'stablecoins' – would be subject to more stringent requirements, such as in terms of capital, investor rights and supervision.

In addition, the European Commission proposed a pilot regime for market infrastructures that wish to try to trade and settle transactions in financial instruments in crypto-asset form. The pilot regime represents a so-called 'sandbox' approach – or controlled environment – which allows temporary derogations from existing rules so that regulators can gain experience on the use of distributed ledger technology in market infrastructures, while ensuring that they can deal with risks to investor protection, market integrity and financial stability. The Commission is also proposing some related amendments where current legislation presents clear issues to the application of distributed ledger technology in market infrastructures

These proposals respond to most of the ESBG priorities and if adopted will ensure a level playing field that has been one of ESBG main demands for the last years.

# Payments: steady, safe, sovereign

**Payment Accounts Directive**

**Payments Regulatory Aspects: PSD2 and IFR**

**Payments Innovation: Instant Payments,  
Mobile Payments and CBDC**

**Open Banking**

**Cash**



# Payment Accounts Directive

## PROPOSED SOLUTIONS AND ACTIONS

It is very easy for consumers to change accounts due to the account switching services, especially since the implementation of the Payment Account Directive 2014/92, which specifies the requirements for account switching services within the European Union. As a consequence, there is also no demand worth mentioning with regard to portable account numbers. In addition, its implementation would require a huge technical effort; modifying current procedures in order to implement bank account portability would be extremely difficult, both at the operational and at the linguistic level. Moreover, implementation would require a huge financial effort.

It is misleading to compare the IBAN to the case of phone number portability, they are not equivalent nor comparable situations. Policymakers should acknowledge that despite technological development, the IBAN is a very unique mechanism. The IBAN includes, for example, the country code, two check digits, the domestic bank account number, branch identifier. In addition, the length is not the same in every country, it ranges from 16 to 30 digits.

Account number portability requires significant changes in a series of non-negligible technical and operational standards which will hamper the routing of international payments without actually solving the underlying issue. European policymakers should take into account the following arguments:

- (i) Banks already provide consumers with swift and comprehensive assistance upon request when changing accounts, as well as relevant information concerning existing orders, existing direct debit mandates, incoming transfers and direct debits issued by the consumer.
- (ii) a fully portable account number would necessarily have to be devoid of any features connecting it to a specific bank or country. This would be disadvantageous to both banks and consumers and puts at risk, the architecture of the IBAN, which does indeed identify the given bank and country, is structurally opposed to portability: Banks require this information for clearing purposes, for example, and consumers would have issues determining the recipient of a payment in case of a failed transaction.

## IDENTIFIED CONCERNS

The PAD has been implemented too late in some member states, and therefore it is too early to make an assessment. In addition, ESBG would like to underline how the PAD was extremely burdensome and costly for operators did not always fulfil customer needs.

In addition, customer mobility is a means to an end and should not become an end in itself. In other words, we should remember the initial problem customer mobility is trying to solve. Reading the PAD review material, it seems that this problem is a perceived lack of competition. ESBG believes that if there was already a competition issue at the time of writing– this has well and truly been addressed not only by PAD but also:

- by PSD2, which enabled service providers to offer services other than the traditional bank account, making it more attractive;
- by digitalisation itself which has enabled many neo bank/FinTech/BigTech type financial service providers to enter the market.

Moreover, several consumer satisfaction surveys undertaken in different member states show that consumers are well aware of and very satisfied with the account and the switching services offered by their providers.

Finally, ESBG strongly recommends refraining from introducing IBAN-portability requirements without a detailed cost-benefit analysis clearly showing that the benefits for consumers outweigh the impact of a measure that would heavily damage the EU payments system.

ESBG believes that customer satisfaction is not limited to the best available price. The service level, the availability and proximity of banking services, online and mobile access, trustful relationships with customer advisers, individual solutions provided for other banking products may dissuade customers from regularly changing their bank accounts.

## Why policymakers should act

EU legislators and the European Commission should continue improving the transparency and comparability of fees related to payment accounts that are used for day-to-day payment transactions. They should also ensure that consumers have access to bank accounts with basic features. Policymakers should consider the results of numerous studies which show that a majority of consumers are quite satisfied with their accounts, instead of thinking of addressing non-existent problems linked to market inefficiency and switching.

ESBG is well aware of the current debate around customer mobility and in particular account number portability that has started again as part of the review of the Payment Accounts Directive. ESBG urges the European institutions, in particular, the European Commission to look at this topic from a broader perspective and to consider the different investments imposed on the banking sector in the area of bank accounts/payments and not treat it in the isolation of the PAD review only.

## BACKGROUND

The Payment Accounts Directive (PAD) was adopted within the European Union in 2014 and is being implemented by EU countries with the main aim of helping the EU internal market foster payment accounts.

The European Commission is currently evaluating the objectives, and a report on the application of this Directive is to be expected soon. However, some may argue that it might be premature to already conduct a full assessment of the Directive's impact on the market.

Complying with the above, the European Commission (i.e. DG FISMA) commissioned a study to assess whether the PAD meets its objectives (transparency of fees, ease in switching accounts and access to accounts (incl. cross-border access to accounts)). With this in mind, the study will provide an overview of the European payment accounts market and will be used to support the review of the PAD.

# Payments Regulatory Aspects: PSD2 and IFR

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## PROPOSED SOLUTIONS AND ACTIONS

To further strengthen the European payments ecosystem, ESBG supports further standardisation of European APIs and the interconnectivity throughout the industry as well as a data-sharing economy, as long as it is based on mutual benefits and reciprocity. ESBG believes that a common SEPA API Access Scheme should be developed based on mutual benefits that would reduce investments required for PSPs to connect to each other. The EU should support such a scheme.

With regard to payment-related functionalities that go beyond the scope of PSD2 and that are required by TPPs (such as payment guarantees, delegated SCA, etc.), we believe these should be elaborated through a coordinated market-driven initiative within the Euro Retail Payments Board (ERPB) SEPA API access scheme work. The ERPB should seek to start working on a scheme as soon as possible, building on the work already carried out within the ERPB. The various business models of TPPs (pre-PSD2 TPPs and post-PSD2 TPPs) should be fairly represented in these ERPB discussions though.

Finally, with regards to interchange fees, ESBG welcomes the European Commission report published in 2020 and supports the conclusion that there is currently no need to revise the IFR.

## IDENTIFIED CONCERNS

PSD2-supported access to payment accounts data has fostered the entry of new players within the payments industry, acting as payment initiators or account aggregators. Banks welcome innovation and competition by new payment service providers. However some of these new players are driven by business models that are cross-subsidised by customer engagement and commercialised data profiling, which creates pricing of the actual payment service that traditional banks cannot match. The fact is that banks are required to provide these new entrants with access to payment account data without being compensated for the investments that banks need to make.

Therefore, we believe that the full benefits of 'open payments' beyond PSD2 and further expansion of data sharing can only be reaped if done on the basis of mutual benefits and a fair distribution of value across market players. For instance, taking payments beyond PSD2 should be developed through coordinated market-driven initiatives such as establishing a SEPA API access scheme. The Payment Accounts Directive (PAD) requires banks to provide bank accounts to all types of European consumers, regardless if they are profitable or not. Additionally, it is worrying to observe that some TPPs still deploy direct access to customer accounts via screen scraping or reverse engineering even though they are required to use the dedicated interface (if provided) in accordance with their PSD2-licence.

The payments market in the EU continues to undergo fundamental shifts due to a mix of regulatory changes, changing customer behaviour and demand, and technological development, resulting in a multitude of service offerings. Cards are still the most commonly used electronic payment instrument for consumer-to-retailer payments in the EU, and card payment volumes have more than doubled in the last ten years. Covid-19 is also accelerating consumer and merchant trends away from cash and towards contactless and electronic payments (of which many are card-based). In this respect, it is important to create the best possible environment for existing European schemes and future pan-European payment solutions to be innovative and reliable. The IFR is a crucial piece of legislation as it creates a stable legal environment on which such pan-European solutions could be built upon and flourish. ESBG believes that amending the IFR would have detrimental effects, especially on competition and innovation.

## Why policymakers should act

New technologies are currently shaping how people interact and engage in commerce. For the market acceptance of payment methods, it is important for the whole payments industry to be able to develop and be integrated into new technologies. However, it is currently very difficult for the industry to set out a clear and consistent strategy for the years to come, within a stable regulatory framework and through returns on investments. ESBG considers that the following aspects are essential to a successful payments strategy for the European Union:

- A level playing field where players of all sizes have the opportunities and incentives to invest and profit from innovation by providing a stable and harmonised regulatory and supervisory environment;
- Ensure strong customer authentication and data protection;
- Ensure non-discriminatory access by PSPs to vital components (e.g. NFC or biometric identity readers) of mobile devices;
- Provide certainty about business models in card payments by maintaining the framework of interchange fees stable;
- Allow for sound and long-term sustainable business models.

## BACKGROUND

The European payments market has undergone fundamental shifts over the past years, sparked by a mix of changing customer needs, regulatory action, technology and innovation, and increased competition. The revised Payment Services Directive (the so-called PSD2) entered into force as of 13 January 2018 with the objective of making payments more secure, boosting innovation and helping banking services to adapt to new technologies. In a nutshell, PSD2 enabled third-party providers (TPPs) to build financial services on top of banks' data and infrastructure by accessing bank customers' payment accounts through online interfaces. This allowed both retail and corporate customers to use licensed TPPs to support managing their payments services with their banks. The European Banking Authority (EBA) then published a set of Guidelines, Regulatory Technical Standards (RTS) and Opinions to drive the technical implementation of the PSD2 and to specify the conditions that need to be met in order for banks to restrict access to payment accounts exclusively through dedicated interfaces (APIs).

The Interchange Fee Regulation (IFR) aimed at fostering the competition in the market of EU card payments by introducing caps for hitherto high interchange fees for consumer debit and credit cards, therefore setting harmonized ceilings for interchange fees for consumer cards in the EEA. Overall, major positive results have been achieved through the implementation of the IFR. Notably, interchange fees for consumer cards declined and this decline was reflected in reduced merchants' charges for card payments, resulting ultimately in improved services to consumers or lower consumer prices. Additionally, market integration improved through the increase in cross-border acquiring activities, although their uptake remains quite limited. The Commission, as part of the mandatory review of the IFR, has published a report concluding, inter alia, that major positive results have been achieved through the implementation of the IFR, including but not limited to reduced merchants' charges resulting ultimately in improved services to consumers or lower consumer prices and enhanced market integration. Given the positive impact of the IFR and the need for more time to see the full effects of the Regulation, the report is not accompanied by a revised legislative proposal.

# Payments Innovation: Instant Payments, Mobile Payments and CBDC

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## PROPOSED SOLUTIONS AND ACTIONS

While competition is welcome, ESBG believes that innovation should be built on market-based terms. Designing innovative payment solutions fully adapted to both consumers' and corporates' needs should continuously take place; customers' behaviour keeps changing due to new emerging technologies. In particular, following the Covid-19 crisis, we believe that the demand for such solutions will increase.

Concerning instant payments, it is important that the industry continues to support the work done by European market infrastructures such as the privately developed ones and the TIPS system of the ECB. Once these infrastructures can ensure full interoperability and reachability, the industry can start building further applications based on these infrastructures, especially on a pan-European level. This will assist in making instant payments the 'new normal'. Here it is especially relevant that the dialogue intensifies between policymakers, infrastructure providers and the industry to reach the most optimal outcome. This should be based on a long-term sustainable business model that is attractive to all stakeholders. Adoption rates for instant payments should be measured in terms of reachable accounts only, as that is the only relevant benchmark.

## IDENTIFIED CONCERNS

ESBG believes that customers are at the heart of the payments evolution: the focus of any payment-related initiative or development should be a seamless customer experience that meets their needs and takes into account instantaneousness, security, data protection, convenience and the existing diversity of payment means. As the future of contactless payments relies on mobile banking and digital wallets, we advocate for ensuring payment service providers a non-discriminatory access to vital components of mobile devices (e.g. NFC or biometric identity readers) to foster the development of more innovative approaches. To that end, ESBG welcomes the approach of the European Commission to critically investigate practices limiting access to the NFC functionality on mobile devices. In addition, access to common technical platforms/ecosystems, especially of the so-called Big Techs with a dominant position is required as well.

Whilst European banks have successfully developed and rolled out pan-European payment schemes for regular credit transfers and direct debits, certain areas of the payments market remain fragmented. Cross-border card payments in the internal market, for example, are only possible because of the solutions provided by a few global, non-European market players. This creates a reliance on such players, which can become a risk from an economic, political, operational and privacy perspective. We share the fears that dependence on non-European global players creates a risk that the European payments market will not be fit to support our Single Market and single currency, by making it more susceptible to external disruption such as cyber threats. Accordingly, ESBG has welcomed the European Payment Initiative (EPI) as a promising step forward for payments in Europe.

Digital currencies have the potential to substantially re-shape the future of banking and financial intermediation. Central Bank Digital Currencies (CBDC), i.e. digital currencies issued by the public sector, are thought to provide a significant boost in the retail use of digital assets. At the same time, however, new risks and vulnerabilities may arise. Besides systemic risks concerns, ESBG considers especially worrying risks that may jeopardise the commercial banking system, namely the erosion of retail deposit funding and disintermediation of its core lending functions, as well as the increase of intractable loss of its payment business.

## Why policymakers should act

Over the past two years, the Commission and the ECB have repeatedly stressed that payments play a strategic role for the development of the European economy. Payments are considered an important factor for European sovereignty and are an important driver for strengthening the international role of the Euro. However, before compelling customer propositions can be developed, there is a need for certainty about a sustainable business model for instant payments, as the massive investments required need to be offset by a proper business case. Previous attempts to develop pan-European payment solutions – notably in the area of payment cards – failed due to the lack of policymaker support for a proper business model. Accordingly, policymakers should:

- Ensure consumer and data protection;
- Ensure non-discriminatory access by PSPs to vital components (e.g. NFC or biometric identity readers) of mobile devices;
- Support the development of payment schemes under European governance and infrastructure to reinforce Europe's sovereignty in payments;
- Further develop instant payments, including at point of interaction;
- Fully address the potential risks emerging from Central Bank Digital Currencies.

## BACKGROUND

European policymakers are particularly keen on ensuring that future developments in the field of instant payments lead to the emergence of EU-wide cross-border instant payment solution(s) in euros, due to fears that foreign governments could hold leverage over the EU if global companies from non-European countries, as service providers with global market power, will not necessarily act in the best interest of European stakeholders.

So far, the EU has welcomed new market-led initiatives aimed at providing pan-European payment solutions. At the same time, aware of all the potential risks, the EU has curbed the development of private-led frameworks aimed at issuing digital currencies (e.g. Libra Association).

# Open Banking

## PROPOSED SOLUTIONS AND ACTIONS

Digitalisation is a major driver for innovation and will inevitably accelerate in the future. It is important that banks are able to innovate and compete on equal footing with each other and also with other non-bank players. With respect to open banking, we recommend EU authorities to allow its development in Europe through coordinated market-led initiatives and not by regulation. Open banking should be based on API technology and on mutual benefits/reciprocity for all the parties involved in the ecosystem. In the specific area of payments, the appropriate first step should be to work on a payment data sharing model on a contractual and economically sustainable basis that does not go beyond what it is legally required by PSD2 and/or GDPR.

The current asymmetries in data access should be solved in a market-driven harmonised European framework. A multi-sectorial approach would be needed in order to fulfil consumer expectations, ensuring a level playing field for all players, mutual benefits and the highest standards of consumer protection. Significant investments were required that were not offset by a clear business case. As these infrastructures are now further maturing, ESBG believes that it is time to monetise them to develop services that go beyond PSD2. A flourishing data-driven market – be it in payments, broader financial services or between different industries – should be based on principles of mutual benefits and potential monetisation of services and infrastructure by all market participants as well as reciprocity.

As for the potential development of ‘open finance’ extending beyond payment accounts, and the development of a European data economy, financial services should not be considered in isolation, and data sharing should not be limited to financial services. The current asymmetries in data access should be solved in a harmonised European framework. A multi-sectorial approach would be needed in order to fulfil consumer expectations, ensuring a level playing field for all players, mutual benefits and the highest standards of consumer protection.

## IDENTIFIED CONCERNS

Banks have developed APIs that comply with PSD2 requirements. However, ESBG believes that unlike the situation in the US, PSD2 is not adapted to develop and strengthen open banking. On the one hand, PSD2 being a Directive has entailed fragmentation among member states. On the other hand, a flourishing data-driven market should be based on principles of reciprocity, mutual benefits and potential monetisation of services and infrastructure by all market participants.

The fact that PSD2 requires banks to grant third parties access to customer payment account data without being compensated for that does not outweigh the ensuing investments that banks need to make. A different approach than PSD2 should be taken, such as the one in the US, where industry standardisation and bilateral agreements are working as a catalyst for development on commercial terms.

Moreover, from a data privacy perspective, global BigTech companies’ existing data superiority combined with access to payments data is extremely concerning as it could lead to unintended negative outcomes for EU citizens. BigTech companies, indeed, are mostly un-regulated. Furthermore, the EBA determined that up to 53% of the FinTech sector financial services are not yet regulated (see EBA Discussion Paper on FinTech – 2017). This can ultimately become a risk not only from an economic, political, operational and privacy perspective but also from a consumer perspective.

The threat of undesired dependency increases when considering both growing global BigTech and many smaller unregulated entities’ interest in payments. There are reasons why this industry is regulated in the first place. Dependency on such actors for basic EU internal market functions underpinning the economy – starting from payments but likely expanding to consumer finance, mortgages and other financial services – may harm the European economy. ESBG believes EU regulators should follow the principle ‘same risks, same rules’. It is therefore important to find a balance between consumer protection and the EU’s competition potential.

## Why policymakers should act

Beyond PSD2 and on the road towards open banking and a data sharing economy, there is need for a fairer foundation to be put in place. An access scheme that clearly spells out rights and obligations, based on mutual benefits, can provide the necessary building block safeguarding the interests for all involved. For these developments to take place, the guiding principles should be the following:

- Support the development of common API-standards, so that consumers can benefit from the safe availability of data. APIs should be the bespoke and preferred means of access to third-party data due to security, scalability and interoperability reasons;
- Ensure a level playing field by following the principle 'same risks, same rules';
- Put consumers at the centre of the market by ensuring they have a clear understanding of the risks and establish robust consumer protection measures;
- Ensure the safe and ethical collection and processing of data on commercial terms.

## BACKGROUND

With the opening up of payment accounts data and infrastructure, PSD2 has paved the way for a new banking era. This, however, is only the first step towards the wider development of data sharing, both in the area of payments and financial services, and the broader economy. PSD2 only opened up payment accounts; there is no such a thing as open banking for the time being. As a consequence, banks have developed APIs that comply with PSD2 requirements. There is still a lot of fine-tuning to be made, such as supervisory convergence and the alignment with other pieces of legislation, such as the GDPR, which we believe to be sufficient for the sharing of data.

# Cash

## PROPOSED SOLUTIONS AND ACTIONS

ESBG acknowledges that access to cash is a relevant concern and may become a crucial issue in light of pandemic-related developments. Although access to cash needs to be ensured for the population, especially that in rural and remote areas, the secure management for cash and the maintenance of a wide network of ATMs is expensive for banks. In terms of optimising the cash cycle, payment service providers and other participants in the cash value chain, should pursue two main, complementary strategies, namely shortening, and thus optimising, the cash cycle, and continuing to reduce manual handling and any redundant processes. In parallel, a broader discussion is needed on what cash services banks and other stakeholders render to the wider public and at what cost. Following a proper debate, these “stakeholders” could be widened to include merchants as well as payment services providers and FinTech companies.

## IDENTIFIED CONCERNS

Despite continuous growth in cashless transactions, we observe an increasing concern about the need to ensure continued access to cash (both notes and coins) from certain parts of the stakeholder community with some expectations that this access should not need to cover its own costs. At the same time banks are required to heavily invest in the development of new means of electronic payments (most notably the further development of pan-European instant payments) while facing competition from digital-only providers that do not support cash services or face-to-face services, do not invest in the necessary infrastructure and yet use the infrastructure provided by banks for the benefit of their own customers. Banks are keen on servicing all their customers, regardless of their digital abilities. However, digitalisation can create tensions and impose choices, in particular in the areas of co-existence of cash and electronic payments and providing services to customer segments that hesitate to or have difficulties in adapting to the digitalisation of payments and other financial services.

In terms of ensuring citizens’ access to cash, banks realise that they are responsible for cash distribution. Handling cash, however, is labour-intensive and the cash cycle consists of various actors adding to complexities in the value chain. A decline in cash usage, where the Covid-19 pandemic has worked as a catalyst, has a logical effect on the related unit costs, as these tend to increase. Given this backdrop, there is need for a proper debate, choices to be made and expectations to be set regarding the cost and type of cash services banks and other stakeholders provide to the wider public. Following a proper debate, these “stakeholders” could be widened to include merchants as well as payment services providers and FinTech companies. Therefore, ESBG supports the need to find a sustainable balance between consumer demand for cash and social responsibility on the one hand and efficiencies in the cash cycle on the other hand.

### **Why policymakers should act**

**Without proper intervention, a decrease in usage will result in an increase of per unit cost for providing cash services. Actors will withdraw from providing cash services as it will no longer be economically attractive, and this will in fact further propel the increase of per unit costs. Therefore, ESBG advocates for the creation of a forum to discuss how the cash cycle can be optimised as well as under what conditions cash services should be provided by whom.**

## BACKGROUND

Both PSD2 and the Interchange Fee Regulation (IFR) have contributed to decreasing the use of cash, on the one hand by stimulating innovation especially in digital payments, on the other hand by making pricing for card acceptance at merchants more attractive. Covid-19 is also accelerating this development. Some countries have introduced caps above which cash transactions are not allowed – this in an attempt to fight money laundering and terrorist financing. Also, further reductions in the issuance of high denomination banknotes (e.g. the EUR 500 banknote) may contribute to this. Cash fulfils the needs of certain groups but not necessarily the needs of society as a whole, so finding a proper balance is key.

# Financial education: money skills empower people



# Financial Education

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## PROPOSED SOLUTIONS AND ACTIONS

There is a need to foster public-private cooperation, including with academia, to achieve greater results with common initiatives.

Increased levels of financial literacy, complementing adequate consumer protection regulation, can lead to fairer and more inclusive societies. As a matter of fact, financial education is instrumental to achieving greater levels of financial inclusion.

WSBI-ESBG, together with its members, organises workshops on financial education, conducts policy research, carries out several financial education activities and supports initiatives such as Global Money Week, to boost financial literacy. Within the framework of World Savings Day, celebrated each year on 31 October since 1924, WSBI-ESBG launches a worldwide campaign to raise awareness of the benefits of saving money.

ESBG welcomes the EU's recent decisions related to financial education such as the Action 7 of the Capital Markets Union, the Mortgage Credit Directive, the EBA mandate to review and coordinate financial literacy and education initiatives by the competent authorities, and the updated European Skills Agenda. We encourage EU authorities to show leadership and be pro-active on the topic of financial education. ESBG and its members stand ready to support and assist them thanks to the expertise and knowledge that we have been building over decades.

## IDENTIFIED CONCERNS

A lack of financial education can be the cause of some of the problems affecting part of the financial system, namely over-indebtedness, lack of diversification or fraud.

Financial education provides citizens, particularly the youth, with the necessary tools to succeed in economic life and society. It is necessary to raise levels of financial literacy to create more inclusive societies and boost citizen empowerment. The double-bottom-line approach of savings and retail banks also applies to financial education. Raising financial literacy levels also fosters more entrepreneurship. If Europeans crave societies that are more inclusive and citizens more empowered, then raising financial literacy levels is an essential element to getting there.

In addition, financial education contributes to reaching several Sustainable Development Goals (SDGs), such as:

- SDG 1: No poverty
- SDG 4: Quality education
- SDG 8: Decent work and economic growth
- SDG 10: Reduced inequalities
- SDG 12: Responsible consumption

WSBI-ESBG members contribute consistently to achieving these goals by working towards increasing levels of financial literacy within their communities.

## Why policymakers should act

Financial literacy matters. A lot has already been done, particularly, by savings and retail banks. However, levels of financial literacy in the European Union are not yet where they should be. We advocate for more leadership from the European Union institutions to further promote financial literacy and to consider financial knowledge as a priority.

We see as crucial the need to empower citizens, and specifically the youth and future generations in the best possible way to succeed in economic life, to understand complex financial concepts such as the importance of savings, the acquisition of a mortgage, the need for insurance or the need to save for retirement.

## BACKGROUND

WSBI-ESBG members have a longstanding tradition of promoting financial educational programmes, as they are part of the DNA of savings and retail banks and a core element of their CSR policy.

Understanding how money works it is not always easy, especially for the younger generations. In the current context, building financial skills and empowerment is more important than ever and financial education programmes can be a good way to achieve this objective. Furthermore, financial literacy is becoming increasingly important from a digital perspective as technology and digitalisation play a fundamental role in the banking sector, with the emergence of cryptocurrencies, robo-advisors and cybersecurity concerns. Therefore, there is the need for lifelong learning financial education programs that are free of charge.

Savings and retail banks carry out numerous financial education initiatives tailored to younger generations, entrepreneurs, households and elderly people that reach not only big cities but also rural areas.



# Abbreviations

<b>AECE</b>	Accelerated Extrajudicial Collateral Enforcement
<b>AI</b>	Artificial Intelligence
<b>AIFMs</b>	Alternative Investment Fund Managers
<b>AIMs</b>	Alternative Investment Market
<b>AMCs</b>	Asset Management Companies
<b>AML</b>	Anti-Money Laundering
<b>API</b>	Application Programming Interface
<b>APM</b>	Alternative Performance Measures
<b>ASAF</b>	Accounting Standards Advisory Forum
<b>ATM</b>	Automated Teller Machine
<b>BCBS</b>	Basel Committee on Banking Supervision
<b>BMR</b>	Benchmark Regulation
<b>BRRD</b>	Bank Recovery and Resolution Directive
<b>BU</b>	Banking Union
<b>CBDC</b>	Central Bank Digital Currencies
<b>CCD</b>	Consumer Credit Directive
<b>CET</b>	Common Equity Tier
<b>CHF</b>	Swiss Francs
<b>CMU</b>	Capital Markets Union
<b>CRD</b>	Capital Requirements Directive
<b>CRR</b>	Capital Requirements Regulation
<b>CSR</b>	Corporate Social Responsibility
<b>CSP</b>	Cloud Service Providers
<b>CVA</b>	Credit Valuation Adjustment
<b>DG FISMA</b>	Directorate-General for Financial Stability, Financial Services and Capital Markets Union
<b>DLT</b>	Distributed Ledger Technology
<b>DMFSD</b>	Distance Marketing of Financial Services Directive (DMFSD)
<b>DNSh Criteria</b>	Doing No Significant Harm Criteria
<b>EBA</b>	European Banking Authority
<b>EC</b>	European Commission
<b>ECB</b>	European Central Bank
<b>EEA</b>	European Economic Area
<b>EFRAG</b>	European Financial Reporting Advisory Group
<b>e-ID</b>	Electronic Identification
<b>eIDAS</b>	Electronic Identification and Trust Services Regulation
<b>EIOPA</b>	European Insurance and Occupational Pensions Authority
<b>EPI</b>	European Payments Initiative
<b>ERPb</b>	Euro Retail Payments Board
<b>ESAs</b>	European Supervisory Authorities
<b>ESG</b>	Environmental, Social, and Governance
<b>ESMA</b>	European Securities and Markets Authority
<b>ESRB</b>	European Systemic Risk Board
<b>€STR</b>	Euro Short-Term Rate
<b>EU</b>	European Union
<b>FCA</b>	Financial Conduct Authority
<b>FRTB</b>	Fundamental Review of the Trading
<b>GDPR</b>	General Data Protection Regulation
<b>GFIN</b>	Global Financial Innovation Network
<b>GHOS</b>	Group of Central Bank Governors and Heads of Supervision
<b>HLF</b>	High Level Forum
<b>IASB</b>	International Accounting Standards Board
<b>IBAN</b>	International Bank Account Number
<b>IBOR</b>	Interbank Offered Rate
<b>IBIPs</b>	Insurance Based Investment Product
<b>ICT</b>	Information and Communications Technology

<b>ID</b>	Identity
<b>IFR</b>	Interchange Fee Regulation
<b>IFRS</b>	International Financial Reporting Standards
<b>IGA</b>	Intergovernmental Agreement
<b>ILM</b>	Internal Loss Multiplier
<b>ITS</b>	Implementing Technical Standards
<b>JRC</b>	Joint Research Center
<b>JSTs</b>	Joint Supervisory Teams
<b>KIDs</b>	Key Information Documents
<b>KPIs</b>	Key Performance Indicators
<b>KYC</b>	Know Your Customer
<b>MCD</b>	Mortgage Credit Directive
<b>MEPs</b>	Members of the European Parliament
<b>MiFID II Directive</b>	Markets in Financial Instruments Directive II
<b>MiFIR</b>	Markets in Financial Instruments Regulation
<b>MPMs</b>	Management Performance Measures
<b>MREL</b>	Minimum Requirement for own funds and Eligible Liabilities
<b>NCAs</b>	National Competent Authorities
<b>NCI</b>	Non-controlling Interest
<b>NFC</b>	Near Field Communication
<b>NFRD</b>	Non-Financial Reporting Directive
<b>NIS</b>	Network and Information Security Directive
<b>NPLs</b>	Non-Performing Loans
<b>OJ</b>	Official Journal
<b>OTC Derivatives</b>	Over-the-counter derivatives
<b>P &amp; L</b>	Profit and Loss
<b>PAD</b>	Payment Accounts Directive
<b>PRIIPs</b>	Packaged Retail and Insurance-based Investment Products
<b>PSD2</b>	Revised Payment Services Directive
<b>PSP</b>	Payment Services Provider
<b>RRM</b>	Risk Reduction Measure
<b>RTS</b>	Regulatory Technical Standards
<b>SA-CR</b>	Standardised Approach to Credit Risk
<b>SDG</b>	Sustainable Development Goal
<b>SEPA</b>	Single Euro Payments Area
<b>SFDR</b>	Sustainable Finance Disclosure Regulation
<b>SME</b>	Small and Mid-size Enterprises
<b>SRB</b>	Single Resolution Board
<b>SREP</b>	Supervisory Review and Evaluation Process
<b>SRF</b>	Single Resolution Fund
<b>SRM</b>	Single Resolution Mechanism
<b>SPPI</b>	Solely Payments of Principal and Interest
<b>TCFD</b>	Task Force on Climate-Related Financial Disclosures
<b>TEG</b>	Technical Expert Group
<b>TIPS</b>	TARGET Instant Payment Settlement
<b>TPP</b>	Third Party Providers
<b>UCITS</b>	Undertakings for the Collective Investment in Transferable Securities

## ESBG members

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- Albania: Banka Kombetare Tregtare (BKT)
- Austria: Österreichischer Sparkassenverband (Austrian Savings Banks Association)
- Belgium: Coördinatie van Belgische spaar- en netwerkbanken (Coordination of Belgian Savings and Network Banks)
- Bulgaria: DSK Bank
- Czech Republic: Ceska Sporitelna AS
- Denmark: Lokale Pengeinstitutter
- Finland: Säästöpankkiliitto (Finnish Savings Banks Association)
- France: Groupe BPCE; Fédération Nationale des Caisses d'Epargne
- Germany: Deutscher Sparkassen- und Giroverband e.V. (DSGV – German Savings Banks Association)
- Hungary: OTP Bank plc
- Iceland: Samband Islenskra Sparisjóða (Icelandic Savings Banks Association)
- Italy: Associazione di Fondazioni e di Casse di Risparmio Italiane (ACRI – Association of Italian Foundations and Savings Banks); Pri.Banks – Associazione Banche Private Italiane
- Luxembourg: Banque et Caisse d'Epargne de l'Etat (BCEE)
- Malta: Bank of Valletta Plc
- The Netherlands: De Volksbank
- Norway: Sparebankforeningen i Norge
- Portugal: Caixa Geral de Depósitos; Montepio Geral
- Slovak Republic: Slovenska Sporitelna AS
- Spain: CaixaBank; Confederación Española de Cajas de Ahorros (CECA – Spanish Savings Banks Association)
- Sweden: Swedbank; Sparbankernas Riksförbund (Swedish National Savings Banks Organisation)



## ABOUT ESBG

ESBG represents the locally focused European banking sector, helping savings and retail banks in 20 European countries strengthen their unique approach that focuses on providing service to local communities and boosting SMEs. An advocate for a proportionate approach to banking rules, ESBG unites at EU level some 900 banks, which together employ 656,000 people driven to innovate at 48,900 outlets. ESBG members have total assets of €5.3 trillion, provide hundreds of billions of euros in SME loans, and serve 150 million Europeans seeking retail banking services. ESBG members are committed to further unleash the promise of sustainable, responsible 21st century banking. Learn more at [www.wsbi-esbg.org](http://www.wsbi-esbg.org)





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