

Minutes
of the meeting of the Financial Affairs Committee
held on Thursday 27 April 2023, 2:00pm-3:30pm
Thon Hotel EU Brussels

Chairman: Kaschel Rainer (Hungary)

Participants: Anđel Zdravko (Croatia)
Botzem Dirk (Germany)
Cariboni Mario (Germany)
Dörr Thomas (Germany)
Eichwede Rainer (Germany)
Freise Agnes (Germany)
Grebler Gerhard (Germany)
Guthmann Axel (Germany)
Hain Lars (Germany)
Haslmaier Oliver (Austria)
Jauernig Claudia (Austria)
Kašiar Radomír (Slovakia)
Khalife Mahmoud (Germany)
König Christian (Germany)
König Sabine (Germany)
Kreuziger Volker (Germany)
Lesemann Max (Germany)
Menzel Sophie (Germany)
Müller Martin (Luxembourg)
Nowak Karl (Austria)
Poos Marc (Luxembourg)
Riemer Jens (Germany)
Soós Attila (Hungary)
Surm Andreas (Germany)
Szendrey Zoltán (Hungary)
Takácsová Lucia (Slovakia)
Tátrai Bernadett (Hungary)
Weinrich Mark (Germany)

Secretariat: Holler Kathrin (Belgium)
Pfenning Jonathan (Belgium)
Reiner Pierre (Belgium)

Minutes: Pfenning Jonathan (Belgium)

Guest speakers:

Mr Heinrich Wollny, Deputy Head of Unit at European Commission – DG
FISMA Resolution and deposit insurance (FISMA.D.3)

Ms Chiara Del Prete, Chair of the EFRAG Sustainability Reporting Technical Expert Group

Mr Christof Bischofberger, Team member of EPP shadow rapporteur and first Vice-President of the European Parliament Dr. Othmar Karas

ITEM 1

The Chairman, Mr Kaschel, welcomed the participants of the Financial Affairs Committee and opened the meeting. Mr Kaschel proposed to amend the agenda by scheduling the presentation of Mr Bischofberger on Basel III (Agenda Item 4) during the General Assembly due to time constraints of Mr Bischofberger. Mr Kaschel proposed Mr Pfenning to take the minutes. The amended agenda was adopted. The minutes of the Financial Affairs Committee of 13 October 2022 were adopted.

ITEM 2: Legislative proposal of the European Commission on the crisis management and deposit insurance framework review (CMDI review)

Mr Kaschel introduced **Mr Heinrich Wollny**, Deputy Head of Unit at European Commission - Directorate-General for Financial Stability, Financial Services and Capital Markets Union: Resolution and deposit insurance (FISMA.D.3) who spoke on the current CMDI proposal. Mr Wollny first gave insides in the key milestones for the completion of the Banking Union, before mentioning the legislative acts affected by the CMDI review (Bank Recovery and Resolution Directive, Single Resolution Mechanism Regulation, Deposit Guarantee Schemes Directive). Mr Wollny further explained the main goals of the proposal: Preserve financial stability and taxpayers' money (use of DGS in resolution to shield depositors, where needed); Preserve value for the real economy (advantages of resolution, in particular transfers DGS uses other than payout are more cost efficient) and better protection of depositors (no change to the coverage of EUR 100 000 but harmonisation of protection across the EU).

For further information please refer to the power point presentation attached.

In the Q&A session Mr Pfenning asked for further clarification between the need to build up MREL for those institutions which will be under the European resolution framework in the future and the proposed transfer of assets strategy for those institutions with high level of deposits. Mr Wollny elaborated that MREL stays the first line of defence. To have access to the Single Resolution Fund institutions must first cover 8% of total losses. As foreseen in the Commission proposal national DGS could in future play a role in bridging the gap for those institutions with high level of deposits. Still, MREL requirements have to be fulfilled based on the preferred resolution strategy.

Mr König (VdPB) thanked Mr Wollny that the European Commission did not propose a higher level of deposit protection than the 100.000 EUR currently in place since this would have come at higher costs. Mr Wollny referred in his reply to the work of the EBA which did not deem necessary a level higher than the 100.00 EUR currently in place.

Mr Lesemann (VdPB) took the floor and proposed an **EFBS working group on the CMDI file**. The aim of the working group is to analyse the CMDI proposal and to prepare amendments for the

legislative process. Mr Pfenning proposed to give EFBS members the possibility to **indicate their interest to participate in the working group** in context of the minutes of the EFBS Financial Affairs Committee. Interested members are requested to indicate their interest to participate by email to Jonathan.pfenning@efbs-bausparkassen.org by **18 May 2023**.

ITEM 3: Green Finance: EFRAG presentation on November 2022 draft ESG reporting standards under CSRD

Mr Kaschel introduced **Ms Chiara Del Prete**, Chair of the EFRAG Sustainability Reporting Technical Expert Group, who spoke on the draft European Sustainability Reporting Standards (ESRS) published by EFRAG on 23 November 2022. The ESRS are non-financial reporting standards to be applied under the Corporate Sustainable Reporting Directive (CSRD).

Ms Del Prete began by giving an introduction of the first set of draft ESRS, which is comprised of two cross-cutting standards covering general requirements and general disclosures, and 10 topical standards. These cover environmental disclosures (climate change, pollution, water resources, biodiversity, and the circular economy), social disclosures (own workforce, workers in the value chain, affected communities, and end-users), and governance disclosures (business conduct). In total, 84 disclosure requirements have been defined.

Ms Del Prete explained that EFRAG followed a double materiality approach by accounting for both impact materiality (the impact that the company has on a sustainability matter) and financial materiality (the impact of sustainability matters on the company's financial prospects). As a multi-stakeholder organisation, EFRAG aimed to unify different perspectives. All standards proposed by EFRAG, including the materiality assessment, were therefore adopted unanimously.

According to Ms Del Prete, the EFRAG board has undertaken an ambitious streamlining exercise. Consequently, the number of data points under the ESRS has been reduced by nearly half, almost exclusively maintaining those indicators already defined under the Sustainable Finance Disclosure Regulation (SFDR). To assist companies applying the ESRS, EFRAG plans to publish implementation guidelines in the form of FAQs before summer of 2023.

For further information please refer to the power point presentation attached.

ITEM 4: Finalisation of Basel III: Positions of the European Parliament/ State of play of triologue negotiations

Mr Kaschel introduced **Mr Christof Bischofberger**, Team member of EPP shadow rapporteur and first Vice-President of the European Parliament Dr. Othmar Karas, responsible for the finalisation of Basel III who spoke on the finalisation of Basel III. The presentation took place during the EFBS General Affairs Committee (27 April 2023, 4:00 to 5:00 pm). Mr Bischofberger elaborated on the positions of the European Parliament and the state of play of triologue negotiations. The EP position was approved in the beginning of 2023 with a two third majority. Since the start of the triologue phase two political and 17 technical triologue meetings have been taken place. Trialogues so far have covered fully the topics of credit risk, CVA-risk, M&A; partially were covered the topics of market risk

and third country branches. It is the objective to reach a political agreement before summer 2023. In any way there shall be at least a period of one year for transposition before rules have to be applied as of 1 January 2025.

From an EPP (European Peoples Party) perspective a good result has been reached within the EP position (e.g. CMU supporting factor was kept; CVA-risk treatment was kept; Output Floor (OF) to be calculated at the highest level of consolidation combined with a distribution mechanism; mortgages transitionals were a recalibration was essential to avoid an uneven level playing field with other jurisdictions; ESG risk not in Level I; no double-counting of Level II risks in CRD due to the introduction of the OF; proportionality in the fields of disclosure and fit & proper).

During trialogues the following topics were the most controversial so far: Level of application of the Output Floor; capital and liquidity waivers; fit & proper; third country branches and the possible prolongation of transitional arrangements.

In the Q&A session, Mr Pfenning (EFBS) asked about possible impacts of the current turmoil in the banking sector of other jurisdictions (SVB, Credit Suisse). Mr Bischofberger stated that those developments have been carefully examined but that no immediate adjustments to the legislative proposal for the transposition of the final Basle III agreement into European law were judged necessary by the involved parties.

Mr Kaschel thanked all participants and speakers and closed the meeting.