



To: José Manuel Campa
Chairperson
European Banking Authority

Andrea Enria
Chairperson
ECB Supervisory Board

Brussels, 12 May 2021

Subject: EBF, ESBG, EACB and EAPB concerns on the EBA Guidelines on Loan Origination and Monitoring

Dear Mr Campa,
Dear Mr Enria,

The European Banking Federation, European Savings and Retail Banking Group, European Association of Cooperative Banks and European Association of Public Banks have followed with interest the EBA work on its Guidelines on Loan Origination and Monitoring. The banks within our memberships consider consumer protection as a priority and traditionally pursue a responsible lending policy but note that the far-reaching impact of the guidelines poses questions on the feasibility of many requirements especially in the context of the ongoing COVID-19 pandemic, which brings unprecedented challenges to the economy and the financial sector.

Banks within many Member States have concerns about the implementation date of these Guidelines, together with uncertainties as to how certain requirements are to be interpreted and to what extent the interpretation of proportionality clauses will allow for actual relief in relation to small-volume lending transactions. Also, some requirements in these Guidelines, for example the creditworthiness assessment of consumer credits and commercial loans go far beyond the given requirements of the Consumer Credit Directive (CCD) and the Mortgage Credit Directive (MCD). In addition, the guidelines also include some new aspects, such as the consideration of environmental factors and sustainability risks, although the discussions on these topics have not yet been concluded at EU level. This makes meeting the implementation date of 30 June extremely challenging.

As you know, Europe's banks have had a tumultuous year and our efforts are focussing on supporting customers (in particular households and SMEs) through the Covid-19 pandemic and ensuring we provide the best level of advice and guidance now and during the recovery phase. We recall that the explanatory note of the EBA accompanying the publication of the Guidelines calls on the competent authorities to "exercise their judgment and be pragmatic and proportionate in monitoring the implementation of the Guidelines (...) taking into account the operational challenges and priorities institutions may have as a result of the COVID-19 pandemic". Months later, as we still feel the impact of the pandemic, we would like the EBA to heed their own advice, and the SSM to follow it, and extend deadline for the application of these Guidelines.

We strongly urge the European Banking Authority to postpone the initial implementation of the Guidelines for an additional **12 months up until 30 June 2022 at least**, and the SSM to follow suit. This



extension has already been chosen in some Member States and will give other National Competent Authorities (NCAs) additional time to assess the impact of the guidelines thoroughly and – in case of a “comply” – initiate the necessary implementations. Of course, we are aware that some Member States have already decided to comply, so an extension at the EU level would be necessary in these cases. By extending the application, it will ensure a level playing field for all banks, regardless by whom they are supervised (SSM or NCA). Also, we ask the SSM to recognise that banks that are directly supervised by the SSM will benefit from the interpretation, flexibility and proportionality measures introduced by national authorities to nationally supervised banks – to ensure that national legal constraints will be taken into consideration, a level playing field across all players is guaranteed and that consumers are treated the same way.

In addition, we consider as necessary to grant a longer implementation period during which non-essential requirements of the guidelines are implemented with a timeline that allows consumer banks’ operational resources to be dedicated to crisis management needs brought by the sanitary and economic situation. An even closer monitoring of credit risk development will require more resources in the aftermath of the pandemic, leaving less room for adding up new administrative processes.

Also, a longer implementation period would allow providing customers with better services and information thanks to longer timing and increased legal clarity around the provisions.

Lastly, the implementation deadline for related guidelines and standards should also be reviewed. For example, Pillar 3 ESG, whose disclosure is often leveraged on what you will collect via loan origination. In such cases, the extension of the deadline would have to be extended to these other standards as well.

We thank you for your attention to this letter and remain at your disposal should you wish to discuss with us in greater detail. In the interest of legal clarity and considering the upcoming implementation deadline we would appreciate to receive your feedback within a short time frame.

Best regards,

Wim Mijs
Chief Executive
European Banking Federation

Peter Simon
Managing Director
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Chris De Noose
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Nina Schindler
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