EAPB

ANNUAL REPORT 2018

FACTORS OF GROWTH

Contents

President's foreword

2018 ended with an important political agreement on the banking package at the Ecofin Council meeting on 4th December. It is an official acknowledgement of the important role of public banks by the Council, the Commission and the European Parliament, which have adopted a clear definition of so called Public development credit institutions. This is a major step forward which allows us to ensure our role in the development of European territories.

Also, 12 years after the global financial and economic crisis we have now come very close to the finalization of the Banking Union and have seen good progress in building a Capital Markets Union in Europe. EAPB has for many years strongly argued in favour of proportionality and highlighted the specific role of public banks. We believe a good balance has been struck. The new rules will make the financial system more resilient while recognizing the specificity of public banks and their public interest missions, e.g. with a well calibrated leverage ratio and the possibility for certain Promotional Banks to be supervised at national level. The final text contains a workable formulation for the deduction of certain exposures by Promotional Banks as well as pass-through promotional loans from the calculation basis of the leverage ratio. With a stable and more proportionate prudential regime in place, public banks will be better positioned to successfully implement their public missions, including fighting climate change and promoting inclusive growth. Furthermore, the association looks positively at certain provisions that were made to the NSFR for particular asset classes funded by covered bonds.

Our second major priority was the preparation of the new European Union budget. Ahead of and during the discussions for the Multiannual Framework, the EAPB has successfully placed National and Regional Promotional Banks and Institutions (NPBs) at the centre of the new EU promotional policy plans and demonstrated that EAPB-members act not only as innovative sustainable market leaders but also as key intermediaries for EU Structural funds and other EU financial instruments. The new Invest EU will have to build on these synergies. Therefore EAPB welcomes in particular the opening of the EU Guarantee to NPBs and appreciates the confidence placed in the expertise of Promotional Banks. Throughout the process the EAPB has insisted that it is essential to ensure flexibility for NPBs as in whether and to what extent they use the EU Guarantee directly or remain contracted partners of the EIB Group. In addition, the proposed elimination of the existing fragmentation of EU-level financial instruments and funding schemes - advocated by EAPB for many years- is the right approach. Filing a single application and following a single rulebook will allow financial intermediaries across the EU to effectively implement the entirety of this large financial envelope, 30% of which is earmarked for climate objectives.

Sustainability is our third key theme – and the financial system has a decisive role to play in delivering this very ambitious target of making economic activity more long lasting, more socially inclusive and less dependent on exploitation of finite resources and the natural environment.

The threats of climate change will confront the world, and Europe in particular, with huge challenges in the coming years – ranging from managing high levels of migration to adapting to more climate friendly models of industrial production and private consumption behaviour. Public banks are at the forefront of this momentum. As public banks we have a key mandate to act as “pioneers” or “gate-openers” in this area of sustainable finance. About 80% of EAPB-Members are already providing financing to green projects, with a particular focus on promoting renewable energy, energy efficiency in buildings, water sanitation, waste water and water level management. In addition, in several Member States, many EAPB-members were among the first to issue Green bonds. Overall, about 30% of members specifically issued green bonds in 2017, and the numbers are growing. The total volume provided by direct and indirect members reached around EUR 19 bn.

The European Commission has not only aimed at making the financial sector more resilient- following the past financial crisis- but also aimed at incentivizing it to foster sustainability, e.g. through proposals for a green taxonomy and standards as well as for integrating environmental, social and governance objectives into regulatory expectations. As European dialogue partner, the EAPB is very sensitive to these projects aiming at enhancing the role of financial sector in achieving a sustainable economic growth. EAPB has advised the European institutions on how to make sure the rules are fit for purpose and has shared best practices and projects of its members, some of which are visible as pictures of this report.

I am convinced these types of projects will deliver the growth story of the 21st century and will unlock unprecedented opportunities. The benefits of climate action are greater than ever before, while the costs of inaction continue to mount. It is time for a decisive shift to a new climate economy.

I wish you an insightful reading of this year’s Annual Report.

Philippe Mills
President of the EAPB

EAPB member NRW.BANK promotes digital transformation in schools

Location: North Rhine-Westphalia, Germany
Beneficiaries: Public schools

Who we are

The EAPB is the voice of the European public banking sector.

The European Association of Public Banks (EAPB) was founded on 4 May 2000.

EAPB gathers member organisations from 15 European member states and 3 non member states.

We represent the interests of over 30 public banks, funding agencies and associations of public banks throughout Europe...

...representing indirectly the interests of about 90 financial institutions towards the EU and other European stakeholders.

The combined balance sheet total of all EAPB-members is around EUR 3,500 billion

We represent about 190,000 employees.

EAPB-members constitute an essential part of the European financial sector with a market share of around 15%

What we do

Advocating to the European institutions in the area of Banking- and Financial Services legislation and EU funding programs.

Establishing contacts with the EU institutions as well as with other European banking associations, credit institutions and promotional institutions in all European countries.

Representing the EAPB-members to professional organisations, media and the general public.

Encouraging exchange of **experience** and **co-operation** among public sector banks in Europe.

Regularly and rapidly **informing** its members of all relevant financial, political and legal developments and of measures adopted by the European institutions in the fields of banking law, and European economic and financial policies.

Who we represent

EAPB-members are national and regional Promotional Banks, municipality funding agencies and public commercial banks. They provide financial services and funding for projects that support sustainable economic and social development with, amongst others, activities ranging from the funding of companies and the promotion of a greener economy to the financing of social housing, health care, education and public infrastructure at national, regional and local level.

Agence France Locale
Balance Sheet Total (in bn EUR): 2,5
www.agence-france-locale.fr

Bank Gospodarstwa Krajowego (BGK)
Balance Sheet Total (in bn EUR): 17,8
www.bgk.pl

BNG Bank
Balance Sheet Total (in bn EUR): 140,0
www.bngbank.com

Bulgarian Development Bank (BDB)
Balance Sheet Total (in bn EUR): 1,2
www.bdbank.bg

Erste Group Bank AG
Balance Sheet Total (in bn EUR): 220,6
www.erstegroup.com

Finlombarda – Finanziaria per lo Sviluppo della Lombardia S.p.A
Balance Sheet Total (in bn EUR): 0,4
www.finlombarda.it

Hungarian Export-Import Bank (Exim Bank)
Balance Sheet Total (in bn EUR): 3,0
www.exim.hu

Croatian Bank for Reconstruction and Development (HBOR)
Balance Sheet Total (in bn EUR): 3,7
www.hbor.hr

Verband der österreichischen Landes-Hypothekenbanken (Hypoverband)
Balance Sheet Total (in bn EUR): 56,2
www.hypoverband.at

Institut Català de Finances (ICF)
Balance Sheet Total (in bn EUR): 2,5
www.icf.cat

Who we represent

Investitionsbank Berlin (IBB)
Balance Sheet Total (in bn EUR): 17,6
www.ibb.de

The Republic of Srpska Investment-Development Bank (IRBRS)
Balance Sheet Total (in bn EUR): 1,1
www.irbrs.org

Institut Valencià de Finances (IVF)
Balance Sheet Total (in bn EUR): 0,6
www.ivf.gva.es/en/inicio

Kommunalbanken Norway (KBN)
Balance Sheet Total (in bn EUR): 41,6
www.kbn.org

KommuneKredit Denmark
Balance Sheet Total (in bn EUR): 29,9
www.kommunekredit.dk

Kommuninvest Sweden
Balance Sheet Total (in bn EUR): 36,5
www.kommuninvest.se

Landeskreditbank Baden-Württemberg (L-Bank)
Balance Sheet Total (in bn EUR): 70,6
www.l-bank.de

Macedonian Bank for Development Promotion
Balance Sheet Total (in bn EUR): 0,2
www.mbdp.com.mk

Malta Development Bank
Balance Sheet Total (in bn EUR): 0,03
mdb.org.mt/en/Pages/default.aspx

MFB-Magyar Fejlesztési Bank Zártkörűen Működő (Hungarian Development Bank LTD)
Balance Sheet Total (in bn EUR): 3,8
www.mfb.hu

Municipality Finance (MuniFin)
Balance Sheet Total (in bn EUR): 34,7
www.munifin.fi

NRW.BANK
Balance Sheet Total (in bn EUR): 147,6
www.nrwbank.com

Nederlandse Waterschapsbank (NWB)
Balance Sheet Total (in bn EUR): 87,1
www.nwbbank.com

Landwirtschaftliche Rentenbank
Balance Sheet Total (in bn EUR): 90,8
www.rentenbank.de

Who we represent

Sächsische Aufbaubank (SAB)
Balance Sheet Total (in bn EUR): 7,5
www.sab.sachsen.de

SFIL
Balance Sheet Total (in bn EUR): 72,4
www.sfil.fr

Slovene Export and Development Bank (SID Bank)
Balance Sheet Total (in bn EUR): 2,4
www.sid.si

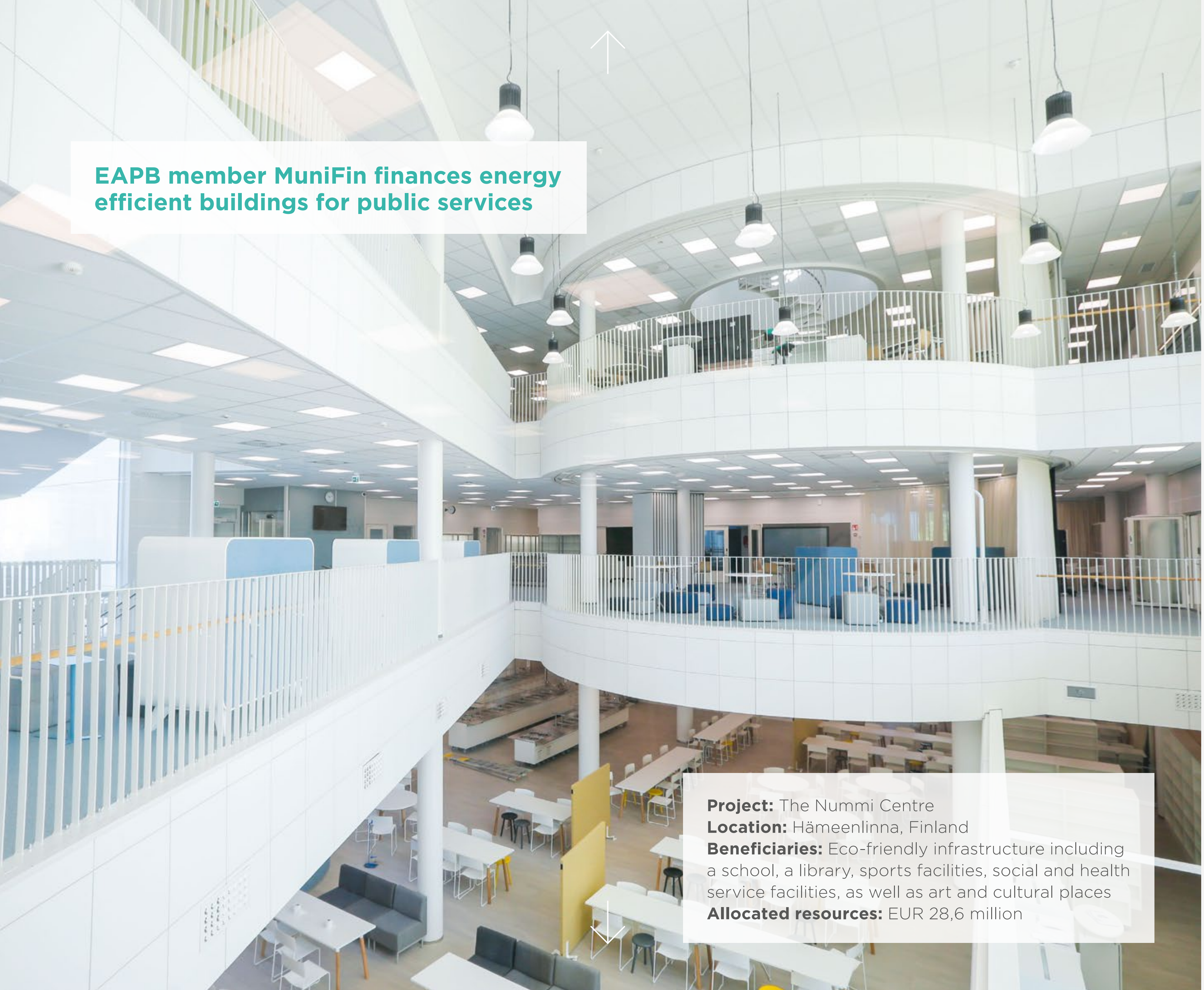
Thüringer Aufbaubank (TAB)
Balance Sheet Total (in bn EUR): 3,8
www.aufbaubank.de

Bundesverband Öffentlicher Banken Deutschlands (VÖB)
Balance Sheet Total (in bn EUR): 2700 (member entities)
www.voeb.de

Wirtschafts- und Infrastrukturbank Hessen (WIBank)
Balance Sheet Total (in bn EUR): 17,6
www.wibank.de

Visit EAPB's website to learn more about our members

* Balance sheet totals as from 2017



EAPB member MuniFin finances energy efficient buildings for public services

Project: The Nummi Centre
Location: Hämeenlinna, Finland
Beneficiaries: Eco-friendly infrastructure including a school, a library, sports facilities, social and health service facilities, as well as art and cultural places
Allocated resources: EUR 28,6 million

Exploring the opportunities of the InvestEU Programme

The discussions about the future long-term budget of the European Union were much influenced by the emergence of new challenges requiring an action on the European level on one hand and by the budgetary implications of Brexit on the other. The main result of the extensive discussion was a wide consensus on the need to enhance the use of financial instruments under the rationale of *"doing more with less"*.

Indeed, the experience from the last years has clearly shown that financial instruments leverage the best result for the real economy, crowd in private capital, and allow for a repeated use of the same funds to finance more projects. Building on the experience with EFSI and programmes like COSME and Horizon 2020, the European Commission tabled a proposal for the InvestEU Programme that will integrate all financial instruments into one single fund with streamlined rules in the Multiannual Financial Framework (MFF) 2021-27.

Promotional Banks as EU's implementing partners

One of the main features of the InvestEU Programme is the fact that national and regional Promotional Banks or institutions (NPBIs) as well as some multilateral banks (e.g. the EBRD or the Council of Europe Development Bank) are offered the opportunity to become direct implementing partners of the European Union similarly to the position of the European Investment Bank Group under EFSI. This important step is based on the evidence gained from past assessments which demonstrated the positive impact of the involvement of NPBIs in the implementation of the EU financial instruments. Moreover, national institutions already operate with the EU budget for financing development projects in third countries from the European Fund for Sustainable Development.

Opening up of the EU Guarantee financed from the InvestEU Fund to Promotional Banks will ensure its subsidiarity by addressing specific needs of local markets. National and regional Promotional Banks will be able to benefit from the guarantee to design financial solutions that are tailored to the local market needs while pursuing the EU-wide policy objectives of the programme. Moreover, the existing intensive cooperation of Promotional Banks with locally active commercial banks, guarantee institutions or venture capital funds will allow leveraging even more private capital.

Policy objectives corresponding to Europe's needs

An important aspect of the InvestEU Programme is its increased focus on strategic policy objectives. We welcome this paradigm shift in the EU investment policy because it helps to set out joint economic objectives and at the same time provide sufficient adaptability to the local financing needs.

The sustainable infrastructure window should largely contribute to achieving the COP21 goals concerning the reduction of CO_2 emissions by supporting investment in sustainable transport, energy or waste management solutions. The research, innovation and digitisation (RID) window will be dedicated to modernising the European economy. The SME window will entail all financing solutions for start-ups, scale-ups and SMEs that are essential for our competitiveness. The fourth policy window is dedicated to social investment and comprises investment support for sectors such as education and health care.

The EAPB particularly welcomes the flexibility of the InvestEU Programme which aims to involve national as well as regional Promotional Banks. In addition, municipality funding agencies are also comprised in the scope of the programme. Prospective implementing partners may use the flexibility of the InvestEU Fund and apply the EU Guarantee for those policy windows which correspond to their business model.

New perspectives for Promotional Banks

The key requirement to become an implementing partner of the European Commission is to successfully undergo the so-called Pillar Assessment, a comprehensive audit assessing the soundness of financial institutions aspiring to manage the EU budget. In order to support future implementing partners, the Commission's Structural Reform Support Service (SRSS) offers financial and technical assistance to a small number of selected banks. The EAPB welcomes this kind of assistance and supports its continuation for the years to come.

The pillar-assessed institutions may not only participate in the InvestEU Programme but also examine their potential in the EU External Investment Plan. The Commission's Directorate-General for International Cooperation and Development (DG DEVCO) has been cooperating with some national Promotional Banks already in the current programming period and as more financial institutions are expected to become eligible implementing partners, the engagement of Promotional Banks in the international development could increase accordingly. Just like the Promotional Banks pursue the policy objectives within the EU, contributing to the global challenges such as migration or climate change adaptation will effectively extend the participating institutions into genuine development banks.

Germaine Klein - Filip Chraska

Next article

Promotional Banks as actors of regional development and European cohesion

The year 2018 has marked the thirty years anniversary since the creation of the EU Cohesion Policy, which emerged as a result of the southern enlargement of the European Communities and gained in importance following the eastern enlargement. The Cohesion Policy is the main EU investment tool and encompasses the European Structural and Investment Funds (ESIF) which provide funding for regional development in all EU Member States.

" EAPB-members institutions to combine national and European funding to the benefit of the citizens. EAPB-members transform the Cohesion Policy funds into a whole range of products ranging from grants, loans, guarantees, or equity funding, and even combine these instruments for one single project when necessary."

Today, the EU Cohesion Policy and its funding are as indispensable as ever. While some of the disparities caused by different historical developments of individual countries were reduced, new divergent tendencies have occurred. The whole continent was severely impacted by the global economic crisis from which many European countries and regions are still recovering. Moreover, the advancing globalization challenges the economic and social cohesion of Europe by leaving rural and structurally weak regions behind the prosperous economic centers. With many European regions facing declining industries and high unemployment rates, the case for a strong EU Cohesion Policy is as evident as thirty years ago.

Promotional Banks restarting growth in regions

The mission of national and regional Promotional Banks is to address market gaps that hamper the economic and social development. These market gaps not only occur by sector but also by region. In order to promote their presence in regions, most national Promotional Banks set up local offices across their respective countries.

In addition, larger countries often profit from a framework of regional Promotional Banks which possess a perfect knowledge of the local market needs and can therefore provide for tailor-made financial solutions.

The European Structural and Investment Funds provide an indispensable source of additional finance which allows the EAPB-members institutions to combine national and European funding to the benefit of the citizens. EAPB-members transform the Cohesion Policy funds into a whole range of products ranging from grants, loans, guarantees, or equity funding, and even combine these instruments for one single project when necessary.

Thus, grants and promotional loans can for instance be provided in rural areas to SMEs in order to create new jobs and opportunities for young people who would otherwise leave their home regions. Likewise, EAPB-members also use the funding from ESIF to set up new Venture Capital funds to finance innovative start-ups in cities aspiring to become new digital hubs. This kind of flexibility in the use of ESI funds is very important and ensures reaching effective and efficient results of the EU Cohesion Policy.

The future of the EU Cohesion Policy

The functioning and allocation of all EU funds is organised in seven-year programming periods called Multiannual Financial Framework (MFF), with the next MFF commencing as soon as in 2021. The EAPB has been engaged in the discussion on the future of the EU Cohesion Policy since spring 2017. As the *"do more with less"* approach sets the direction in the programming period 2021-2027 clearly towards a greater use of repayable financial instruments, the EAPB presented concrete ideas on how the legal framework for financial instruments should be designed to facilitate a successful implementation as well as an effective outreach to the citizens.

Although EAPB supports the demands for an increased use of repayable financial instruments, the necessity of grants clearly needs to be emphasized too. Grants remain indispensable in some priority areas, such as research and development or social policy. Moreover, they can be in many cases effectively used in combination with financial instruments.

The EAPB very much welcomes the work of the European Commission on the legislative package governing the Cohesion Policy for the programming period 2021-2017 aiming to introduce a flexible and simple legal framework.

Particularly the strengthening of the principle of a single rulebook for all funds is highly appreciated along with the introduction of the single audit. These simplifications will not only facilitate the deployment of the funds on the market but also lower the administrative burden for the implementing bodies.

The last decade has clearly shown that policy priorities may change rapidly. Europe has witnessed an unprecedented economic crisis resulting in a soaring unemployment in some Member States and regions. Similarly, the 2015 refugee crisis hit the social infrastructure in the Member States rather unprepared. An increasing number of regions in Europe now face ever longer periods of drought as a result of the climate change. In this respect, policy tools need to be adjustable in a flexible manner in order to allocate funds where they are needed the most. The foreseen flexibility to shift funds between policy chapters where necessary is therefore much appreciated.

The EAPB with the experts from its member institutions remains at the disposal of the European institutions as well as the national and regional authorities across Europe to assist in designing the future Cohesion Policy which shall translate into the best results for the wellbeing of the citizens in all regions of Europe.

Elke Nass Toennessen - Filip Chraska

Timeline

June 2017
Reflection Paper on the future of EU finance launches the discussions on the new MFF

May 2018
Commission tables legislative proposals for the new MFF

September 2018
EAPB issues its position paper on the proposals for a new Cohesion Policy

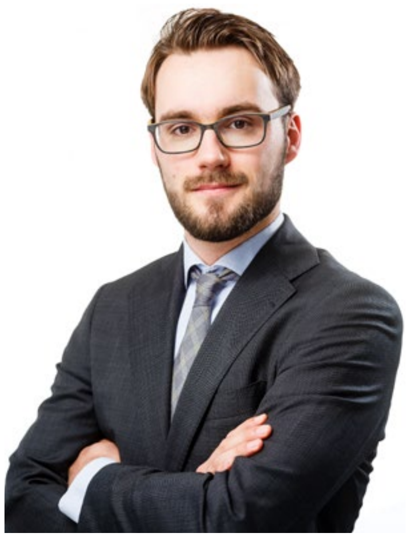
October 2018
EAPB Workshop Public banks in implementing financial instruments in EU Cohesion Policy within MFF

February 2019
European Parliament adopt its legislative report on CPR

Visit EAPB's website to access our position papers.

Europe's public banks on the runway to sustainable finance

First named green, now sustainable finance, this project has taken an unprecedented dynamic on its way to conquer the financial markets, credit institutions, and the economy as a whole. Within about one year, it has become the flagship project of Capital Markets Union, putting other CMU initiatives rather in the shadow. Its overall goals are the transition to a low-carbon economy, a change of mindset, putting in place the UN and Paris climate goals, and generating the conditions for an investment package of 180 billion EURO to bring it to life.



" Public banks are convinced that a uniform classification and standards for green and sustainable financial products will increase transparency to investors, reduce uncertainties at issuers' side and contribute to growth on the long-term."

The Commission has made it a core priority, first in its mid-term review on CMU, then more precisely in its 'Action Plan on financing a sustainable economy' of March 2018. In May 2018, a package of legislation has been launched, envisaging a taxonomy to classify sustainable products, a regulation to rule disclosures of sustainability-related criteria and risks, and another one introducing two new climate-related benchmarks.

Public banks do have sustainability in their DNA to a certain extent, due to their public funding mission which is good for a significant share of most institutions' activities. Given the recent dynamic however, and the obvious need to do more with respect to climate change, energy efficiency and environment, EAPB-members aim to be at the forefront of the transition towards a sustainable economy. For example, the EAPB's members have been involved in projects such restoring the ecosystem of polluted rivers, constructing eco-friendly buildings that contain public amenities such as schools, libraries and swimming pools, and co-financing offshore wind parks.

As for the EAPB, it launched initiatives and discussions at several levels in order to gather intelligence, share experiences and to plan a coherent way forward. In fact, the public event at annual general assembly in Brussels was dedicated to the theme of green finance, as a means to bring together high profile decision-makers and gather momentum for EAPB-initiatives in the upcoming year.

The EAPB also started working on feedback for consultations on the Sustainable Taxonomy. The Technical Expert Group for Sustainable Finance (TEG) which is in charge of creating the details and criteria for the taxonomy, launched two consultations on its work in December. The TEG will integrate the feedback received into a report to the Commission by June 2019. The Commission will then implement the work of the TEG through delegated acts that can be adapted to the changing landscape.

EAPB position

The EAPB supports the evolution towards a more sustainable economy. Public banks overall see this as a chance to develop new products, and to promote the adapted ways of finance they offer. Member banks are frontrunners in the issuance of green bonds, and are developing more and innovative sustainable financial products, e.g. green mortgages, green Schuldscheindarlehen, green securitisation. Public banks are convinced that a uniform classification and standards for green and sustainable financial products will increase transparency to investors, reduce uncertainties at issuers' side and contribute to growth on the long-term. A step-by-step approach is adequate to tackle this broad-scale project. Priority should be given to the taxonomy, whilst it is advisable to deal with ecological aspects first, before getting to social and governance issues.

Outlook

The two regulations on sustainable Benchmarks and on Disclosures will probably be finalised in Spring 2019, before the term of the EU Parliament's legislature. Council and Parliament are quite divided on the scope of disclosures, as far as the outreach to banks is concerned, but also on disclosures at product level (only "green" products or all). The taxonomy will take longer. The Council is hesitant to confer considerable competences on the Commission, regarding the technical content of the framework. Technical work will still need years before a complete and concrete environment will be in place.

Thorsten Guthke - Jeroen van der Donck

Timeline

March 2018
Commission publishes its Action Plan on Sustainable Finance

May 2018
Commission publishes legislative proposals for regulations on sustainable taxonomy, disclosures relating to sustainable investments, and sustainable benchmarks

November 2018
Parliament adopts its final report on disclosures relating to sustainable investments

December 2018
Parliament adopts its final report on sustainable benchmarks
Council achieves general approaches on both regulations on disclosures relating to sustainable investments and on sustainable benchmarks

March 2019
Trilogue agreement on both the regulation on disclosures relating to sustainable investments as well as the regulation on sustainable benchmarks. Parliament adopts its draft report on a sustainable taxonomy as well as the political agreement with the Council on sustainable benchmarks

April 2019
Parliament to vote on the text on the trilogues agreement on disclosures relating to sustainable investments

June 2019
Technical Expert Group on Sustainable Finance to release report on the sustainable taxonomy and a European green bond standard

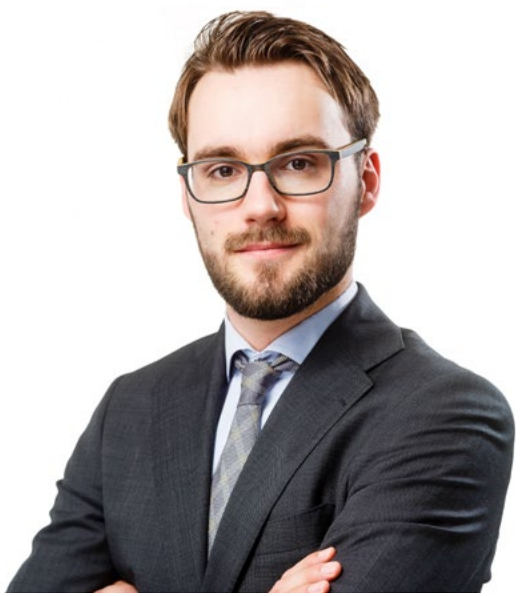
July 2019
Start of trilogues on a regulation on a sustainable taxonomy, pending general approach by the Council

Visit EAPB's website to access our position papers.

Next article

9 years after the first Basel Committee proposals, Europe embraces CRD V and CRR II with a suitable treatment for Promotional Banks

For the Capital Requirements Directive (CRD V) and Capital Requirements Regulation (CRR II), the year 2018 was one in which big legislative developments had to be made. And indeed they were: In spring, the Council completed its General Approach and before summer the Parliament adopted its Final Report. The second half of the year was then characterized by the interinstitutional negotiations, the so-called trilogues. With an important political agreement having been concluded in early December and with the adoption of the CRD, CRR, BRRD and SRMR in the European Parliament on 16 April 2019, the formal adoption procedure is ending.



" The EAPB is first and foremost satisfied with the treatment of the Leverage ratio as it appears in the political agreement. The criteria that an institution would need to meet in order to be classified as a public development credit institution seem to match with the reality of Promotional Banks."

The Association has obtained the best possible treatment for public Promotional Banks. The Leverage ratio is now proportionate to our specificities.

Issue at stake

For the CRD and CRR, 2018 was the second full year of the legislative process. Launched in November 2016, the Commission's proposals were debated at length by the Council and Parliament in 2017. It was not until 2018 however, that the first major milestones were reached: in respectively May and June the Council and Parliament determined their positions with regards to the CRD and CRR.

For the CRD, differences between the Council and Parliament were particularly stark when it came to the definition of the scope of application of the directive. The Council on the one hand preferred an approach based on a list of exemptions, where the exemptions were directly granted by the Council to relevant institutions. The Parliament on the other hand stuck to and improved the approach suggested by Commission which relied on set of criteria that institutions would need to meet in order to be exempted.

For the CRR, however, the Council and Parliament did not differ a lot on the topic of the Leverage Ratio. Both were convinced by the Commission's proposal that some sort of deduction of the leverage ratio should exist for public development credit institutions, which is a statute that would group together virtually all of the EAPB's members as well as similar institutions outside of the organisation.

Yet there was a disagreement in how the Leverage Ratio of an institution should be disclosed. In its final report, the Parliament specified that part of the average exposure values needed for the calculation of the ratio, would need to be reported every day in order to tackle leverage ratio volatility around the reference dates. After some opposition from the Council in trilogues discussions, the EBA will now first draft implementing technical standards specifying which components need be reported day-by-day or month-by-month.

The reconciliation of the Council's and Parliament's positions was the primary task in the second half of 2018. From August onwards Trilogues seemed to be advancing swiftly under the Austrian presidency and the minor differences that existed on such topics as the leverage ratio, or others like the Net Stable Funding Ratio (NSFR), were solved relatively quickly. In November a standstill occurred, but just as it seemed that it would be difficult to reach an accord before the New Year, a breakthrough in early December happened with a political agreement. With this agreement the pressing political issues on the CRD, CRR as well as the BRRD were resolved.

For the scope of the application, this meant that the Council's list based approach was chosen and that several German, as well as a Maltese and Irish promotional bank, ended up on the list of exemptions.

EAPB position

The EAPB is pleased with the political agreement reached in early December. With the European elections upcoming in May 2019, it thought it was of utmost importance that the CRD V and CRR would be completed before. The final approval of the Parliament's plenary took place on 16th of April and the Council of Ministers adopted the text on 14th May 2019.

In terms of content, the EAPB is first and foremost satisfied with the treatment of the Leverage ratio as it appears in the political agreement. The criteria that an institution would need to meet in order to be classified as a public development credit institution seem to match with the reality of Promotional Banks. In particular, the use of the definition of 'promotional loan', as suggested by the Council, has a precedent in earlier delegated acts and the EAPB welcomes the continued use of this definition for the sake of regulatory consistency.

Moreover, this is the first time that a definition of public development credit institution[1] has been established by the European legislator. This is an acknowledgement of the role of Promotional Banks/public development banks in the economy and a positive signal for the appropriate treatment of our members in general.

On the topic of the scope of the application, the EAPB is pleased that the Council showed the flexibility and willingness to amend the original list and include several interested EAPB-members.

Moreover, the association looks positively at certain provisions that were made to the NSFR for particular asset classes funded by covered bonds.

In other developments, the EAPB notes that particularly after encouragement from the Parliament several clauses relating to the sustainability and disclosure of ESG-risks were included in both the CRD and CRR. Particularly, a mandate is foreseen for the EBA to draft reports on sustainability risk. As institutions with public mandates, EAPB-members pay particular attention to sustainability concerns. The EAPB then eagerly awaits these reports, although it does hope that the cohesion with the other regulatory developments on this topic will be maintained.

The EAPB aims to continue to be a trustworthy party for European institutions during both the implementation of these laws as well as the future ones that are being developed.

Jeroen van der Donck

Timeline

November 2016
European Commission publishes legislative proposals revising the CRD and CRR

May/June 2018
Adoption of European Parliament's Final Report & Council's General Approach

December 2018
Political trilogue agreement reached

April/May 2019
Final adoption of legal texts by European Parliament and Council

Visit EAPB's website to access our position papers.

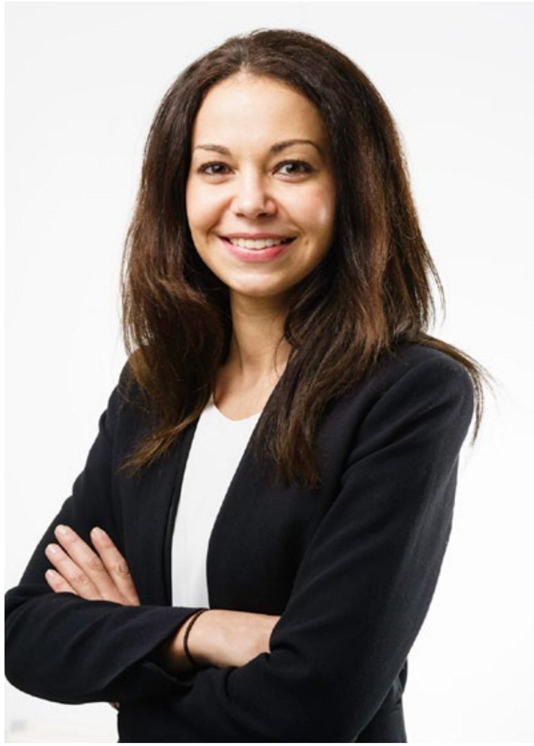
[1] CRR amending Regulation (EU) No 575/2013 as regards the leverage ratio
'PART SEVEN LEVERAGE'
Article 429a (...)
Exposures excluded from the total exposure measure public development credit institution' means a credit institution that meets all the following conditions:
a) it has been established by a Member State's central government, regional government or local authority;
b) its activity is limited to advancing specified objectives of financial, social or economic public policy in accordance with the laws and provisions governing that institution, including articles of association, on a non competitive basis;
c) its goal is not to maximise profit or market share;
d) subject to Union State aid rules, the central government, regional government or local authority has an obligation to protect the credit institution's viability or directly or indirectly guarantees at least 90 % of the credit institution's own funds requirements, funding requirements or promotional loans granted;
e) it does not take covered deposits as defined in point (5) of Article 2(1) of Directive 2014/49/EU or in national law implementing that Directive that may be classified as fixed term or savings deposits from consumers as defined in point (a) of Article 3 of Directive 2008/48/EC of the European Parliament and of the Council*

Next article

President's foreword
About us
Our thoughts
InvestEU
CP
SF
CRD & CRR
MREL
EC
ESA
Our work
Our board

From bail-out to bail-in – Europe's resolution framework redesigned

***"Never again"* – since the 2008 global financial crises the regulatory environment in which the financial sector operates has evolved significantly. Extensive reforms were taken with the aim to strengthen the overall financial system's resilience and to address the *"too big to fail"* problem.**



" A credible and effective MREL framework is of crucial importance to the EU banking sector."

As argued by policy-makers, regulators at that time did not have the necessary tools to properly address bank failures which led to many bail-outs of large banks with taxpayers' money. Since then, decisive actions have been taken to set new global standards for effective resolution regimes for banks. While the international standards were designed for G-SIBs, European legislators implemented a resolution framework across the EU, the so-called Bank Recovery and Resolution Directive (BRRD), applicable to all banks in the EU.

An anchor point for this framework is the new bail-in mechanism, which represents a major change of course in dealing with struggling banks. It consists of writing down debt or converting debt claims or other liabilities into equity according to a pre-defined hierarchy, thereby ensuring that the burden of failing banks is firstly placed on shareholders and then on creditors, before any kind of public backstop support can be granted.

The MREL: What is it?

As bailing-in certain liabilities may be legally difficult or potentially disruptive for the real economy, banks are required to hold a sufficient amount of eligible liabilities, the so-called MREL quota (Minimum Requirement of own funds and Eligible Liabilities), globally known as the TLAC standard (Total Loss Absorbing Capacity) for G-SIIs. This regulatory requirement intends to absorb losses of a bank that enters into resolution. Although both standards share the same objective, they are noticeably different regarding their scope, their calibration and the subordination of eligible liabilities. Whereas the MREL quota is set on a case-by-case basis by the resolution authority, the TLAC standard sets a mandatory minimum level for loss-absorbing capacity.

In order to align the MREL and TLAC requirements with the EU framework, legislative proposals (the so-called "BRRD II") were brought forward in 2016 by the European Commission and over the course of the following two years an intense and complex debate ensued. Following the adoption by the Council and the European Parliament of their positions by the end of May and June 2018 respectively, trilogue negotiations kicked off under the Austrian Council Presidency. After a seemingly interminable round of discussions, a final breakthrough surprisingly arrived in December 2018, when a political agreement was eventually found between the co-legislators.

EAPB supports the overarching objective of the final agreement to reduce risks in the European banking sector and to enhance market discipline while maintaining financial stability. It is our view that a credible and effective MREL framework is of crucial importance to the EU banking sector.

A new category of non-preferred senior debt

Following the swift agreement on the harmonisation of creditor hierarchy in late 2017, a new class of non-preferred senior liabilities, designed specifically to be eligible for subordination requirements, was created. Member States were required to introduce this into domestic legislation by the end of 2018 and we believe that this approach will provide legal certainty and eliminate the former divergences in national legislation throughout the EU.

In search of a proportionate approach to MREL

As the newly revised MREL framework will impact future banking activities and funding strategies, EAPB continuously underlined the utmost importance of taking various business models and different resolution strategies across the European banking landscape into account. Many EAPB-members are national and regional state development and Promotional Banks with mandates to pursue public policy objectives. They play a vital role in supporting the economic and structural public policy goals, thereby helping to promote economic growth and stability. Given the responsibility of their public owners for the governance of the institution as well as their special capital structure, they are characterised by a low risk nature.

Against this background and throughout the negotiations EAPB emphasised the importance of setting MREL requirements on a case-by-case basis allowing resolution authorities to take specific characteristics of banks into consideration. Therefore, it is of particular concern that, as in the case of G-SIBs, the final agreement now foresees mandatory minimum requirements for a newly introduced category of 'Top Tier' banks holding total assets in excess of EUR 100 billion.

Notwithstanding this development, EAPB welcomes that for other banks, the MREL quota will continue to be at the discretion of the resolution authority, determined primarily by the systemic relevance of the institution for the European financial market, as well as its resolvability. Moreover, other progress towards a more proportionate MREL approach can be seen regarding banks that would be wound up under national insolvency proceedings and are not subject to resolution. For these banks MREL requirements will not go beyond the 'loss absorption' amount. In a similar vein, it was also agreed that these banks will be exempted from MREL supervisory reporting and public disclosure requirements.

New pre-resolution moratorium powers

The final provisions foresee the possibility of resolution authorities to exercise the power of suspending payments or delivery obligations for a period of two business days after a decision of 'failing or likely to fail' has been made. Even though the initial proposals by the Commission were even stricter, this is concerning, as we believe that the suspension of payments of an institution always sends a very negative signal to financial markets participants. Moreover, we would question the realistic prospect of a bank being able to recover its market credibility, when payments are suspended and then lifted without the bank entering into resolution.

Going forward, the EAPB strongly believes and will continue to emphasise that the revised European bank resolution scheme will only be effective if implemented and applied in a consistent and transparent manner, taking into account the various business models within the European banking landscape.

Verena Cassidy

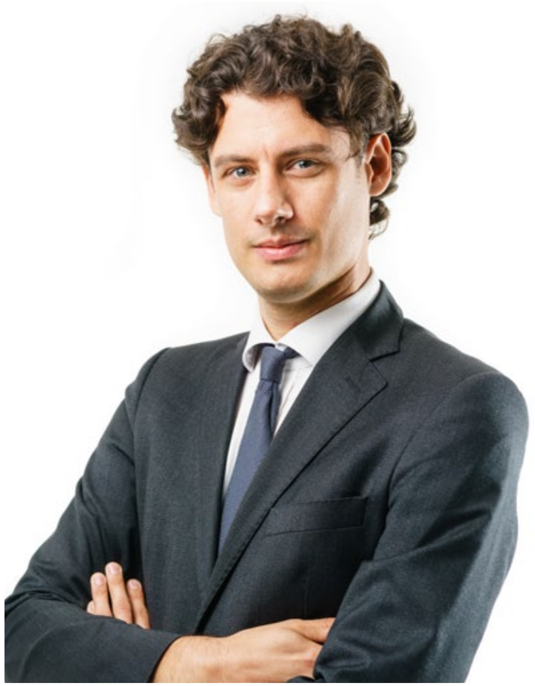
Timeline

- **November 2016**
  European Commission's legislative proposals revising the BRRD
- **December 2017**
  Adoption and entry into force of harmonised Creditor Hierarchy
- **May/June 2018**
  Adoption of European Parliament's Reports & Council's General Approach
- **December 2018**
  Political trilogue agreement reached
- **April 2019**
  Expected final adoption of legal texts by European Parliament and Council

Visit EAPB's website to access our position papers.

Do we need a new European agency to fight financial crime?

2018 was marked by several money laundering scandals in European commercial banks which have prompted a debate about the need for a European Anti-Money Laundering (AML) authority. In this context the European Commission (EC) has proposed in September 2018 to strengthen the AML supervisory framework in the short term and to conduct a more fundamental review of the AML supervisory framework (i.e. possible need for a new EU body) at a later stage, in accordance with the review clause of the 5th AML Directive (i.e. by January 2022). What is the plan and do we need a new Agency to meet current financial crime challenges?



" The idea of founding a new Agency which would then progressively harmonise supervisory practices from the top seems to be tackling the problem from the wrong end."

EC proposals and EAPB activities

A central point of the EC proposals is to grant the European Banking Authority (EBA) new powers. EBA would be tasked with requesting national authorities to investigate alleged breaches of AML. In that respect, EBA would not substitute national authorities, but it may request a competent authority to consider adopting an individual decision. Nevertheless, in case of breaches of Union law, EBA would have the power to adopt an individual decision addressed to the financial institution. This power already existed, but did not apply to the AML Directive.

In addition, the Commission proposed to strengthen existing powers by making "explicit" certain tasks that EBA already has (e.g. convergence powers, an independent review) and reinforcing convergence mechanisms together with an increased coordination role of EBA vis-à-vis national competent authorities. In that respect, EBA would become a data-hub on AML supervision. It would not only be able to collect information, but national authorities shall on an ongoing basis provide EBA with all information relating to "weaknesses identified in the process and procedures, governance arrangements, fit and proper, business models and activities of financial sector operators". The European Commission has also proposed changes to the CRD/CRR to increase the quality of AML supervision and seamless information exchange and optimal cooperation between all relevant authorities in the Union and which have been adopted by the Council of the EU and the European Parliament.

The EAPB holds the Secretariat of the European Banking Industry Committee (EBIC) Working Group on Anti-Money Laundering and financial sanctions and in this capacity has coordinated the views of the wider European banking Sector throughout the year 2018 on this issue. EAPB attended several EC stakeholder meetings and has expressed the views of its members and the wider industry in these meetings as well as in written form. EAPB has also welcomed EC officials at EAPB premises on the occasion of an EBIC meeting to discuss these matters.

In our perspective, the EC-proposals and limited changes are clearly evolutionary rather than revolutionary.

Too early for a new European AML authority

However they lay the ground work for a future AML supervision model and the European Parliament wants the European Commission to sketch out the possibility for a new agency. EAPB-members do not see the necessity for a new AML/CFT institution of the EU as such a step would be absolutely premature at this stage. EAPB-members believe that the above-mentioned AML cases are based – insofar as this can be judged – not on regulatory, but on enforcement deficiencies of the competent authorities. The introduction of a new layer of AML supervision at EU level entails the risk of tying resources of national authorities, which in many cases are already scarce, and risks undermining their enforcement capacity.

It should also be kept in mind that supervising money laundering risk goes far beyond the already highly supervised banking sector as recognised by the scope of the AMLD which extends to notaries, tax advisors, casinos, art galleries etc. The call for a European agency might be tempting for the sake of seemingly simple solutions, but there are concerns how such an institution – if founded on banking supervision bodies like the EBA or the European Central Bank (ECB) - could live up to expectations to cover the diversity of the different sectors at risk.

Moreover most actors involved in countering financial crime such as law enforcement and judicial authorities are mainly empowered at national level. This also why the AMLD is (contrary to many other pieces of financial regulation) a minimum harmonisation Directive with differences in its national transposition across member States, often linked to different police, customs, judicial or tax administration set-ups and practices. These national authorities could not easily cooperate with an EU level agency which would have to supervise still quite different legal situations across Member States and work with very different formats of Suspicious Transactions Reports (STR).

Favour a bottom-up approach and better cooperation between supervisors, police and industry at national and European level

The idea of founding a new Agency which would then progressively harmonise supervisory practices from the top seems be tackling the problem from the wrong end. EAPB-members rather believe that many of the identified short-comings will be actually covered by the 5th AML Directive. Therefore, it is key to wait for the proper implementation of this Directive before new measures are adopted. The implementation of the 5th AML Directive in the EU Member States, which is expected to take place by January 2020, will require increased attention, in particular concerning the proper set-up of beneficial ownership registers which- if properly set-up - should help increase transparency in the corporate sector and make money laundering more difficult.

EAPB also believes that strengthening the exchange of investigative and law enforcement agencies with banks, including cross border exchange would be beneficial. The dialogue could be organised by establishing an AML/CTF coordination body at national level, with the task to gather, analyse and share information and experience from Financial Intelligence Units (FIUs), supervisory authorities and law enforcement authorities regarding risks, latest trends, typologies/modus operandi with the obliged entities. The type of information should for example include clearer information on threat levels, (trans)national crime patterns and names of criminal organisations and networks but also results of customs or tax investigations on a case-by-case basis. An EU body should only have a coordination role in this process by bringing the private and public sector stakeholders together into a dialogue.

Need for individual feedback

EAPB considers that improving individual feedback to STRs should be another top priority. Banks would need to know in particular, wherever a FIU is an administrative FIU and not part of the police or prosecution, if the STR has been handed on to law enforcement agencies or not. Further information on information sharing deficits between competent authorities of the same Member State and/or of different Member States would also be useful. Only proper feedback allows banks to adjust their risk countering measures.

Conclusion

In the longer run, consideration should be given to harmonising certain differences in national regimes such as beneficial ownership thresholds, preventing "gold plating" by Member States and to effectively connecting registers on beneficial ownership or bank account registers. Such measures would bring us closer to well coordinated AML/CT regimes and make the fight against financial crime more effective.

Another increasing challenge for European banks lies in the discrepancy in global sanctions policy regarding certain countries, such as Iran. Given the leverage that US authorities have over the global and European financial system, European banks also have had to take into consideration US sanctions in order to avoid heavy fines if they had any activities with a US connection (very likely when they are part of global correspondent banking networks). This creates significant compliance challenges, which in turn risk pooling resources away from where they are needed, thus also increasing the risk for illegal activities to go unnoticed.

The extra-territorial impact of US sanctions has prompted the EU to adopt a Blocking Statute, making it illegal to follow the US Iran sanctions. However, while increasing the regulatory pressure on European banks, the EU measures to shield European companies from US sanctions are insufficient. It can certainly be welcomed that the EC is considering ideas on strengthening the international role of the Euro and making international financial transactions less dependent on the Dollar (and therewith less prone to the extra-territorial effect of US sanctions), but many of the solutions discussed, e.g. EU based payment systems, stronger use of the Euro as reserve currency and in energy transactions etc. appear to be focused on the very long-term and are unlikely to reduce international sanctions policy divergences or the currently associated compliance risk for banks any time soon.

Unlike AML supervision, the building up of further capacities at EU level to assist European companies with compliance of international sanctions may be one avenue worth exploring.

Julien Ernoult

Timeline

May 2018
Set up of a Joint Working Group in May 2018 involving the Commission services, the SSM and the three European Supervisory Authorities (EBA, ESMA and EIOPA)

31 August 2018
Joint Working Group presented a reflection paper to Member States and the European Parliament with a list of potential actions

September 2018
EC "adds" AML supervision proposals to ongoing discussions on the ESA review

January 2019
The Council reached a general approach and the EP adopted its report on ESA review, incl. AML supervision aspects

March 2019
Council presidency and Parliament reach provisional deal on supervisory framework for European financial institutions

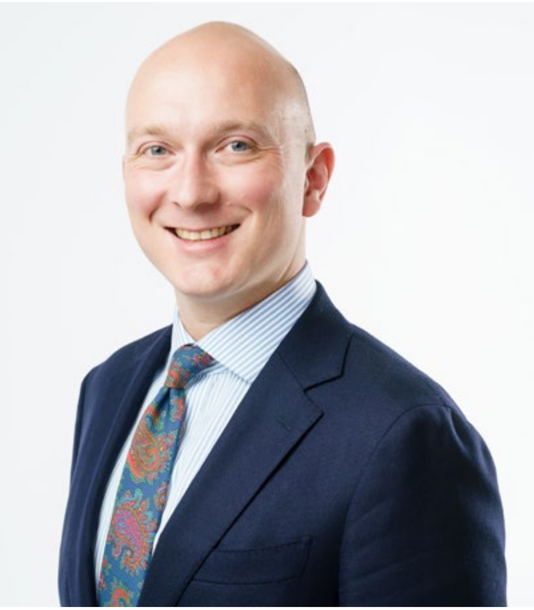
January 2022
EC to publish assessment of new EBA powers and possible need for a new European agency

Visit EAPB's website to access our position papers.

Next article

Establishing a new European Supervisory Framework – Reasonable compromise after difficult negotiations

ESAs-review: the initial proposals were published in September 2017. The EU's supervisory framework underwent a complete overhaul after the financial crisis, thanks to the establishment of the three European Supervisory Authorities for banking (European Banking Authority), capital markets (European Securities and Markets Authority) and insurance and pensions (European Insurance and Occupational Pensions Authority), as well as the European Systemic Risk Board for the monitoring of macro-economic risks. However, to keep pace with the technological developments and the global regulatory changes, steady adjustments are needed. To achieve this, the Commission proposed to further integrate and strengthen EU financial market supervision, by reinforcing the coordination role of the European Supervisory Authorities and attribute new direct supervisory powers. The Commission also proposed to strengthen the European Banking Authority's role in the area of anti-money laundering. In order to fit their new tasks, the Commission also made changes to the European Supervisory Authorities' governance and funding.



" EAPB welcomes the reached compromise as it strengthens the overall European supervision without ignoring the national competent authorities' features."

The positions of the different legislators

The initial proposal tackled the three main issues identified by the Commission: powers, governance and funding. Based on the outcome of the review process, the Commission concluded that the European Supervisory Authorities need to be properly equipped to promote the suitable application of EU law and effective common supervisory standards all over the EU. Supervisory convergence and direct supervision in certain areas were identified as particularly important to enhance the European Supervisory Authorities powers. Additionally, the European Supervisory Authorities should be more involved in the authorisation and supervision of entities from non-EU countries that are active in the Union. Concerning governance, the proposal aimed at a more effective structure for the European Supervisory Authorities by introducing an independent Executive Board with full-time members, replacing the Management Board and also changing the composition of the Board of Supervisor. Concerning funding, the proposal intended to radically change the initial model where a fixed distribution of funding of the European Supervisory Authorities between national authorities (60%) and the EU budget (40%) was set. The Commission wanted to split the distributions into three: annual contributions paid by financial institutions that are indirectly supervised by the European Supervisory Authorities, supervisory fees paid by entities that are directly supervised by the European Supervisory Authorities, and a balancing contribution from the EU that would not exceed 40% of the overall revenues of each agency.

The European Parliament's position was established in January 2019, taking into account more than 1000 amendments. The Parliament intended to strengthen the European Supervisory Authorities competences by giving them more direct powers; conception and enforcement of strategic planning, the possibility to review the national authorities' work, as well as the possibility to request data directly from the financial institutions. Concerning funding, the European Parliament intended to keep the current model with slight changes, they proposed a distribution of funding of the European Supervisory Authorities between national authorities (up to 65%) and the EU budget (at least 35%). For the Parliament it was of utmost importance - in the context of Brexit – to enhance the equivalence regime needed to pave the way for a single supervisor for the Capital Markets Union.

In February 2019, the Council adopted its general approach, enabling interinstitutional negotiations with the European Parliament. The approach advocated for example the elaboration of a strategic supervisory plan at EU level, while reinforcing existing mechanisms such as peer reviews or consultation of the stakeholders' groups. Concerning the overall competences, the Council recommended giving the European Securities and Markets Authority direct supervision powers over critical benchmarks. In addition, the Council proposed that information exchange and cooperation between national authorities be strengthened, and that the European Supervisory Authorities take better account of cross-border activities. Concerning the overall governance structure, the general approach maintained the principle that decisions must be made by the Board of Supervisors, ensuring a key role for national competent authorities. As regards the authorities' funding scheme, the Council position generally preserved the existing system of contributions coming partly from the EU budget and partly from national competent authorities.

Interinstitutional negotiations: tough trilogues

It took six trilogues to reach a deal. As the Commission's initial proposal and the European Parliament's position were more far reaching than the light changes the Council was proposing, it was unclear until the very end if an agreement could be found.

The outcome: modest changes

The outcome of the interinstitutional negotiations led to a more convergent and hence improved supervision, probably reducing compliance costs thanks to more harmonised standards. In relation to their supervisory convergence mandate, the reform emphasises that the European Supervisory Authorities should consider the nature, scale and complexity of the risks inherent in the business of the financial institutions and market participants that are affected by their convergence measures. Additionally, new references in relation to FinTech and sustainable finance will ensure that supervisors are fully up to speed with market developments. The reform does not change the strong role for national authorities in many areas of supervision, including the European Supervisory Authorities governance. At the same time, the reform intends to improve the ability of national authorities to maintain the necessary standards of financial supervision. The current funding system will continue to apply with minor additions that will allow the European Supervisory Authorities to charge for publications, training and for any other services specifically requested by one or more supervisors. The agreed rules will also allow the European Supervisory Authorities to accept voluntary contributions from Member States or observers if these contributions do not put the independence of the European Supervisory Authorities into question.

EAPB position: supervisory convergence contributes to more legal certainty and a level playing field

In general, the EAPB welcomes the reached compromise as it strengthens the overall European supervision without ignoring the national competent authorities' features. Especially, the EAPB supported the proposed European Securities and Markets Authority mandate to directly supervise entities acting in a pan-European context, such as critical benchmarks or Central Counterparties in a third country. With the reached deal, the governance remains in the hand of the member states, as strongly supported by EAPB, as National Competent Authorities, through their experience and knowledge, should decide on all fundamental matters of supervision. Concerning funding, the EAPB believes that the present funding model strikes a good balance between contributions from national supervisors and from the EU budget, as for us, a contribution from the EU's budget is necessary, since the European Supervisory Authorities supervision contributes to the public goods of financial stability, consumer protection as well as consistent conditions to all market participants.

Sebastian Wolpers

Timeline

- November 2016
  COM publishes initial proposals
- September 2018
  COM adds AML provisions
- December 2018
  Council reaches approach on AML
- January 2019
  EP agrees negotiating position
- February 2019
  Council agrees general approach
- February/March 2019
  Co-legislators hold trilogues
- 21 March 2019
  Provisional agreement reached, compromise to be confirmed

Visit EAPB's website to access our position papers.

EAPB member BNG Bank invests in sustainable energy

Project: Farmer chooses sun
Location: The Netherlands
Beneficiaries: Renewable energy for 11,500 farms
Allocated resources: EUR 26 million

Overview of EAPB meetings and major events

March

8	Panel Debate on Euro-Clearing after Brexit - Brussels

On March 8, EAPB, VÖB and the Representation of the State of Hessen to the EU organised a panel debate on "Euro-Clearing after Brexit" at the premises of the Representation of the State of Hessen at Rue Montoyer 21, 1000 Brussels.

The clearing of derivatives in Euro is amid the areas that will be impacted most by Brexit. The largest amount of OTC derivatives trading is currently being executed in London. Continental European providers in France and Germany have, up to now, reached only minor market shares. The trading volume of centrally cleared derivatives exceeds levels of 300 trillion US Dollars worldwide. As a reaction, the EU Commission published in June 2017 its proposal, which foresees a relocation of derivative transactions in Euro in the future, if the clearing house is considered to be particularly systemically relevant.

Members of the European Parliament, representatives of the European Commission and different clearing houses and public banks discussed which measures may be most suited to ensure a functioning clearing business after Brexit and proposed possible new approaches for an efficient supervision.

The agenda included contributions from Dr. Danuta Hübner, MEP, Rapporteur on EMIR 2, Mr. Patrick Pearson, Head of Unit, Financial Markets Infastructure, DG FISMA, European Commission, Mr. Giampiero Carlà, Senior Officer of Markets Department, European Securities and Markets Authority (ESMA), Mr. Daniel Kapffer COO, DekaBank Deutsche Girozentrale, Mr. Daniel Maguire CEO, London Clearing House, Mr. Matthias Graulich CSO, Eurex Clearing.

Pictures of the debate are available on EAPB's website.

May

16 **EAPB Economic and Financial Affairs Committee Meeting - Brussels**

EAPB organised its Economic and Financial Affairs Committee Meeting on May 16. EAPB provided an update on the most recent status of the CRD IV and CRRII as well as the BRRD/SRMR. The EAPB outlined the different initiatives regarding climate-related risk. The Commission's action plan: financing sustainable growth was highlighted in particular.

Mr. Davide Lombardo, DG FISMA, delivered a presentation on Sovereign Bond Backed Securities (SBBS), Mr. Ivo Jarofke, DG FISMA, presented the key changes in 5 different areas in his presentation on the Basel III Finalisation.

May

17 **EAPB State Aid and Development Committee Meeting - Brussels**

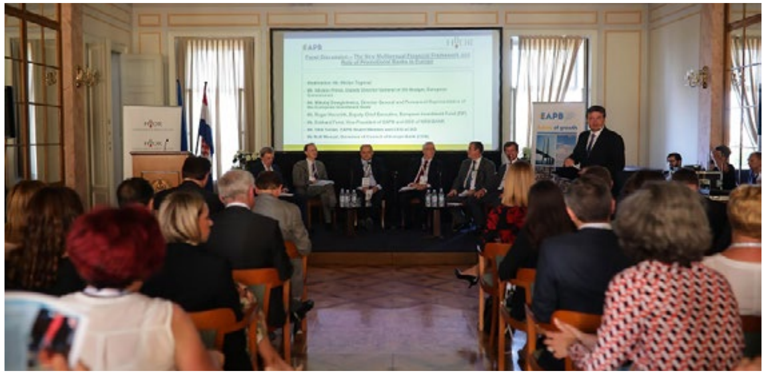
EAPB organised its State Aid and Development Committee Meeting on May 17. EAPB presented the latest development concerning the possible review of the SME definition and summarized the course of EAPB activities on the design of the post-2020 Multiannual Financial Framework (MFF). EAPB presented the latest development concerning the EC proposal for an Amendment to the de-minimis regulation for the agricultural sector.

Mr. Filippo Munisteri, DG ECFIN, European Commission provided an outlook on EU-level Financial Instruments, Mr. Munisteri's presentation focused on the future of InvestEU Programme which aims to simplify the EU investment programs, currently fragmented into dozens of instruments.

June

4-5 **EAPB CEO Conference and General Assembly - Zagreb**

EAPB held its CEO Conference and General Assembly in Zagreb on June 4 and 5. Mr. Philippe Mills, CEO of SFIL and EAPB President and Ms. Tamara Perko, CEO of HBOR opened the CEO conference. Ahead of the Croatian presidency of the Council of the EU in 2020, the Croatian Minister of Finance Mr. Zdravko Maric delivered a speech to the participants of the conference on the priorities of Croatia with regard to the new EU budget.



A high-level panel discussion on the future of the Multi Annual Framework (MFF) followed the speech.
The Panel discussion included Mr. Silvano Presa, Deputy Director General of DG Budget, European Commission, Mr. Mikolaj Dowgielewicz, Director General and Permanent Representative of the European Investment Bank, Mr. Eckhard Forst, Vice President of EAPB and CEO of NRW.BANK, Mr. Sibil Svilan, EAPB Board Member and CEO at SID Bank and Mr. Rolf Wenzel, Governor of Council of Europe Bank (CEB). The audience included CEOs and Board members of EAPB-members institutions, as well as high-level representatives from the World Bank and other key institutions and stakeholder organisations The conference showcased the increasing need for cooperation in implementing promotional policies EU-wide and discussed the appropriate legislative framework for Promotional Banks in the context of the new EU budget.

On the occasion of its General Assembly, EAPB announced that the Malta Development Bank (MDB) has joined EAPB as its 31st member. The MDB contributes towards sustainable economic development that benefits the Maltese people by promoting inclusive and environmentally sustainable economic growth and infrastructure development.

At the General Assembly, Ms. Kristine Falkgard, President and CEO at KBN (Norway) was appointed EAPB Vice President. Ms. Tamara Perko, CEO of HBOR (Croatia), Ms. Lidwin van Velden, Managing Director at NWB Bank (The Netherlands) and Dr. Jürgen Allerkamp CEO at IBB (Germany) were appointed new Board Members of the EAPB. Mr. Philippe Mills President of the EAPB and CEO of SFIL (France), Mr. Eckhard Forst, Vice President of EAPB and CEO of NRW.BANK (Germany), Ms. Iris Bethge Executive Managing Director of VÖB (Germany), Mr. Josep-R. Sanroma, CEO of ICF (Spain) and Mr. Sibil Svilan, CEO at SID Bank (Slovenia) were re-elected to the EAPB Board.

June

20 | **EAPB Capital Markets Committee Meeting – Brussels**

EAPB organised its Capital Markets Committee Meeting on June 20. EAPB briefed the participants on the legislative proposals tabled within the Capital Markets Union (CMU) Package I from 8 March 2018. The proposals included measures for facilitating cross-border distribution of investment funds to cross-border transactions in claims and securities, as well as the package on SME Growth Markets and the crowdfunding regulation. EAPB also provided the committee with an explanation of the activities surrounding the European working group for the Markets in Financial Instruments Directive (MiFID)II.

The EAPB welcomed Mr. Rezah Stegeman and Mr. Aron Berket from the derivatives department of Simmons & Simmons. Mr. Stegeman sketched the future options for derivatives clearing in Europe, both for new and existing contracts. Mr. Stegeman discussed with the members the recognition of non-EU Central Counterparties (CCPs) after Brexit.

Mr. Kälberer from the Association of German Covered Bonds Banks, delivered a presentation on the recent Commission's proposal for the pan-European covered bonds framework. Mr. Kälberer discussed the key provisions of the proposal, including definitions and structural features, public supervision, the European Covered Bond Label, and grand-fathering.

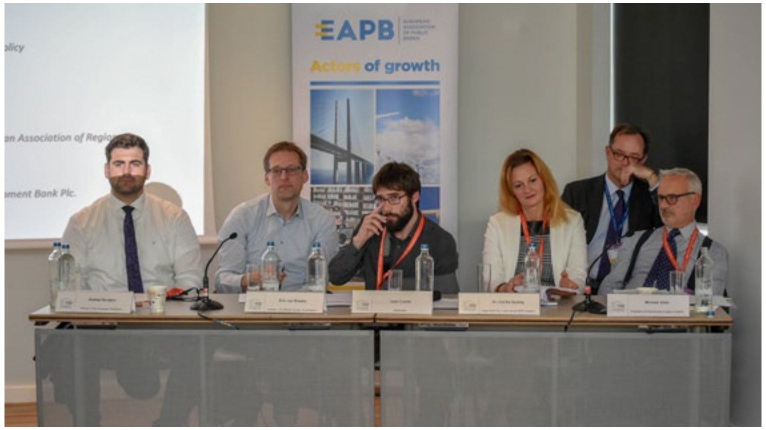
October

10 — **Public banks implementing financial instruments in EU Cohesion Policy within MFF - Brussels**

On October 10, EAPB held a workshop on the role of 'public banks in implementing financial instruments in EU Cohesion Policy within MFF' as part of the European Week of Regions and Cities.

The workshop highlighted the importance of financial instruments in Cohesion Policy - a set of tools allowing to increase significantly the concrete impact of EU funds. They are highly flexible - meaning they can be used for any type of funds (ERDF, EARDF, ERDF) and can help to reach a wide variety of objectives (from energy efficiency to competitiveness).

Participants nevertheless stressed the need to simplify further the rules, to step up the work on standardisation and to strengthen the role of local intermediaries. "There has been an appreciable effort from the European Commission in the new CPR proposal, but to have more Financial Instruments in post 2020 Cohesion Policy we need to reinforce further the regional financial players which are already able to blend market rules and act for local development", said Michele Vietti, President of Finlombarda. The European Commission replied by saying that it is ready to look into any further suggestion for greater simplification or flexibility. "But certain obligations in terms of transparency, accountability and sound financial management must be respected", said Eric von Breska, Director at the DG for Regional and Urban Policy.



President's foreword
About us
Our thoughts
Our work
Our board

Flexibility of financial instruments also means that their use is possible in all EU countries, despite national differences in capital markets. The panel explored in detail the example of Hungary: the Hungarian Development Bank (MFB) allocated more than 2.3 billion euros to financial instruments during this period. This is the highest proportion of funds allocated to financial instruments in the EU, stressed Cecilia Gyalor, head of the MFB's EU coordination directorate. But panelists agreed that this can require an important technical assistance that should be provided for free and that will bring citizens closer to EU, as stressed by Andrey Novakov - member of the European Parliament and EPP rapporteur for the Common provisions Regulation.

You can access the pictures of the workshop on EAPB's website.

October

18	EAPB State Aid and Development Committee Meeting - Brussels

EAPB organised its State Aid and Development Committee Meeting on October 18. EAPB briefed the participants about the developments on the legislative proposals governing the Structural Funds in the Multiannual Financial Framework (MFF) 2021-27 since their publication in May 2018.

Mr. Michael Erhart, Head of Unit DG BUDG, European Commission, discussed the new principles set out in the Financial Regulation for Promotional Banks' activities with the focus on the next MFF.

October

18 **Export Workshop of the EAPB State Aid and Development Committee – Brussels**

EAPB's State Aid and Development Committee Workshop took place in Brussels on October 18. Ms. Astrid Cousin, Head of Unit, D4 - State Aid - Financial institutions II, DG Competition, EU Commission, outlined the EU State Aid framework for export credits and its articulation with the OECD arrangement and WTO rules.

Ms. Freya Lemcke, Vice President at Representative of German Industry and Trade (RGIT), presentation topic was "Trade, Trump, and Turbulences - an Update from Washington". Mr. Istvan Forrai (Managing Director) delivered a presentation on export financing opportunities in Hungary with a focus on SMEs and mid-caps.

Mr. Michiel Matthijssen, ALM Manager, Portfolio Management Treasury, BNG Bank, shared his insights on supporting export finance in the Netherlands. Ms. Anne Crépin, Deputy Head of Export Finance, SFIL, presented a dedicated solution for large export credits in France.

Ms. Marta Hejmowska, Senior Specialist Buyer's Bank Credit, and Ms. Joanna Mularczyk, Senior Specialist Trade Finance, both from Bank Gospodarstwa Krajowego, BGK, presented the BGK Buyer's Bank Credit. Ms Andreja Mergeduš, Managing Director of Export Credit Insurance Department, HBOR, outlined practical problems in public export financing in Croatia.

November

21	EAPB Capital Markets Committee Meeting – Copenhagen

On November 21, EAPB organised its biannual Capital Markets Committee Meeting in Copenhagen. Mr. Johnny Munk, CEO of KommuneKredit, welcomed the participants and delivered a presentation on KommuneKredit's mission and history.

EAPB reported on the High-level Expert Group for Sustainable Finance (HLEG), the European Market Infrastructure Regulation (EMIR) & Euro-Clearing and the Markets In Financial Instruments Directive (MiFID II).

Ms. Guri Weihe presented KommuneKredit's Green Bonds Program. Ms. Marion Zosi, Policy Adviser to Ms. Danuta Hübner MEP, provided an update on Brexit and Mr. David Hiscock from the International Capital Market Association (ICMA) delivered a presentation on Benchmarks.

November

28-29 | **EAPB Annual Reception and Conference – Brussels**

EAPB held its Annual Reception and CEO Conference in Brussels on the 28th and 29th of November. Mr. Philippe Mills, EAPB President and CEO of SFIL opened the Annual Reception highlighting the role of public banks and municipality funding agencies as gate openers in the area of sustainable finance. Mr. Masamichi Kono, Deputy Secretary General, OECD delivered the keynote speech on Sustainable Finance for Europe: Challenges and Opportunities.

On the occasion of its CEO Conference, public banks and municipality funding agencies high levels representatives met with Ms. Florentine Hopmeier, Cabinet Commissioner to discuss the latest developments on InvestEU. Mr. Jan Olbrycht MEP, European Parliament shared his views on the Multiannual Financial Framework 2021-2027. Mr. Timo Löyttyniemi, Vice Chair, Single Resolution Board, delivered a presentation on the common backstop and its role for the European resolution framework. Mr. Ludovic Seringes, EC office in Athens, explained how the European Commission provides technical assistance for the creation of new Promotional Banks in Europe and for capacity building of existing institutions.

Pictures of the annual reception are available on EAPB’s website.

December

5	**EAPB Economic and Financial Affairs Committee Meeting – Brussels**

EAPB organised its Economic and Financial Affairs Committee Meeting in Brussels on December 5. EAPB provided an update on the most recent status of the CRD IV and CRRII as well as the BRRD/SRMR and the ESAs review. EAPB presented the current state of play of the Brexit process and provided an update on regulation on minimum loss-coverage for NPL.

Mr. Andreas Schirk from DG FISMA joined the committee to discuss the Commission's plans with regard to the implementation of the Basel III Finalisation Package into EU law. Mr. Schirk briefly presented the 5 main areas in which changes will take place: SA credit risk, IRB approach for credit risk, credit risk valuation adjustment risks, SA operational risk and the output floor.

EAPB participation at European Commission expert groups

- Expert group for the structured dialogue with European structural and investment funds' for the programming period 2014-2020
- Payment systems market expert group
- Derivatives expert group
- Clearing and settlement code of conduct monitoring group
- Expert group for automatic exchange of financial information
- Expert group on corporate bonds

EAPB comment letters and position papers and EAPB contributions to comment letters and position papers from the European banking industry

January

26	EAPB position paper on COUNCIL DIRECTIVE amending Directive 2011/16/EU as regards mandatory automatic exchange of information in the field of taxation in relation to reportable cross-border arrangements
30	EAPB position paper on CRD review proposals

February

8	EBIC position paper on the review of the ESAs

March

6	Public consultation on EU funds in the area of cohesion
7	Public consultation on EU funds in the area of investment, research & innovation, SMEs and single market
15	Position paper on the implementation of the revised market risk and counterparty credit risk frameworks
28	EBIC letter on the commission's consultation on the finalisation of Basel III – deadline extension

April

12	Position paper on draft commission regulation amending regulation (EU) No 1408/2013
20	EAPB position paper on exploratory consultation on the finalisation of Basel III

May	
1	EBIC letter on creditworthiness assessment under the consumer credit directive
3	Final EAPB response to the EC public consultation on the possible review of the SME definition

June	
11	EAPB comments on the commission proposal for a regulation amending regulation (EU) No 575/2013 as regards minimum loss coverage for non-performing exposures
11	EAPB response to ECB consultation on guide to ICAAP
11	EAPB response to ECB consultation on guide to ILAAP

July	
3	EAPB position paper on the proposed cross-border payments regulation

August	
14	EAPB position paper on the proposal for the InvestEU Programme in MFF 2021-27
30	EAPB position paper on the ECON Report on disclosures relating to sustainable investments and sustainability risks tabled on 2 August 2018
31	EAPB position paper on the proposal for the sustainable finance taxonomy regulation
31	EAPB comments on the draft opinion of the ITRE committee on the proposal for the InvestEU Programme in MFF 2021-27

September

20	Position paper of the EAPB on the legislative proposals governing the EU Cohesion Policy in the Multiannual Financial Framework 2021–2027

November

1	EAPB comments on the ECON/BUDG draft report 2018/0229 on the establishment of the InvestEU Programme
27	EAPB comments on the amendments of the European Parliament to the ECON/BUDG draft report 2018/0229 on the establishment of the InvestEU Programme

December

5	EAPB and AECM joint statement to the legislative process of the regulation proposal establishing the InvestEU Programme 2021-27
5	EBIC letter on the EBA IRBA bottom-up repair
20	EBIC answer to EC questionnaire on FIU cooperation and AML/CFT supervision at EU level

You can find EAPB comment letters and position papers on our website.

You can find EAPB contributions to comment letters and position papers from the European banking industry on EBIC's website.

EAPB member ICF finances the innovation and digitalisation of the industry

Location: Barcelona, Spain
Beneficiaries: Industrial SMES's

EAPB board and secretariat

Our board – Status 01/06/2019

President
Philippe Mills
SFIL
Chief Executive Officer

Vice – President
Kristine Falkgard
Kommunalbanken Norway (KBN)
President and CEO

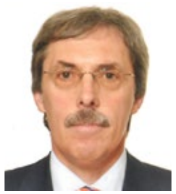
Vice – President
Eckhard Forst
NRW.BANK
Chairman of the Managing Board

Board Member
Dr. Jürgen Allerkamp
Investitionsbank Berlin (IBB)
CEO

Board Member
Iris Bethge
Association of German Public Banks (VÖB)
Executive Managing Director

Board Member
Tamara Perko
Croatian Bank for Reconstruction and Development (HBOR)
President of the Management Board

Board Member
Josep-R. Sanroma
Institut Català de Finances (ICF)
Chief Executive Officer



Board Member
Sibil Svilan
Slovene Export and Development Bank Inc. (SID)
President of the Board and CEO

Board Member
Lidwin van Velden
NWB Bank
Managing Director

Our secretariat

EAPB Secretary General
Marcel Roy
European Association of Public Banks (EAPB)
Secretary General

ACTO
RS OF
GROWTH

EAPB

www.eapb.eu
European Association of Public Banks and Funding Agencies AISBL
Avenue de la Joyeuse Entrée 1-5
B-1040 Brussels
Belgium
@EAPBBR