



Dear user,

Thank you very much for your interest in the European Banking Authority (EBA) and for submitting your comments to one of our consultations. Your response has been received and will be taken into account by the EBA. Please find below, for your records, the response you have submitted.

Please note that this email address is not monitored and does not accept replies. If there is something wrong or missing in your response to the consultation, please contact us at info@eba.europa.eu.

Kind regards,

European Banking Authority

Your answers are:

1. In which Member State is your institution established? :

The European Network of Credit Unions represents credit unions and associations with members in Estonia, Ireland, Poland, N. Macedonia, Netherlands, Romania, Ukraine, Croatia, and Moldova. Although not a member of the European Network of Credit Unions, the United Kingdom is a member of the World Council of Credit Unions which is the parent company of the European Network of Credit Unions. There are approximately 1,000 credit unions in the European Union (EU) with more than EUR 20 billion in total assets and 7 million physical person members.

2. Please provide information on the type or nature of customers or categories of customers you have decided not to service and/or on the financial products you have withdrawn from providing. :

Credit Unions are sometimes de-risked by banks. Credit Unions' members include individuals, sole traders, partnerships, small corporates, clubs and societies. This can expose credit unions to cash intensive businesses. As credit unions use banking services, they potentially could be derisked as through association with cash intensive business. The inability to get access to payments systems or other services of banks often affects the products and services that can be provided to these members. As such, these members will often be forced to seek higher priced services of for-profit banks or sometimes go without services since credit unions often served rural or under-served areas.

Please provide quantitative data where possible in support of your response (e.g., how often this type of decisions are taken per calendar year, an estimate % this represents in the total number of your business relationships, etc.):

We would point to the Bank of International settlements that shows that the number of active correspondent banks worldwide fell by about 3% in 2019 and about 22% between 2011 and 2019. The volume and value of cross-border payments continued to grow over the last eight years, suggesting a higher concentration in payment flows. Our members report that this is consistent from their observed perspective. Report available at:

https://www.bis.org/cpmi/paysysinfo/corr_bank_data/corr_bank_data_commentary_2008.htm.

3. Which risk factors does your institution consider when assessing whether to withdraw from serving certain customers or categories of customers or from offering certain products? In your experience, is one risk factor more important than others? If so, which one? :

Our institutions report that one of the main reasons for de-risking a credit union that is often believed to be the reason is the regulatory burden and risks associated with AML/CFT requirements that is often balanced against the potential profit to be derived from the volume of transactions associated with credit unions. In other words, the profit does not justify the work required. Further, confusion still exists to what responsibility associated with AML/CFT requirements. Credit Unions are member owned financial cooperatives and therefore banks often believe they are responsible for conducting due diligence on all of the credit unions' members. Although this has been clarified by FATF that due diligence only needs to take place on the credit unions board members, banks are often concerned that they may still incur some risk. Further, the ability to conduct information sharing on a cross-border basis for AML/CFT purposes is sometimes difficult due to differing privacy standards in different countries or a lack of understanding of privacy regulations on a cross-border basis. This contributes to the unwillingness to serve smaller financial institutions.

4. What measures (such as offering alternative products, increasing the price for an existing product, or restricting the features of an existing product) has your institution taken to mitigate potential detriment arising from your de-risking decision?:

If credit unions cannot obtain services from a bank, they are often forced to seek services from a second or third tier bank which can be expensive and burdensome. This can often lead to the decision to not offer certain products and services such as access to payments systems.

5. Has your institution received any complaints from customers or prospective customers on matters related to de-risking? If so, how many and what were the top-two issues raised by these complainants?:

Credit unions are often the entity being de-risked. They do hear from their members complaints about not being able to offer services similar to their large bank counterparts.

6. In which Member State is the financial institution that decided not to have/withdraw business relationship with you established?:

See response to question 1. ENCU represents credit unions in multiple countries.

7. Which financial product have you been denied access to? :

Investment services on behalf of the credit unions. Access to payments systems.

8. How did it affect you and what was the concrete impact of this decision? :

See answer to Question 5.

Please provide quantitative data where possible in support of your response.:

We urge review of our comment letters filed in connection with the de-risking issues referenced in this World Council of Credit Unions blog post available at : <https://advocate.woccu.org/?post=1631>. The comment letters further provide thorough discussion of the issues surrounding de-risking.

9. How was the decision not to have/withdraw a business relationship with you explained by the financial institution? :

Often no reason is given by the financial institution for de-risking a credit union, but often it is clear that the cost of servicing the credit union is outweighed by the regulatory and operational burden.

10. Were you given an opportunity to have this decision reviewed and if so, what was the process involved with what outcome? Please provide details.:

There is usually no appeal mechanism.

11. Were you able to use alternative channels to access financial services? Please explain. :

Credit Unions can seek second or third tier banks to provide alternative channels, but these often are cost prohibitive.

Type of organisation::

2

If you selected "Financial Institutions", please specify the type here::

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Name of the organization:

European Network of Credit Unions

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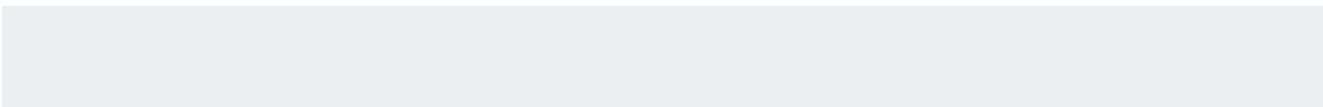
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