

SCconFin 2021 45

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EBA Staff

EBA Regular Use

Discussion note

on the EBA's further work on 'de-risking'

Background

1. As SCconFin members may recall, EBA staff presented at the meeting of the SCconFin in January 2021 the EBA's work on de-risking that followed the Call for Input the EBA had launched in June 2020.
2. This discussion note provides a summary of the analysis carried out by EBA staff to-date and sets out the next steps. SCconFin members and observers are invited to provide comments and raise any questions they may have.

Overview of the input received to the EBA call on de-risking

3. EBA staff assessed the input received by respondents to the Call for Input that was launched in June 2020, and considered both, the reasons provided by financial institutions (FIs) that make decisions to de-risk customers and the issues that have been reported by the users of the financial system affected by these decisions.

Summary of the explanations provided by financial institutions that make decision to de-risk

4. Credit institutions report that they de-risk customers that belong to the following categories:
 - **customers that fall within the scope of US legislation.** Customer groups in this category are so-called 'accidental Americans' (i.e., customers to whom the US Foreign Account Tax Compliance Act – FATCA applies). Credit institutions offering USD clearing also report that they tend not to conduct business with individuals or entities that are listed under the US sanction regime (that can differ from the sanction regime applied in the EU or the UN).

Summary of the issues reported by users of the financial system affected by de-risking

5. Respondents affected by de-risking claim that:

- For all respondents, that **no explanations** were provided to them that would explain why they were being de-risked.
6. Furthermore, respondents say that de-risking decisions had the following impacts:
- For those entities/individuals that were already in an existing business relationships with the financial institutions but that were de-risked, there was too little time in their view (in most cases, 2 to 3 months) that elapsed between the notification and the termination of the contract, which they said gave them **insufficient time to enter into a relationship with an alternative provider**.
 - Many entities/individuals claim that, after having been offboarded, they were **unable to secure alternatives** to access financial services in the EU.
7. Finally, respondents report that the whole process lacked transparency and that they could not appeal the decisions if they felt they were treated unfairly.