The EBA calls on banks to consider long-term horizons in their strategies and business activities

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* The EBA highlights need to promote long-term approaches.
* A robust regulatory prudential framework is a pre-condition for long-term investments.
* Disclosure of long-term risks and opportunities should be enhanced.

**The European Banking Authority (EBA) published today its Report on undue short-term pressures from the financial sector on corporations, which presents its analysis on the extent to which short-termism is present in the banking sector. This assessment responds to a call for advice from the European Commission as part of its Action Plan “Financing Sustainable Growth” and will inform on policy actions that could be taken to ensure that long-term perspectives are adequately considered in the financial sector.**

The EBA assessed the potential presence and drivers of short-termism, by looking at (i) potential short-term pressures exerted by banks on corporate clients, and (ii) potential short-term pressures banks may be under on their own, by shareholders and capital markets. Furthermore, the Report assesses whether banking regulations may play a role in exacerbating or in mitigating short-termism.

Overall, based on an analysis of available qualitative and quantitative sources, the EBA identifies some limited concrete evidence of short-termism, without necessarily being in a position to label it systematically as undue, and highlights the need to promote long-term approaches.

On this basis, the EBA provides policy recommendations advocating that policy action should aim at providing relevant information and incentives for the banks to incorporate long-term time horizons in their strategies, governance, business activities and risk management.

The EBA especially recommends to the European Commission and the EU legislators:

* to maintain a robust regulatory prudential framework as a pre-condition for long-term investments, while continuing monitoring potential unintended consequences of financial regulations on the supply of sustainable investment financing ;
* to foster the adoption of longer-term perspectives by institutions through more explicit legal provisions on sustainability in the Capital Requirements Directive (CRD);
* to continue enhancing disclosures of long-term risks and opportunities, by both corporations and banks, by setting principles and requirements that can ensure comparability and reliability of disclosure e.g. through amendments to the Non-Financial Reporting Directive;
* to improve information flows, data access and support the role of the banking sector in raising awareness on sustainability challenges and environmental, social and governance (ESG) risks, for example through the development of platforms or by setting-up a centralised database on environmental data for financial sector.

Legal basis and next steps

This Report responds to a European Commission’s request included in its Action Plan: Financing Sustainable Growth, which aims notably to foster transparency and long-termism in financial and economic activity The European Supervisory Market Authority (ESMA) and European Insurances and Occupational Pensions Authority (EIOPA) are also publishing today a report for the entities and activities in their remit.

The three ESAs have been asked to investigate potential evidence and sources of undue short-term pressures on corporations from the financial sector and provide advice on areas which regulators should address.

Recommendations for policy actions have been submitted to the European Commission.

The EBA is actively working on sustainable finance and has outlined its approach and timelines for delivering mandates related to Environmental, Social and Governance (ESG) factors and risks in its [action plan on sustainable finance](https://eba.europa.eu/sites/default/documents/files/document_library/EBA%20Action%20plan%20on%20sustainable%20finance.pdf).