



Jean Lemierre

Chairman, BNP Paribas

CoVid-19: banks are part of the solution

The Covid-19 pandemic is a worldwide public health issue, which has brought a large part of the world's population and economy to a complete stop, leading the global economic activity to decline on a scale we have not seen since the Great Depression, with a drop of 6.1% in GDP for the advanced economies, as estimated by the IMF.

After the deep economic and financial 2008 crisis, and ten years of unprecedented regulatory and institutional overhaul to strengthen financial stability, the European Union is now confronted, with the outbreak of the CoVid-19, and its potential social, economic and financial consequences, to its first pan-european systemic crisis, affecting all Member States albeit with different timing and intensity, and all sectors of the economy.

Contrary to the sub-prime crisis, banks are not the problem, they are part of the solution. A prompt, coordinated and powerful response to this unprecedented challenge has been designed at EU and Member States level. Banks are called to support the economy, and are doing it in every geography and business lines.

Banks are at the core of public policies, to avoid the massive bankruptcies that characterized previous crisis, with their dire consequences on job losses. Hand in hand with authorities, banks are the backbone of the financing of the economy, to support short term temporary liquidity needs, and to facilitate the recovery. Our staff is mobilized to address clients needs, every day, in branches, business centers, back-offices, risk management units, data centers. Banks are open for their clients, and the financial infrastructure works: payments, settlements, client orders, are processed in millions, across the globe so the economy can function. As an example, Swift transactions are close to their peak in March and April, with a 16% increase y/y. Moratoria and new loans are discussed with clients and granted with an accelerating process in most EU countries. In France, 3 weeks after the implementation of the State-guaranteed loans, 150 000 companies have received approval, for a total of 22 bn€, and the framework is ramping up quickly.

The massive financing that banks will provide to the economy is supported by the liquidity provided by the ECB, and by State Guarantees provided by Member States. Regulators are implementing the flexibility embedded in existing regulations, and, at the margin, adapting regulations to international standard setters guidance. This contracyclical approach is at the core of financial stability: build capital and liquidity buffers in good times, to be well prepared to weather bad times.

Time will come to learn the lessons of the crisis, and to build the foundations of the recovery which is needed in the years to come. Policy makers will also have to adapt the regulatory framework where rigidities may have dampened timely responses to the crisis.

But for the moment, our energy should be fully devoted to fight the virus and its economic consequences, hand in hand with the authorities. ●