José Antonio Álvarez

Chief Executive Officer, Santander Group

This time it's different. Let's keep it that way.

As I write this, many parts of Europe are in their second month of living with the COVID-19 corona virus. To many, the economic disruption and volatility in financial markets recalls the uncertainty and instability of the 2008-9 financial crisis and the Great Recession that followed it, or even the Great Depression of the 1930s.

But we know this time around is very different. In this crisis, triggered by a public health emergency, we in the financial community – banks and other financial institutions, monetary authorities, regulators and supervisors, our customers and employees and shareholders - are very much on the same side. We have all been rowing in the same direction. So far that has enabled us to mobilize huge resources for the economy.

It will be very important in the coming months to maintain that shared vision and solidarity, which could come under pressure as the public health crisis wears on. So it is a good time to remind ourselves of some guiding principles as we go forward. We must always remember that our purpose is to support people and businesses, in difficult times as well as good times.

In the last two months, central banks and other authorities have been very quick to act in unleashing huge amounts of liquidity into the system. They did this through market operations and through prudential relief, eliminating the capital and liquidity buffers put in place while economies were growing to make banks more resilient when they are not.

Recognizing that monetary policy could not be the only answer, governments have put in place a series of fiscal and social measures that include direct support for SMEs and other companies, employment and wage protection and loan guarantees and moratoria. Banks, in most instances, are the transmission mechanism for these programs.

All this happened in the first weeks of March. Not surprisingly, many of these initiatives took a few days to be activated, but they were mostly activated.

The close coordination among banks, supervisors, monetary authorities, governments and other key actors have led to quick preventive and corrective actions. On issues ranging from accounting and prudential flexibility the eligibility of collateral, I have seen authorities act quickly when the industry has raised concerns. In turn, banks have responded when concerns were raised over dividends and other measures to conserve capital.

Our collective learning curve has been steep. Here are some of the lessons we learned at Banco Santander, both for authorities and ourselves, which may be useful as we continue to navigate this crisis.

- **Be safe**: The first concern of any institution must be the well-being of its employees and customers. Working from home, protective guidance for branches and mental health support all help to keep people well. Maintaining their jobs is fundamental.
- **Be fast**. You can't rescue a company after it has gone under. Banks and authorities have had to work very closely together to get support where it needs to be, quickly.
- **Be big**. Monetary and fiscal measures work best when markets see they are of the scale required to address the problem. Make sure what you do is enough and the conditions are right. Half-way treatments don't work.
- **Be simple**. Applying for loans or benefits should be as paper-free and non-bureaucratic as possible. Include clawbacks and affidavits, if needed, rather than try to impose upfront conditions on support.
- **Be inclusive**. Guaranteed loan programs and moratoria should be for all types of loans and segments of customers, large and small, based on clear criteria.
- **Be ready**. Even as we are implementing the last measures, we have to look forward to the next stage – and the stage after that – to consider how the needs of our customers and governments and authorities may change and be ready.
- **Be open**. Fluid communications with our stakeholders, including authorities and governments, have been essential to our ability to manage so far. That will remain the case.

Going forward, the highest priority for banks will be to manage risk prudently to keep our balance sheets strong. Strong balance sheets will enable us to continue to support people and businesses. Banks must distinguish between what is near-term or transitory, related to the COVID pandemic, and what is not. This distinction, between transitory disruption and long-term unviability, is essential to make sure banks themselves stay healthy. Also, as the transmission mechanism for the public sector, we must assure that public resources are allocated fairly and justifiably, keeping in mind we are lending, not providing subsidies.

At some point, as we emerge from the lockdown phase - I hope in the near future - the financial community will need to work together to revive the economy and support people. This will likely be a gradual process, with many decisions and challenges, as some sectors and segments return to work faster than others.

I am convinced that the close coordination we have maintained so far, with the private and public sectors working closely towards the same goals, will be crucial in making sure banks can perform their duty in the coming recovery. ●