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What are the priority measures that would enable the EU financial industry to contribute to a strong and rapid recovery in Europe?

About six months after the beginning of the Covid-19 crisis, which triggered a confinement that stopped the world economy, we can start to reflect on the lessons to be drawn.

As the economy was locked down, banks immediately responded by providing liquidity support to their clients, through moratoria, credit lines drawn, and other supports. It was accompanied by decisive and massive measures at European and national levels, considerable fiscal support, prompt resumption of the ECB asset purchase programs and TLTROs, as well as targeted measures to operationalize the flexibility embedded in the accounting and regulatory framework. The battle against the first phase of the crisis is now over.

This first phase has shown again the central role of banks in the functioning of the economy, from lending to payment and settlement systems, as bank staff worked hard to address the needs of their clients. It also showed the resilience of the European banking system thanks to solid capital and liquidity buffers. In practice, a massive number and amount of credit lines were granted to clients, in record timeline, thanks to the mobilization of European banks.

BNP Paribas has contributed to supporting the French economy, and all the clients, in particular European corporates, wherever they are based, in line with its European integrated strategy. This is « private risk sharing » at work.

We are now entering into a second phase of the crisis, as moratoria will come to expiry and State-guaranteed loans will have to be reimbursed in a time of recovery, mixed with a still negative economic and social impact. The dialogue with every single client will restart on a new base: while in some sectors, cash-flows are back to normal, and further lending support may not be needed, in others the crisis will have lasting and deep consequences. Some companies may default. NPLs will rise. Others will have the potential to continue their business, but their financial structure, loaded with debt, will require equity or quasi-equity injections. Finally, some sectors may be the winners of the crisis, and will contribute most to the recovery, and those companies will need more lending to finance their investments, including, according the Commission's priorities, to speed up the Europe's green and digital transition. At the same time, it is crucial to implement quickly the European Payment Initiative (launched by 16 banks from 5 countries) to ensure the European sovereignty.

Again, banks will be at the core of the response. They have a unique client knowledge and risk analysis capability. But banks have, as in the first phase, to rely on authorities to implement the relevant measures in a decisive and agile way to ensure their role is not hampered by counterproductive rules in the current economic situation. We warmly welcome the July EU decision about the landmark Corona virus recovery package, which is a major and decisive step forward.

Full implementation of Banking Union, without any fragmentation, maintaining flexibility of the rules as needed to ensure an efficient funding of the economy, true relaunching of securitization are examples of points where regulation will need swift and pragmatic adaptation.

More subjects will certainly appear as the situation develop.

We count on a continued dialogue with authorities, focused on the need to support the economy and the employment, to win the second battle. ●