



Q&A session

Jean Lemierre - Chairman, BNP Paribas

David Wright - President, EUROFI

David Wright

David Wright introduced Jean Lemierre and noted that he represents one of the largest banks in Europe. He asked Jean Lemierre how he thinks the banking system is reacting to the current crisis, where the problems are, and how Europe can improve the deliverability of the necessary systems to the tissue of its companies.

Jean Lemierre

Jean Lemierre thanked David Wright for organising this physical and virtual meeting and considers very appropriate to discuss in person with many EU decision makers a few months after the beginning of the crisis. The banking sector has been working hard, and regulators and governments have also been working hard, but my first thoughts are for the clients: corporate sectors and individuals. Banks are very close to them, everyone in the room works for them, and there is no Eurofi without them. The key person in the room is the client and the corporate sector. It is not an abstract view. It is a reality that bankers know well, day after day. These clients, in particular the corporate sector, have been thrown into the unknown, and they have delivered well. They have adjusted. They have changed their logistics, they have changed their products, and they have tried to understand what may happen. They have been working hard, and the key message from Europe is that the corporate sector is committed and has done a very good job.

Banks are not the economy. Banks finance the people who are the economy. Many speeches at this Eurofi meeting have had pure abstraction. Banks work with people who do not know what tomorrow is going to be, and they have the responsibility of millions of employees. That is very serious, and the banking sector has done an effective job by working with them, trusting them, and knowing them. Europe needs strong banks, because for a few weeks there was no market. Markets were shut. Banks were open to their clients and mobilized to address their needs, and hopefully nobody will forget that, especially in the official sector. Banks were there and have

done the job. It is also important to keep in mind the fact that in the time of crisis banks are present, and there are people in the banks who have been working day and night to support their clients and to fuel liquidity. That has been delivered far before any decision by governments to give their guarantee of liquidity.

Europe is in a situation where it needs to be careful. Recovery has not been bad but may be less strong than expected. There may be a second wave of contagion. Global trade is still under stress. There are American elections, and nobody knows what is going to happen. In such a challenging environment companies, small or big, continue to need support by the banking sector. Once more, banks will be part of the solution, but they will do their job if there is not too high a pressure on some parameters, notably capital requirements. Banks need to have the capacity to do what needs to be done.

There are some prudential discussions which are very important but are perhaps not at the right time. Europe needs to understand that the key focus is to mobilise and unlock the full capacity of the banking sector to help the corporate sector, the people, and avoid a social crisis. That needs to be achieved in 2020 and 2021, but hopefully not in 2022. The signal Eurofi should send is full mobilisation of the banking sector to support the economy.

David Wright

David Wright asked Jean Lemierre where BNP Paribas sees the major and micro risks. The recovery is uncertain, and potentially more U-shaped than V-shaped.

Jean Lemierre

Jean Lemierre considers that the recovery so far has been a V shape. The question is not the beginning of the V. In terms of what is going to happen now, the French word is *piétiner*, which means 'muddling through'. There has been a recovery but now it is going to be step by step. It will give some growth, but not sharp growth.

Awareness is needed of the fact that the economy will be like this. Risk will eventually resurface, but it is currently 'underground' because of the efficient support given by the Member States and EU Institutions. There is income, so the money is there, but there is always an end to such facilities. The risk will come and then it will pop up; nobody knows when, but everyone needs to be ready. The main concern is a harsh health crisis once again and a second wave of contagion. In the French economy today, there is between €80 billion and €100 billion of unused money compared to 2019 in bank accounts. People do not use it because they do not know the future, they are worried about the future, and they do not spend because they fear the future. If there is another serious wave of contagion, then that will be even more serious.

David Wright

David Wright noted that the annual Jackson Hole symposium saw a statement by the Chairman of the Federal Reserve announcing a more flexible monetary policy in the United States on the inflation side. He asked Jean Lemierre if it is important that Europe should become more creative and that the rules should become less constricting.

Jean Lemierre

Jean Lemierre considers that Central Banks decide what they think appropriate for their zone or their country, which is the case in the US. Indeed, in the US there has been a significant change in the paradigm and mindset, which should not be underestimated. He is confident that everyone is comfortable with the decision. Boards and heads of Central Banks make the decisions they think are right, and everyone has to accept that and deal with it. Nonetheless this is an important change.

The nature of the change shows that the world is in a crisis where out-of-the-box thinking is sometimes needed to address the difficulties. Nobody can say, 'We are back to normal' or, 'Let us wait for a few months and we shall be back to normal'. The game cannot be, 'We have given more flexibility in March and now we are waiting to go back to business as usual'. It would be simpler, but that cannot be the message. The message coming from the US, beyond the specificity of the monetary policy, is, 'Yes, let us think in a bold way. Sometimes we have to make appropriate measures nobody would have thought of'.

People are worried and want to do something, but people tend to go back to previous debates. Care is needed. Some arguments are valid, but for others it is important to pause and think about what to do in an open-minded way. This is the lesson coming from the US.

David Wright

David Wright recalled a meeting with Jean Lemierre 20 years ago when he had said, 'la France ne veut pas de la procédure,' meaning that he wanted a Capital Markets Union. He asked Jean Lemierre how important a Capital Markets Union currently is.

Jean Lemierre

Jean Lemierre noted that he had not raised the point up front because he had done it at every previous Eurofi meeting. The Capital Markets Union needs to be done; it is a piece which is missing, and everybody agrees. Securitisation, for instance, does not work in Europe and the measures to improve this

framework should be proposed by the end of this year. The CMU project will grow slowly but it needs to be done. For the sake of Europe, we need it. There are millions of people who are going to be unemployed. At the last Eurofi meeting everyone agreed that CMU was urgently needed. Brexit is coming, and the question needs to be quickly addressed. Brexit is not unexpected, and this CMU matter has been on the agenda for three or four years. He hoped not to have to repeat this at the next Eurofi meeting...

David Wright

David Wright thanked Jean Lemierre for his views and support of Eurofi. ■