



## Exchange of views

**Bernie Mensah** - President of International, Bank of America

**David Wright** - President, EUROFI

### David Wright (Chair)

David Wright opened the discussion and introduced Bernie Mensah. He thanked Bernie Mensah for attending, for his company's support of Eurofi over many years and for being an institutional partner at the event.

David Wright stated that Eurofi attendees are interested in how Bernie Mensah currently sees the economy. Bank of America is a huge global institution. David Wright asked if Bernie Mensah sees a build-up of risks, tapering, and inflation, or if he is looking at an optimistic scenario.

### Bernie Mensah

Bernie Mensah stated that the data that Bank of America sees show strong growth that has tapered back in the last month or two. Some analysts call it a speedbump, and Bank of America believes the Delta variant may be a factor. This remains to be seen.

Bank of America revised its full year growth for the US economy to about 5.9%, and it also revised it down in the Eurozone and in China for other reasons. When Bank of America looks at its credit card data and sees expenditure patterns, it is evident that the consumer is in a good place. The consumer's balance sheet is fairly strong from the various government programmes that have been in place; this applies not just in the US, but also elsewhere in the world. That aspect of it is positive.

There are macro worries, including a considerable debate around tapering. This does not just come from Jackson Hole in the US; it is also a debate in Europe and will continue to be. Bernie Mensah worries about what underlying distortions or issues the current low rate environment is building up that might not be evident. The underlying health of the economy looks strong, although this is subject to a strong further vaccine wave.

### David Wright

David Wright asked if Bernie Mensah sees any dramatic overall change on non-performing loans (NPLs).

### Bernie Mensah

Bernie Mensah stated that he sees no dramatic overall change on NPLs. Some believe that some of this might be seen when some of the programmes fall away; that applies not just to individuals, but also to some of the rent and some of the property restraints that have been in place. Otherwise, Bank of America has not seen it.

If there is a cloud, it is found in the supply chain. There are real constraints in supply chains in both Europe and the US. In some of the ports in the US, the ships are backed up in the huge flow of traffic between Asia Pacific and the west coast of the US for several reasons.

### David Wright

David Wright noted that Bernie Mensah's article for the Eurofi magazine makes a very strong case for moving onto global standards, environment, social and governance (ESG) reporting and more. David Wright asked if Bernie Mensah is worried that this is not the current direction. He also asked if this will be a huge cost element for Bank of America. On the previous panel, Xavier Larnaudie-Eiffel gave a figure of 10 million per new reporting requirement. A global firm such as Bank of America must face a fairly large task if there is no convergence.

### Bernie Mensah

Bernie Mensah stated that he does not want to relitigate the previous panel. Bank of America spent a great deal of time on the report. For Bank of America, it just helps to move the green agenda along. The financial sector also has its part to play. Bank of America believes that it can be faster, more productive, and more impactful if it has visibility, better measurements, and common data that it can use to measure before impacting. The large institutions have the ability and resources to adjust to what that is. Much of that simplification is used so that small and medium sized companies or individuals who do not consider this the main deal can jump on the bandwagon.

Bernie Mensah noted that he had been to Italy over the last three or four days to see clients and attend another forum. Northern Italy is full of several excellent, incredible global medium sized companies that are very good at what they do. They need to move management resources to tackle this issue. Making it easier for them would be better.

### David Wright

David Wright asked if Bernie Mensah is worried about non convergence when he looks at his advisors. Patrick de Cambourg, who is part of the European regulatory framework, commented during the previous panel that he is talking to the International Financial Reporting Standards Foundation (IFRS), but he did not quite say that convergence is happening.

### Bernie Mensah

Bernie Mensah stated that this is worrying, and it is interesting that David Wright brought up the IFRS issue. Bernie Mensah referred to discussions at the G7 at which this came up; there was no consensus as to whether the IFRS should be a common standard bearer. Bernie Mensah would prefer to pick on somebody, but it would be worrying if there could be no consensus around that. The panel gave a few notes on where it should be with some caveats, and Europe has its standards.

This is very important for those who play globally. It is particularly important for a firm like Bank of America that America and Europe are on the same page or heading in the same direction as best as possible. The two economies are too large to be heading to separate places.

Much like vaccines, this is an issue on which it is not possible to do everything necessary in just Europe and the US. If India, China, and the emerging markets are not brought along in a fair way, and they are not held responsible for much of the pollution that exists, this will just mean taking the long route to victory.

### David Wright

David Wright stated that the US has always had some difficulties with adopting international standards in the sense of making them legal. He believes that the US will rely on the market to drive the standards. David Wright asked if that is correct or if the US will swing behind a global set of standards.

### Bernie Mensah

Bernie Mensah stated that he is not enough of a historian to look at where global standards were implemented by Congress. However, the US tends to be fairly practical in all sectors, including the tech sector. As in Europe, many of these sectors are sensitive to letting 'the perfect be the enemy of the good'. They moved forward fairly practically with driving standards in an industry that they went on to dominate.

Those in Europe need to be sensitive to the aforementioned. Bernie Mensah highlighted the underlying work in the US economy. Despite all of the rhetoric from the previous administration, several states, cities, and corporates have driven and are driving huge investments and advances in the ESG

space. It is always advisable to be sensitive to the rhetoric and what might be happening on Capitol Hill versus what corporates are doing.

### David Wright

David Wright stated that he always likes to ask questions about Europe to leaders like Bernie Mensah. David Wright wrote in his article that he believes there to be a potential EU Brexit dividend: economic reform programmes are going quite well, there has been progress on vaccination and some positive events have happened. He asked if Bernie Mensah is currently more optimistic about the European Union or if he holds that the banking union and the Capital Markets Union (CMU) are not done.

### Bernie Mensah

Bernie Mensah stated that he has just come from Italy, where optimism is high. Italy has had a terrific run and has a prime minister who the country is very bullish about. Italy's politics is currently in a positive place.

Bernie Mensah does not believe that the EU has wasted this crisis, whether this means the NextGenerationEU funds or some mutualisation in that regard. There has been a very effective vaccination programme after a slow start, and next steps are being considered. Bernie Mensah is bullish and believes that several global financial institutions have really taken the state of the capital markets in the EU to heart, perhaps more so than in the past. Bank of America believes there is an enormous opportunity for that to grow and to better serve EU corporates and governments. It is very optimistic that that really is a win win, beyond or as a result of the CMU and banking union. As that grows, it will better service an incredibly large economy and drive higher trend growth in the region.

### David Wright

David Wright thanked Bernie Mensah for his welcome optimism and closed the session.