



Exchange of views

Jean Lemierre - President, BNP Paribas

David Wright - President, EUROFI

David Wright

A very warm welcome to Jean, President of BNP Paribas. Jean, we greatly value your presence but also your continued support of Eurofi. Every Eurofi I have been to, you have been to, and I am greatly appreciative of that.

We enter a post-Covid, post-crisis period in theory. Let us assume that the external events are what they are, but how do you now see the progression, Jean, all things being equal of the European Union, from an investment and financing point of view? How are we doing? Are we in shape to provide the massive amounts of financing we are going to need for the transition to the ecological economy?

Jean Lemierre

It is always good to be here and to answer your questions.

You are right that there is a post-crisis. I hope we are not walking to a new crisis with the invasion of Ukraine by Russia. It is too early to know, but these events are unprecedented, at least for the near past, and we never know where it could go to. We see that it has today a big impact on the markets and may have an impact on growth through the price of energy, depending on the evolution of the conflict.

You know that I have spent eight years being the President of the European Bank for Reconstruction and Development (EBRD), being very close to these countries and investing into these countries, and of course, I could not have expected such a situation.

You are right to say that, beyond this, we have gone through the sanitary crisis reasonably well, if we forget one minute, which we should not do, the pain that many people have suffered at a personal level. The economy has gone through this well, and the banking industry has been useful. Lessons were learned from

the previous crisis and the system was stronger. Now the economy recovers.

The main point you have made is a need for financing, financing investments and financing growth. Massive investment is needed for digital, green, and competitiveness. It is a positive agenda for Europe.

To deliver, Europe needs first a banking sector in good shape. We have to make sure that we have a well-functioning single market for bank financing in Europe. I do not use the word "banking union". I prefer to make reference to the single market which has always been the driver of Europe, since the beginning.

We have made progress. The Single Supervisory Mechanism (SSM), and the Single Resolution Mechanism have been created. There is still the last mile to be made. It is very difficult for national member states to abandon their role to European entities. But they have built them and they appointed teams to manage them. They are strong institutions and have now a track record. So trust should be fully there. Trust will unlock a lot of potential. I have in mind of course the home / host debate.

David Wright

Indeed. I will now turn to investment, Jean. You are right, the numbers are colossal. How is that? Do you feel that people in Europe understand that this has to be provided through the private sector, through banks, through the Capital Markets Union? Do you think that that political awareness is there? Do you think the urgency is there to develop markets that can deliver the capital we need or not?

Jean Lemierre

I have answered half your question, David. But banks are the basis of the financing of the economies in Europe. We need to make sure it works well, and once

more, progress has been achieved, but we are not yet where we should be. Hopefully we shall be soon.

Will it be enough? 10 years ago, an increase of capital requirements was designed to make the European banking system safer, but at the same time there was a need for a Capital Markets Union. Europe has massive savings and they should be channelled to finance our long term needs. How can we do this? Normally in a market economy it is done partially through the banking industry. The limit is the capital requirement in the banks. Then capital market are used. That is the reason why the capital market is full additional to banking Union.

It is the answer to your question. Banks know how to structure an asset timewise, risk-wise, profitability-wise, and they know how to place it. Securitisation is simply a tool. You take assets, you structure them, and you then offer to people who have savings.

It has been done very successfully in the US. Europe can do the same with appropriate risk taking and level of capital.

There is a common agreement on this, but it is still difficult. It is a rather low-hanging fruit, so we should try to reap it quickly.

David Wright

Just pursuing the securitisation issue, Jean, you really consider that this as an absolute key issue to build capital markets in Europe, build liquidity, aid the competitiveness of the banking sector. What else? Are you happy with, or can live with the new Basel proposals? What else would make this change and facilitate the investment cycle?

Jean Lemierre

The Commission has made the proposals, after long discussions. We should now move forward, keeping in mind market activities should not be harmed if Europe genuinely wants to develop the Capital Market Union to finance its needs for investment.

David Wright

I have a broad question, Jean, on monetary policy, because monetary policy is changing, with inflation. What are your reflections about how to manage these very difficult decisions in the time ahead? Of course, we are now in an even more uncertain situation, externally.

Jean Lemierre

I normally do talk about monetary policy, so I will use two words to answer your question : timely and orderly. The difficult task of central bankers today is to make sure that we have a clear understanding of the situation.

This morning, their task has become even more difficult with a geopolitical crisis on top of the exit from an unprecedented sanitary crisis. The priority is to give a clear message against inflation, without any slippage which could be damaging at the time some assets are leveraged and the risk of lower growth may increase.

David Wright

I am going to ask you one more question, if I may, Jean, because I remember you very clearly, way back in 2000, with your finance minister at the time. As a compliment of the Euro to press forward with capital market integration. We set up the Lamfalussy process, etc, and then Jacques de Larosière. My sense is that our institutional processes in Europe are just too slow. We do not seem to have the ability to move forward quickly. I am not saying this is easy. Of course, everybody wants democratic control, but we seem to have wound ourselves up in procedure and red tape, to some extent, that is hindering us taking timely decisions, what you talk about, timely decision, and I am not talking about monetary. Is that your sense?

Jean Lemierre

Over the last 20 years, Europe has shown a genuine capacity to make decisions when needed in crisis time. And today we have a challenge, which is climate change. If this is not to avoid a major crisis, I do not understand what it is.

There is a sense of urgency. The need for green investment should be a strong incentive to move on questions like Banking Union and a Capital Markets Union.

David Wright

Jean, thank you so much for being with us. It is always a great pleasure for all of us to listen to your thoughts. Thank you again for your support of Eurofi.