



**EUROPEAN  
BANKING  
SUMMIT**  
Building a new future



## OPENING REMARKS

### **Frédéric Oudéa**

President, EBF & CEO, Société Générale

Looking at the glass half-empty, Mr Oudéa is aware of uncertainties, particularly relating to geopolitical changes, the Brexit negotiations, the high amount of liquidity available, and historically low levels of volatility, making it difficult to make predictions. From a glass half-full perspective, progress has been made since last year, particularly in the Eurozone. He recalled that last year there were uncertainties about European elections, key questions surrounding the banking sector and the Basel IV negotiations, but now there is greater political visibility and a further commitment to build a stronger Europe. He therefore believes that “2018 could be a milestone for more efficiency and integration.”

He also thinks that the banking sector has the capacity to deal with the few remaining difficult situations, and that the level of confidence in the banking sector has increased. Moreover, he believes that the economic prospects of the Eurozone are much better. Mr Oudéa hopes that ten years after the beginning of the crisis, we are close to turning the page of the remediation, having final clarity on the regulation framework, with banks in Europe more able to dedicate their full energy to financing the economy and adapting their business model as necessary.





## KEYNOTE SPEECH

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### **Olivier Guersent**

Director General, DG FISMA, European Commission

Mr Guersent said his hope for the future is to put forward as few new regulations as possible, because “the dust needs to settle” and market players need to work with the new rules put in place and colonise the new ecosystem. At the same time, new challenges have to be addressed. For example, FinTechs play a major role in the development of the single market, the Banking Union, the Capital Markets Union and retail financial services. He said that a broad consultation on FinTech has been launched to identify what is needed from the EU and to make sure that the financial sector can harness the benefits of technology. The feedback is being analysed to prepare a roadmap on FinTech next year. Mr Guersent believes a level playing field is necessary, particularly in areas like anti-money laundering rules and cybersecurity requirements. Technology neutrality, proportionality and integrity are also essential principles to guide any regulatory approach on FinTech, as is a clear supervisory and regulatory framework for outsourcing, particularly regarding cloud services. “The EC is now reflecting on where there is a need for regulatory intervention or other types of intervention, to have a granular and well thought-out strategy to allow the market

players to take up the opportunities offered by technological development.” On enabling regulation in an adaptable way, he suggested that in Europe there is a tendency to over-specify regulation and put in Level 1 things that in the US would never appear in a Bill.

Sustainability is also a huge challenge, said Mr Guersent; to bring Europe back on the 2 degree pathway as agreed in Paris, 180-200 billions of investment per year are required, over two or three decades. The financial sector is vital to meeting this challenge along with all market participants. “If banks do not finance sustainability we will miss the target.” In the last three months, the EC has published new guidelines on non-financial reporting, launched the high-level group on sustainable finance, and made clear commitments to sustainable finance in the CMU mid-term review. They are also monitoring the evolution of all relevant international initiatives and the industry-led task force established on the financial stability board. He remarked that “we need a deeper re-engineering of the financial system so that it becomes inherently more sustainable. We intend to bring an ambitious but pragmatic approach to this work.”

On the Banking Union, Mr Guersent said this is also an expression of sustainability so it is crucial that it is completed. He remarked that the Banking Union is working relatively well but there is no room for complacency, as only half of it has been put in place: “Completing the job is a matter of urgency.” He considers it extremely important that Basel III is finished



in a way that is conducive to allowing the banking sector to fuel the growth that we see at the moment in Europe. This involves working on the left-hand side of the balance sheet on asset variation issues, which is a real issue that has to be addressed in order to reduce risks in the Banking Union. The EC will come with a detailed agenda in 2018 on how to tackle non-performing loans (NPLs).

In summary, Mr Guersent said that what needs to be done is to finalise the negotiations on the European Deposit Insurance Scheme (EDIS), which is the third pillar of the Banking Union. This is important because having a very credible and powerful single backstop that protects depositors everywhere is essential to the stability of the system. “We also need the Member States to deliver on the commitment to create a strong and effective common backstop to the Banking Union.”

# FINANCIAL TECHNOLOGY

Innovation in progress

**Speaker line-up:**

- Cora van Nieuwenhuizen, Member of the European Parliament
- David Dechamps, Senior Vice President, Digital Payments & Labs, Europe, Mastercard
- Richard Peers, Director, Financial Services Industry, Microsoft
- Dr Alexandra Hachmeister, Chief Regulatory Officer, Deutsche Börse AG
- Lior Bornshtain, CEO & Co-founder, Otly!

**Moderator:** Wim Mijs, CEO, European Banking Federation



## Cora van Nieuwenhuizen

Member of the European Parliament

Ms van Nieuwenhuizen considers that the EU spends too much time focusing on the past, regulating banks while nervously looking over their shoulders to see if another crisis is looming. This has to change, she said. Facilitating new developments is essential for Europe to stay competitive on a global scale. FinTech is the future. It is disrupting normal financial services, including mobile payments, fund-raising and asset management. However, she pointed out that most investments in FinTechs have been in the US, China and Israel, with Europe falling behind. Also, in the EU, more than 80% of the FinTech market is located in the UK. Rapid innovation should be the new norm, but European companies are struggling to hire the right ICT experts, customer relationships are somewhat neglected, the CMU is not completed, European regulation is still more of a burden than a help, and there is not a level playing field.

Ms van Nieuwenhuizen is convinced that FinTech offers huge opportunities in many areas, such as Blockchain for example. FinTech also benefits supervisors and regulators by making their supervision more efficient, but “regulators need to understand FinTech better, which requires a change of attitude.” Opportunities come with challenges and threats, and FinTech is no exception. Cybersecurity for example has to be taken very seriously; international cooperation is extremely important in this respect. There is

also a need for skilled, tech-savvy staff: “New bankers should be able to read algorithms and oversee the enormous potential and dangers of the amount of data becoming available.” In particular, she thinks that investments in software have to be facilitated. Moreover, the CMU has to be moved on faster, and digital infrastructure needs to be state-of-the-art with solid high-speed networks throughout the EU. Her final point is that the current supervision frameworks need to be moved from institutions to activities.

#### OPEN DISCUSSION

Mr Mijs asked how we can have cybersecurity that is not based on regulation but on sharing information in a trusted environment? Ms van Nieuwenhuizen agreed that this is critical, as with the Internet of Things, everything is connected, and a vulnerability could come through one’s domestic lighting system for example. But the connected aspects also mean that a cyberattack cannot be survived alone, nor even by one company or Member State; it requires close cooperation, even globally.

A delegate asked about plans to look at true open banking beyond PSD2. Ms van Nieuwenhuizen would like to see more urgency from the EC as she sees the need for speed rather than waiting until a comprehensive package is available to regulate everything at the same time. She would hope for some fast tracking of certain segments, such as open banking.





## David Dechamps

Senior Vice President, Digital Payments & Labs, Europe, Mastercard

Mr Dechamps said that incumbents are being challenged, competition is increasing, barriers to entry are lowering, and new business models are coming on the market. Mastercard is trying to bring innovation as a core feature in everything they do, enable value for different stakeholders, and educate people in new technologies. As an example, he talked about contactless technology for low-value payments, which already covers 30% of Mastercard transactions today. It offers cash replacement, speed & convenience, security, and is an enabler for new use cases (e.g. on smartphones). Moreover, no significant fraud is being seen in this area. A second example is a cashless management solution for refugees in Greece. A prepaid Mastercard card with an agreed amount is more secure, allows controlled spending, and enables monitoring and reporting.

The third area, more in the B2B space, is a procurement solution for public institutions, where the objective is to bring more control and discipline in public expenditure. The UK government uses a “Purchase & Pay” virtual card for ePayments; a nice digital solution to solve a specific problem. In Mr Dechamps’ view, “these three examples show that if you start by designing a solution that focuses an actual needs, FinTechs can fill gaps that incumbents may not be filling properly.”

### OPEN DISCUSSION

Mr Mijs brought up the issue or threat of intermediation of ApplePay to companies like

Mastercard. Mr Dechamps pointed out that Apple also recognises the value of Mastercard's wide acceptance and network, so when you pay with ApplePay, your bank card appears on your mobile phone; there is a space for both brands.

A delegate asked if there is a future for the four-corner model. Mr Dechamps said that Mastercard relies on banks to roll products out. The four-corner model gives them massive scale, which FinTechs do not have, although he is fully aware that the model must evolve.





## Richard Peers

Director, Financial Services Industry,  
Microsoft

Mr Peers spoke about the need to open up banking systems to the API economy to enable new products to be built, systems to be transformed, and new revenue pools and value chains to be generated. He believes that PSD2 has definitely unlocked the mindset and technology change to deliver more consumer choice in the market. In his opinion the industry is heading towards the intelligent bank that learns from a consumer's behaviour and responds appropriately. He gave two examples. One is the open banking model, the other is more of a curation of the FinTechs that banks choose to work with. He is aware that in this world there is the possibility of greater risk, which has to be mitigated. Trusted foundations are therefore necessary, and beyond these it will be vital to make sure that the FinTechs in this new marketplace are reliable; banks and regulators have to do their own forms of curation to ensure this reliability and trustworthiness. Mr Peers pointed out that big banks and institutions are moving to the cloud. To conclude, he mentioned the clarification of banking with the example of ClearBank: a FinTech in the UK that is now a clearing bank handling trillions of transactions.

### OPEN DISCUSSION

A delegate asked why a lot of banks are still using Microsoft Excel, in old-fashioned ways. Mr Peers pointed out that banks are conservative organisations keen to mitigate risk, and sometimes don't know how to allocate their ICT budgets to start using new tools.

## Dr Alexandra Hachmeister

Chief Regulatory Officer, Deutsche  
Börse AG

Dr Hachmeister said that the EC is working on a regulatory framework to deliver the CMU. But as well as the need to ensure bank financing, at the same time equity markets have to be developed in Europe. She believes that the EC sees FinTech as an enabler of the CMU, to help overcome barriers, foster standardisation and challenge the existing business models.

Turning to the roles of Deutsche Börse, one is to use its expertise in developing markets and ecosystems to support the financing of innovative companies, far beyond FinTech. This she believes is the *raison d'être* of capital markets. In this respect the Deutsche Börse Venture Network is important. Set up in 2015, it creates an ecosystem in which those who need financing can meet those who can provide it. Within two years this has led to capital funding being generated of over 1.2 billion. In addition, they operate their own FinTech Hub in Frankfurt and are building up one in Berlin, to support the community itself.

On the other hand is the business opportunity of technology development. A particularly interesting area is Blockchain, where Deutsche Börse has looked at the potential of this technology and its own business model. "We are capable of combining the advantages that this technology can provide to us, with the fact that we are a trusted, secure, fully regulated company, which helps to develop something in an existing regulatory framework while driving technological innovations." Dr Hachmeister's final point is that for Europe to deliver, it must have a relevant



ecosystem. She believes that it must be remembered that regulation in itself doesn't deliver growth; this is provided by market-led initiatives and the industry.

#### OPEN DISCUSSION

Mr Mijs asked whether the Deutsche Börse is in dialogue with the EC? Dr Hachmeister said there is a regular dialogue on regulatory issues, and in particular what is referred to as the "funding escalator" and whether benchmark projects in Europe could be repeated elsewhere.





## Lior Bornshtain

CEO & Co-founder, Otly!

Mr Bornshtain introduced Otly, described as the missing layer for kid-friendly banking. He said that it's been developed because "we live in a cashless society but our kids are left behind." The platform consists of a suite of apps, for parents and for children when they have a mobile phone or access to an iPad or iPhone. It is connected to the banks via True Junior Banking, which teaches kids the value of digital money, including the value of spending and saving. It also adds social features so kids can bank with their friends and family, send requests for a task and the relevant payment, or for birthdays, family-crowding campaigns etc. Otly Give enables donations to causes.

Mr Bornshtain said that Otly works with the banks, taking standard banking products and augmenting them with family related features. He asked why banks should care about Otly? The answer is that it helps them enhance their functionality in a fast, easy and safe way. It opens up a new channel for new customers, while retaining old customers, and creates an emotional connection towards the bank. Otly today is integrated with one Dutch bank and is starting a pilot with four other banks. Mr Bornshtain remarked that it totally free as the goal is to give children the wonderful gift of financial education.

### OPEN DISCUSSION

Dr Hachmeister asked if Otly is coming to Germany. Mr Bornshtain said they are in discussions and hope to launch in Germany soon.

# SUSTAINABLE FINANCE

How can banks help?

**Speaker line-up:**

- Sirpa Pietikäinen, Member of the European Parliament
- Esko Kivisaari, Deputy Managing Director, Finance Finland
- Antoni Ballabriga, Global Head of Responsible Business, BBVA

**Moderator:** Simone Dettling, Head of EMEA, UNEP Finance Initiative

Ms Dettling asked what the role of banks is in a vision of sustainable finance, and how can the banking sector be moved in the right direction?

Ms Pietikäinen believes that the banking industry is well positioned to understand sustainability issues. She said that if we are consuming 1.5 planet's worth of food and materials now, and by 2050 we will need five planets worth, we are facing ecological bankruptcy, which is bad business, in the same way that economic bankruptcy is. It's similar with lending. If a bank is lending to companies that are using old-fashioned, over-consuming production models, it's bad business. Lending to businesses involved in the services economy, digitalisation, renewable energy etc., is good business. The question is how to do it. Firstly the information is needed, which is the responsibility of those in politics to provide and harmonise the sustainability data and regulate it in the longer term. She pointed out that some credit rating agencies are already using the climate and resource efficiency ratings, which is good news. Secondly, when Basel III is tweaked, there should be requirements to reserve higher capital buffers for environmentally risky investments. In the longer run there should be resource accounting regarding impact on water, air quality, biodiversity etc. "If the finance sector gets all this right, you get a lot of other things right."

Ms Dettling quoted from the Green Finance Report "While the banking sector is ready to support EU policies, it cannot drive them." She asked whose role it is to move forward, and what can each party do now?



Mr Ballabriga is happy that there is a lot of activity in this area in the financial services sector and he believes it is going in the right direction. He would not want to see over-regulation; voluntary actions are preferable. He thinks banks have to take time to understand what is meant by sustainable finance as there is no unique definition. Ms Pietikäinen believes the long-term regulatory framework is important, with an international convention or Basel-type recommendations applying on both sides of the Atlantic as well as in Asia. She believes that subsidising green or sustainable activities is bad business and bad politics.

Ms Dettling pointed to two papers with recommendations to penalise investments in brown sectors, or asking for a sustainability levy for brown investments. She asked if these are good instruments?

Ms Pietikäinen said that investments in fossil fuels should be banned, starting from 2025 or 2030. If this does not happen, then penalising could be applied. She pointed out that we are directly and indirectly subsidising 5.2% of the global GDP of fossil fuels, which is more than on global healthcare. This is a huge amount of money, so if these totally irrational subsidies could be banned, that would already set the stage differently for fossil fuel businesses. Mr Kivisaari agrees, and said that as long as we subsidise brown activities, it would be illogical to have a "brown factor" somewhere else. He said that global fossil fuel subsidies should first be removed, and at the same time, the way our agricultural subsidies work should

also be changed. Mr Ballabriga added that the challenge is also how long-term sustainable finance is promoted.

Ms Dettling asked what environmental risks have been identified, what sectors are most vulnerable and what is the assessment system like?

From the perspective of BBVA, Mr Ballabriga said that they have identified certain risks, with the industries most affected being oil & gas, utilities, and mining which have to transition to a low carbon economy. On the other side are physical risks, if we can't keep to the 2 degree level, which are more geographical.

Ms Dettling remarked that in the Paris Agreement, one commitment is to align financial flows to the 2 degree target. She asked what this means for financial institutions in terms of potential opportunities and how to seize them?

In practice, Mr Kivisaari said this involves financial institutions setting targets on their own carbon reduction targets as well as those of their investment portfolios. The problem with green investments is that science changes (e.g. diesel cars being good 10 years ago but now facing a ban) so they are often a moving target. Mr Ballabriga sees a huge opportunity with clients making a transition to a low carbon economy. This is a top priority inside BBVA. Green bonds are the most popular solution today, at around 120-150 billion euros per year. He also commented that education is vital, to show how sustainable finance and investment works.

Ms Pietikäinen remarked that “buildings contribute around 70% of the impact to the environment, and 80% of the buildings that are going to be around in 2050 have already been built. The question is how to renovate them, and can an incentive be created to use the highest energy efficient materials?”

Ms Dettling asked if there is any opportunity for products that enable clients to understand where their money is being invested? Mr Kivisaari is aware of a bank that provides a monthly report on the carbon footprint of a customer’s purchases, and gives proposals as to how to offset their purchases.

In closing, Ms Dettling asked panellists to name one recommendation that they would like to see being taken forward or prioritised.

For Mr Kivisaari the priority is to look at European regulation as to whether it penalises longer term investment too much. For Ms Pietikäinen it would be to increase and harmonise information for investment banks and retail investors and communicate globally to politicians to do their regulatory job. Mr Ballabriga remarked that banks should take into account as soon as possible how to ensure long-term risk management and also use this as an opportunity to create new ways to engage with their customers.





## KEYNOTE SPEECH

### **Javier Perez** President, Mastercard Europe

Mr Perez said that the customer doesn't want to be bothered with payments; it has to happen in the background, merely something that is authorised. It has to be safe and secure though. If the experience is not safe, then the consumer would rather not have it. He said that the future is digital payments. The smartphone enables Mastercard to provide a simple, safe and secure way to pay, and the customer demands a better experience, which is reflected in legislation. He thinks that fraud is everyone's problem, so knowledge from around the world has to be leveraged.

#### OPEN DISCUSSION

Mr Mijs asked if sufficient is being done in PSD2 and the cybersecurity rollout of the EC, to ensure this security that customers need? Mr Perez thinks that at all levels there is a real understanding that security is fundamental. He said "we are not there yet" but is still discussing the final touches of how that should be, like whitelisting. The solution has to be doable and realistic but also usable. He thinks good progress is being made to find the right balance.

# FIRESIDE CHAT: BANKING UNION

## Speaker line-up:

- Paulina Dejmek-Hack, Financial Adviser, President Juncker's Cabinet, European Commission
- José María Roldán, Vice President, EBF & Chairman and CEO, Spanish Banking Association AEB

**Moderator:** Julia Verlaine, Financial Journalist



Ms Verlaine asked how the Banking Union is progressing in the new political environment in Europe.

Ms Dejmek-Hack referred to President Juncker's recent State of the Union Address and said that there is a momentum in Europe, which doesn't mean complacency, but this is the moment to move things further. She said it's time to complete the outstanding elements of the Banking Union: the need to have a solid backstop to the single resolution fund, and the need to finalise the European Deposit Insurance Scheme (EDIS). Mr Roldán believes that political risk remains a very relevant element in the European environment today, which means that although a lot of progress has been made in crisis fighting, we cannot relax. He said that to be more specific, "if the world goes in the direction of 'me first', Europe needs to up the ante and have a more cohesive internal strategy." Also, the Banking Union needs to be completed because it is currently not good enough for the environment we are going to be operating in.

Considering the European Deposit Insurance Scheme, Ms Verlaine asked about the tension between risk reduction and risk sharing; and whether it's something the Commission can push back to life? She also asked for the panellists' views on the German elections and possible changes within the Finance Ministry.

Ms Dejmek-Hack said that a lot of work had been done to bring the EDIS dossier forward, although she is aware that progress has not been fast enough. She said the Commission will be looking at the various ideas put forward,

notably in the European Parliament, to see how to advance the dossier. On the German elections, she remarked that it was not for the Commission to comment on coalition talks but noted that Germany would have a Europe-friendly government. Mr Roldán believes that the problem in Germany is that the banking sector is highly automated and has many actors. A solution has to be found that meets the need for stability of the German banking sector and allows progress to be made at a European level. He suggested that an imaginative solution is needed, and believes this can be found.

Ms Verlaine asked whether Brexit is likely to be a major distraction to the Banking Union?

Ms Dejmek-Hack said that since the Brexit vote she has seen a large degree of unity between the 27 Member States and this is the spirit also for going forward with the Banking Union and the CMU with as much vigour as possible. In this respect, she doesn't see Brexit as a distraction. For Mr Roldán, "the best Brexit would be one that would never happen." Regarding the CMU, he said that once you take the UK out of the EU, "we need the CMU even more than before, because the dependence of the European economy on the banking sector for financing is greater. And we need to do it fast, as it involves creating institutions that could take years to establish."

Ms Verlaine asked whether the bailout of four Italian banks this summer undermined the Banking Union?

According to Ms Dejmek-Hack, there had

been a lot of incorrect reporting on this subject in the press. She pointed out that all four banks were different and were facing different circumstances, but each case was dealt with fully within the applicable rules and legal framework, which she explained in detail per bank. She said that many commentators asked how these banks could get state aid, but reiterated that in the cases where Member States had indeed chosen to grant public support, burden-sharing had taken place and the relevant state aid guidelines had been complied with. She also recalled the significant importance of the fact that these cases had been dealt with without negatively impacting financial stability, and, importantly, it had been ensured that the banks could remain open and that citizens and small businesses had kept access to their bank accounts.

Also in respect to the Banking Union, Ms Verlaine asked what is still unclear and needs to be resolved?

Mr Roldán said that many of the reforms that have been introduced have been novel resolutions and it will take time to roll out the system and know how it works in practice. This is a matter not for the legislator but the authorities involved, who have to give clarity on the way forward. Another important consideration is the high speed of the digital revolution. He is unsure whether the current heavy process of legislation is prepared for that speed of transformation. Ms Dejmek-Hack said that the digitalisation is indeed a huge societal opportunity and challenge, not



just for the financial sector. She agreed that traditional processes may be too slow, but on the other hand the fundamental question, from a regulatory perspective, is what needs to change in the regulatory framework to harness these new developments. She remarked that “it’s easy to say that change is necessary, but when looking at the existing legal framework, it’s in practice sometimes more difficult to say what actually needs to change.” Mr Roldán suggested greater flexibility might be required, in terms of the supervisor having more room for manoeuvre to deal with the issues.

Mr Mijs interjected by disagreeing with both panellists, saying that the banking sector knows very well what needs to change. He expressed his disappointment that a detailed roadmap on FinTech was not provided in the digital single market strategy of the Commission. This was why the EBF produced a blueprint with recommendations. It points out rules that are in place that may hamper the seamless transition to the digital single market. Ms Dejmek-Hack agreed that the EBF Recommendations were useful input and that existing references to paper in legislation was indeed an area to reflect on in an increasingly electronic and digitalised world.

A delegate pointed out that the Banking Union was created to facilitate the consolidation of the European banking system across borders, but the majority of mergers and takeovers have taken place between banks in the same Member State. He asked what needs to be done to stimulate more mergers and rescues of banks involving institutions from different Member States, and thus harness the full potential of the Banking Union?

“If in ten years we don’t have a big pan-European merger to create a new operator, the Banking Union will have failed,” stated Mr Roldán. He also said that “the day a bank in Europe can use the deposit in one country to fund credit in another country, without reaching supervisory regulatory limits, the Banking Union will have been completed.” He remarked that the conditions to make these two things happen are not yet present.

# THE C-LEVEL PERSPECTIVE

## Speaker line-up:

- Frédéric Oudéa, President, EBF & CEO, Société Générale
- Johan Thijs, CEO, KBC Group
- Peter Blom, CEO and Chairman of the Executive Board of Triodos Bank Group

**Moderator:** Huw Jones, Regulation Correspondent, Europe, Thomson Reuters

Mr Jones asked the three panellists to share their priorities in the day-to-day running of their banks.

Mr Thijs said the main challenge for banks in the next two to three years is not digitalisation or technology, it's about providing excellent customer experience. He asked how regulation is going to deal with the transformation necessary to fulfil customer experience.

Mr Blom remarked that while a sense of urgency was expressed in this event regarding digitalisation, he did not pick up the same sense of urgency regarding climate change and sustainability issues. He believes that sustainability doesn't need defining: "we know what it is, we experience it daily, and we have to act upon it and do something about it." He sees CEOs of banks picking up this challenge. As the risks connected to climate change are so significant and systemic, he believes that regulators and politicians will be looking very closely at capital for brown projects, and sees capital weighting likely to be introduced.

For Mr Oudéa, a priority is client-centricity: how to remain relevant, agile and close to them. Beyond this there is the element of innovation, especially in retail, and a bank's capacity to change its distribution network and look at technology in a very different way. In this respect he has decided to learn a little about coding, to better understand the IT world and the digital transition. Another important element is the bank's financing of renewable energy projects; a dimension which also reminds staff of the importance of being a banker. Finally, he is keen to remove unnecessary bureaucracy within the bank and develop more of a partnership spirit.



Mr Jones wondered if there was one particular change the panellists would like to see to help them increase customer satisfaction?

Mr Thijs believes that it's about culture and mindset of consumers, who are expecting banks to behave differently, and are not accepting that they have to queue in lines in bank branches or wait for weeks for a decision on their mortgage or commercial credit. This means above all a change in the back office, to ensure that a customer is not confronted with complexity, hassle or fuss. Mr Blom does not perceive a real difference between customers and staff. This gives a common purpose. He said that modern technology and the human relationship are bringing the bank and customers closer together, which is a new paradigm. Mr Oudéa considers that feedback from customers is a key starting point, in all aspects of a bank's operations. He believes there should be almost an obsession with customer satisfaction and added value, which has to be disseminated through and permanently ensured by all levels of the organisation.

#### OPEN DISCUSSION

A delegate asked if Blockchain is going to be one of the drivers to change the corporate customer experience?

"Blockchain intrinsically has all the characteristics to make a fundamental technology change in our industry," said Mr Thijs. "It can however only be leveraged when we have a common standard." Mr Oudéa

does not like the word Blockchain; it is too often assimilated with Bitcoin. He said that Société Générale is experimenting with distributed ledger technology with a dedicated network of established institutions which share a way of effectively validating through a decentralising process. Effectively it will help banks be more efficient.

A delegate wondered if panellists were concerned about President Trump's stance when it comes to Basel standards, and whether he is disrupting regulation?

Mr Blom does not see Trump directly impacting regulation, which is here to stay. Small and mid-sized banks in the Netherlands are working to understand proportionality, but he sees no immediate impact on this process from the US. Mr Oudéa believes that any Trump effect is more likely to be on global markets and global activity. He does however believe that Europe should not be naïve but realistic, especially when the Basel IV regulation is implemented.

What is the likely effect of Brexit on the structure, technology and competitiveness of Europe, asked a delegate, and how disruptive is it likely to be on the European landscape?

None of the panellists are happy about Brexit. Mr Blom considers it may threaten common values, and prevent the bank doing a lot of things in the UK that they wanted to do, for example creating a branch that may have to become a subsidiary. Mr Oudéa is aware that there is a wide range of possible scenarios, some of them very disruptive. He believes

that if negotiations don't start picking up soon, the UK economy will become increasingly nervous. However, he also thinks it could be an opportunity for the banking sector. "Our sector has been seen as one needing to be corrected and controlled. I hope with Brexit there will be more need to think about this sector more strategically."





## CLOSING REMARKS

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### **Giovanni Sabatini**

Chairman of the EBF Executive Committee, CEO of the Italian banking association ABI

During the event, Mr Sabatini heard a positive message that, whatever the result of the transformation process, banks will remain key to financing the economy, both for firms and for households. It also showed him that EBF is focusing on the right issues, as the four panels reflected the four pillars of EBF's strategy: digital disruption, financing sustainable growth, financial education, and regulation.

#### ON DIGITAL DISRUPTION

Mr Sabatini said the clear message is that the driving force of the changes will be the customers' needs, but to exploit the benefits of the digital transformation an appropriate and favourable ecosystem is needed, which requires a legislative and regulatory framework providing the right incentives like capital relief for investments in software. More importantly, he said that digital disruption will require a substantial change from entity-based regulation to activity-based



regulation. “We will need infrastructure and will need to update supervision to the new environment of cloud computing, artificial intelligence and so on.” He remarked that another clear message is that banks and FinTechs have to and will cooperate, although he is aware that banks are already FinTechs, from what he has heard today.

#### ON SUSTAINABLE GROWTH

“Banks have a clear role to play in addressing and allocating resources to green investments and financing sustainable growth,” said Mr Sabatini. “The issue is implementation.” He said there is a problem with a standard indicator; whether we should start with voluntary efforts; or should the process be driven by regulation. He mentioned the interesting discussions on green ratings and the appropriate incentives but personally does not think that brown penalisation will work.

#### ON THE BANKING UNION

Mr Sabatini considers that the Banking Union is one of the most successful products in response to the crisis put forth by the European institutions, and now it has to be completed. He was surprised that no-one mentioned a backstop not for EDIS but for the Single Resolution Fund, to make it more credible. On EDIS he thinks a very pragmatic approach is necessary, and wonders whether the approach should be rethought, moving from a full-fledged single EDIS to a network of national deposit guarantee schemes which could be a first and practical step.

#### ON REGULATION

The words of Mr Guersent, that there will be as little regulation in the future as possible, were welcomed by Mr Sabatini, but he wonders how far this future is, because he sees the CRR/CRD4 review, MREL, IFRS9, MiFID 2, the 200 pages released by ESMA on fit and proper requirements for internal governance, and Basel IV. He believes a regulatory pause is needed, to focus on a changing business environment and enable an assessment of whether the current regulatory framework is fully compliant with the principle of better regulation that the Commission adopted in 2000. He wonders how much time boards of banks spend discussing compliance issues rather than focusing on customer needs and business strategy.



## **Wim Mijs** CEO, European Banking Federation

Mr Mijs thanked all panellists, speakers, moderators, delegates, sponsors and partners for making this event so interesting and helpful, as well as Frédéric Oudéa, EBF President; Giovanni Sabatini, Chairman of the EBF Executive Committee; and José María Roldán, EBF Vice President for being at the meeting all day and for their continued enthusiasm to contribute to discussions. He said he felt a very positive vibe from the meeting, and it is important now to pick this up and run with it in our daily work and activities.



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