

Translation of La Stampa interview with Jean Pierre Mustier, CEO of Unicredit and President of the EBF, published at EBF.eu with permission from La Stampa.

Original story published 1 July 2019. Find it online at <https://www.lastampa.it/2019/06/01/esteri/jean-pierre-mustier-alleuropa-servono-capitali-difficili-le-nozze-tra-banche-LKHxt4e6SkY3YMan7q5t6J/premium.html>

Headline:

## **Europe needs capital, banking marriages difficult**

Story:

European banks? *"Compared to the American ones, they have to face negative rates and more rigid rules. But despite everything, they are reacting well. Their challenge will be to transform themselves because customers are changing."* While mergers in Europe *"are not convenient at the moment"*, technology is advancing. Facebook is launching its virtual currency and for us the priority is always to *"protect our customers"*.

From today, Jean Pierre Mustier, CEO of Unicredit, is also the new president of the European Banking Federation (EBF).

The French banker speaks on a visit to La Stampa, where he arrives in a red Alfa Romeo. And he shows a keen awareness of the agenda for the next two years, *"but beyond the traditional themes of banking regulation, the need to regain competitiveness, we believe that the main point for banks and Europe is to attract more capital"*.

### **Mister Mustier, let's start from here. What exactly do you mean?**

*"Let's start with some data. In Europe, in 2017, venture capital funds specialised in financing start-ups, invested 9.7 billion, a tenth compared to the US and a fifth compared to Asia. In Italy, we only arrived at 126 million. Yet 70% of jobs in Europe are created by small and medium-sized enterprises and, if we want growth, we need to make sure these companies flourish. Startups are fundamental for SME development. Therefore, first of all, we need to increase venture capital in Europe and Italy."*

### **What else can be done?**

*"The new European Commission should focus on a "Capital Market Union 2.0", with rules that allow investors such as pension funds, insurance companies, specialised funds and deposit and loan funds in different countries to invest also in more risky assets."*

### **The capital issue is also relevant for the banks. How can it be dealt with?**

*"The banking sector, essential for SME financing, appears too fragmented. A fund that invests in a bank in New York or the state of California makes no distinction: it is putting its money into an American bank. On the contrary, when investing in Europe, we still reason by individual countries."*

### **How do you resolve this?**

*"As the European Banking Federation we will work with the new EU Commission to ensure that the banking industry presents itself as a single European sector. A convergence of banks' risk profiles is needed, and the Single Supervisory Mechanism can create momentum."*

**Prime Minister Conte says that the financial monopoly must be stopped.**

*"I never comment on politics. It is important to understand that, if investors are not facilitated, there will be problems in terms of growth and employment. We need to compete to attract capital. Italy also needs capital to refinance its public debt."*

**There are more and more signs that Italian entrepreneurs prefer to invest abroad. Is this true?**

*"I do not see a tendency to move existing investments from Italy to other countries, but the investment of new resources, also abroad, is very different. For Italy, we await more certainty in terms of growth."*

**What do you think of Libra, the new currency of Facebook?**

*"I see two specific problems. First: Libra is a cryptocurrency based on a basket of currencies, starting with the euro and the dollar. Will there be a specific reserve to guarantee Libra? In which case, where will it be kept? If not, how can we be sure whether the attributed value is correct? Second: how will anti-money laundering be managed? As already noted by the financial stability board and some central banks, the authorities will have to oversee over these new realities and the rules must be the same for everybody."*

**It seems that you will be lobbying in Europe against Mr. Zuckerberg. Is that true?**

*"I'm only interested in protect bank customers. For example: what security will be in place against data theft, frequent in cryptocurrencies?"*

**How do you deal with data?**

*"The so-called non-banking players, such as bigtechs, will be able – according to the PSD2 directive – to request data from banks but the opposite is not possible. I want a level playing field, reciprocity."*

**Are fintechs, agile financial services technology companies, a threat to the future of elephant banks?**

*"Their business model is more or less this: capture the customers of others without attending to the continuous losses. Their aim is to find someone who is clever enough, or naïve enough, to sell everything to at some point. But there is no copyright for financial products. If an idea is good, we can copy it. We may be elephants, but we have capital, customers. We know how to be agile without losing sight of sustainability."*

**Do we need new banking consolidations in Europe?**

*"I think we need more pan-European banks, or larger institutions, to support SMEs. As for Unicredit, we don't comment on market rumours or speculations."*

**In other words, no merger with SocGen or Commerzbank?**

*"I have always been clear: our plan is based on organic assumptions, our management is focused on its execution, European mergers are very difficult and the new plan will be continue on from the previous one, with the aim of creating value for shareholders."*

**Does Unicredit still consider itself single or already married?**

*"We are already a happy pan-European family. They have said all kinds of things about us and we do not comment. In general, when you make a merger, you have to make provisions for restructuring, and this has an impact on capital. If capital is weakened, an increase will be needed. If an increase dilutive, earnings per share go down and the benefits of the merger have already disappeared."*

**After Fineco, are you ready to leave Mediobanca?**

*"It is a financial investment. At the old agreement's closure last year, we proposed a more binding agreement to protect the bank and its subsidiaries, firstly Generali. The Italian partners did not want this. That's life. The bank is well managed, so hopefully the price will rise accordingly."*

**Side quotes:**

*The new Facebook currency? How can we be sure whether the attributed value is correct and how will anti-money laundering will be managed?*

*As the EBF, we will work with the new EU Commission to ensure that the banking industry presents itself as a single sector*

*When you make a merger, you have to make provisions for restructuring, and this has an impact on capital*