



“We are in all of these challenges together and we are all part of the solution”



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ABSTRACT

This article is based on the closing speech given by Johan Thijs, Chairman of Febelfin, at Febelfin Connect (Brussels, 28 March 2022), Febelfin’s annual networking event. The topic of this year’s event was “*Financing the transition towards a more sustainable society*”.

This conference is the postponed version, due to COVID, of an originally planned Febelfin event in the fall of 2021. At that time, October, November last year we were living on high hopes. We thought that COVID, in its Omicron variant, was on its way out. We would, as it was called, regain back our freedom. It was just a matter of time before we could go “back to normal”.

“Back to normal” meant amongst others that the COVID health risk would be under control (ok, there was still a risk of getting infected, but the mortality risk was remotely low), that economic growth would rebound further from the lows in 2020. Even inflation, which was quite high, was not really a worry. Wasn’t that inflation mainly energy price driven and, as a consequence, to be temporary in kind? It was almost certain that inflation was going to go back to its more normal levels, around 2%, by the end of 2022. Moreover, given this higher inflation, central banks, including the ECB, were considering or were even increasing their policy rates. Financial markets’ reactions steepened the yield curve, which is beneficial for the banks amongst us. That outlook, after years of low interest rates, would generate extra revenues for our banking sector. Revenues on top of already stellar 2021 results. The future was looking bright...

Unfortunately, on the 24th of February Russia invaded Ukraine.

The current war in Ukraine and the increasing geopolitical tensions in the world, make us realize that “back to normal” is no longer a viable option in the short term and is, for sure, no longer applicable to our current situation. The financial industry, us, we are back again in high alert mode.

The challenges we are facing today are multiple and significant. Let me name a few :



- While we are showing our solidarity with the victims of this Ukrainian/Russian war and express our absolute aversion and disgust for this aggression, we have no certainty how this war will evolve and when it will end. We hope it ends sooner rather than later, say in max 6 months, but can we exclude a long-lasting conflict, an Afghanistan type of war ?
In case of the former, the expectation is a negative impact on the economic growth of up to 100-150 bps. In case of the latter, it would almost certainly mean a recession.
- The war, the sanctions and embargos push up the energy and commodity prices, which are translated into more sustainable inflationary effects. High inflation is here to stay for a longer period than originally anticipated. Stagflation is looming around the corner.
- Central banks are forced to react because it is too late to anticipate. The FED, Bank of England and many others have already announced countermeasures such as ending unconventional monetary support measures and increasing policy rates. The ECB is challenged to do same.
- In the meanwhile, governments have outsourced their responsibility on *Anti-Money Laundering* (AML) to the banks. Outsourcing is a nice word for what happened in reality, because let's face it : banks are left alone in the fight against money laundering. Investments in AML systems and compliance people by financial institutions dwarf similar investments on the public side. Same can be said about the exchange of crucial information for AML purposes : what about the quid pro quo ?
- I hope the same is not going to happen with the fight for climate change. Agreeing on maintaining the warming up of our planet under 2°C, is one thing, but achieving it is another. Yes, Mr. Enria, I listened carefully to your speech and I fully agree with you when you said that we need to have meaningful and accurate data for assessing climate risk. I fully agree with you when you state that we need to have standards for assessing climate risk. But let's face it: there is no concrete action nor a political plan for dealing with and achieve this 2°C target, nevertheless all SSM banks are bashed in the same way by a senior representative of the ECB '*for white noising and providing little substance on what markets and supervisors want to know*'. When I see the efforts put into place by banks active in Belgium for anticipating climate change and adapting lending and investment policies accordingly, this statement on white noising is not justified or at least preliminary. And, furthermore, what's the added value of stating this? Does it bring us closer to the solution? Seriously? All of us, we are in the middle of a transition period and believe me, a "push on the button"-solution does not exist for the environmental challenge, not within the banking sector and definitely not with our customers.

During the panel debate, my colleagues and the professor stated that "*as a matter of fact, a lot of our customers do not have the data available, or do not want to share the data because they fear the consequences.*" Clients, financial institutions, supervisors and regulators have to support each other and work harder to make the transition of the environmental change happen. Finger pointing and isolating one of the



participants in this extreme difficult task will only make things worse. Isolation makes the others feel like getting off the hook.

Cyber threats, digitization, the war for talent, PSD2, GDPR, Schrems, fintech and other big techs,... are a couple of other challenges we are facing in the financial industry. In this challenging environment, financial institutions like banks, asset managers, leasing companies and insurance companies have to stand firm. We will continue to serve our customers, grant them loans to build their dreams and to support the economy. We will continue to manage the deposits and other investments of our customers to safeguard their financial well-being. Just like we did quite successfully during the COVID crisis.

My call towards all of you, colleagues, but also to politicians, policy makers, supervisors and others, my call is simple: we are into all of these challenges together and we are all part of the solution. Let's work together to create a better future rather than pointing to each other for shifting responsibilities. Rome was not build in a day, neither will the new normal. Let's put all our energy and all our effort into creating a stimulating, energizing working environment that triggers progress, step by step, ultimately achieving a prosperous new normal.