

Responsible Banking, Level Playing Field Are Key Subjects in Santander's Annual Conference

A wider understanding of the concept of responsible banking is key to helping lenders take a leading role in helping communities prosper in the new digital economy, participants at the Santander International Banking Conference 2018 said Wednesday.

A narrow, old-fashioned vision of responsibility that focuses on charity and good deeds only must be cast aside as banks face the challenge of a business environment with higher expectations from customers, and a global need for inclusive and sustainable growth, participants including business, political and opinion leaders said.

"Responsibility is the bedrock of trust. But today, the pressure to be responsible has never been greater," said Santander Chairman Ana Botín, in her keynote speech at the event. "Having new rules that reconcile the digital society with our traditional values of cohesion, solidarity, and progress is both important and urgent."

Ms. Botín also urged attendees to consider the need of a balanced rulebook for all players in the digital economy, noting the current regulatory divide between banks – subject to strict requirements that force them to share valuable information about customers – and non-banking digital platforms able to gather, keep and re-sell information at will.

"What we need is for the laws and regulations to be neutral and to treat companies in the same way when they do the same kind of business, regardless of the sector to which they are nominally assigned by research analysts," she added.

The conference was attended by over a thousand guests at the bank's headquarters in Boadilla del Monte, Spain, and others who caught the proceedings online. This was the first time the annual gathering was broadcast and its discussions made public, since it was first hosted here in 2008.

Speaking at the event, Spain's Finance Minister Nadia Calviño said the country's government is looking to free resources for productive investment, as well as fighting the lingering consequences of the 2008 financial crisis, including its impact on social and gender inequality.

"We need responsibility to overcome the imbalances we face," Ms. Calviño said.

Panelists in the conference also discussed the evolving digital landscape and the need for a global approach that fosters peoples' trust.

A fair deal for users, real competition, transparency in data protection and practices and fair taxation should be key component of any blueprint for responsible banking, said James Harding, founder of Tortoise Media, a new digital news venture.

Jimmy Wales, co-founder of Wikipedia and member of the board of the Wikimedia Foundation, said a focus on same rules for companies engaging in the same activities should be the basis for future initiatives to set up a level-playing field for diverse companies converging on similar industries, such as financial services.

Along the same lines, David Wright, Chair of Eurofi, said that regulation should adapt to quick changes in the economy.

“From a regulatory perspective, if it’s an elephant, you regulate it as an elephant, not a giraffe. If you don’t do that, you create distortions in the market, unfair competition,” Mr. Wright said.

In Europe, national initiatives to tackle this issue are not necessarily the way to go, given the way the digital economy drives economic activity regardless of national borders, said Roberto Viola, General Director of DG Connect.

“This needs to be done at the European level. We can’t have Germany acting on this, or Spain, or Italy,” Mr. Viola said. “We need the countries to work together in a coordinated manner

The importance of incentives and recognition in reinforcing responsible behavior, as well as a focus on long-term rather than long-term visions and tangible measures of success was cited by several panelists, including John Hope Bryant, Chairman, Operation HOPE, Inc.

Conference participants also stressed challenges to responsible models in the new political environment.

Felipe González, a former Prime Minister of Spain, said populism represents a threat to European integration. Meanwhile, Fernando Henrique Cardoso, a former president of Brazil, said Brazil’s new government faces a unique challenge, amid a quick transformation in the society and a raft of corruption scandals that eroded confidence in the political system, inside and outside the country.

“We need huge infrastructure investments” in Brazil, Mr. Cardoso said. “And all of that requires confidence.”

He also noted that he maintains full confidence on Brazil’s institutions and judiciary. In the event that the new government led by Jair Bolsonaro were to show an authoritarian streak, he added, Brazil has “enough check and balances” to protect institutions.

Prospects for and risks to economic expansion, from the perspective of key investors and monetary authorities, as well as the discussion of “rules of the game” for the digital age, also featured prominently in the conference.

José Manuel Campa, global head of Regulatory Affairs at Santander, stressed the challenges in finding the right balance between benefits for consumers, fair competition with a single set of rules for all involved, innovation, customer protection, prudential requirements and a focus on serving citizens while maintaining a low cost of capital for banks.

“When you talk to regulators and supervisors about this issue, they tend to be puzzled,” Mr. Campa said.

Banks remain a key source of financing for small and medium enterprises across the world, particularly Europe, a major difference with markets such as the U.S. where firms are used to tapping bond markets with more frequency, said José Antonio Alvarez, Santander’s Chief Executive Officer.

“The overwhelming majority of companies in Europe were created, designed, thinking of the local market,” Mr. Alvarez added. “Maintaining access to capital markets all the time, this is a complex and difficult process.”

Challenges to growth from the perspective of key investors and monetary authorities were also a significant matter for discussion, with a focus on investment strategies and opportunities in the new political and macro environment and the role of responsible business in investment decisions.

Participants highlighted the role of monetary policy and prudential requirements in promoting macroeconomic growth and responsible banking. Several connected these with the importance of incentives and recognition in reinforcing responsible behavior.

José María Roldán, Chairman of the Spanish Banking Association, urged European Union authorities to take advantage of ongoing negotiations over the United Kingdom’s planned exit from the EU, to act decisively to unify capital markets.

“In the context of Brexit, not to develop a capital markets union is suicidal,” Mr. Roldán said. “Let’s do it! What are we waiting for?”