

‘A pivotal time for our industry’

Opening remarks by Mark Tucker
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Good morning ladies and gentlemen, and welcome to the 2020 European Banking Congress.

This year’s EBC marks the 30th occasion that senior bankers from across the Continent have gathered with key figures from the public sector to discuss issues affecting European banking.

But it is the first time that the EBC has been held virtually. While this might have sounded futuristic in the early-1990s – and perhaps unlikely even in 2019 – it is of course a consequence of the circumstances preventing us from gathering in person in Frankfurt.

I’m certain that the discussions will be just as insightful and productive as they’ve always been.

In another first, this is also the first time that HSBC is chairing the EBC.

We are very proud to be doing so – and it reflects both the continued importance of our European business to the Group and our commitment to supporting the European banking sector.

Clearly this is a pivotal time for our industry.

Even before COVID-19, we were already grappling with an array of external challenges, including interest rates at or near zero, or even below, unpredictable international relations and rapid technological change.

COVID-19 has made the external environment all the more challenging, but we should or “must” not lose sight of the fact that there are significant opportunities for resilient, agile and responsive businesses.

We have an excellent line-up of speakers to share their expertise about these challenges and opportunities.

Before we hear from them, I want to make a few observations from HSBC’s perspective.

The first is that our industry must play a leading role in supporting European economies as they move through the ongoing crisis into recovery.

Over the last nine months, alongside government stimulus and relief packages, banks have been at the forefront of providing businesses and individuals with the support they have so desperately needed and building an economic and financial bridge to recovery and future growth.

Collectively I think we should be proud of the way that we have responded.

The recent news on the development of vaccines is very encouraging and will hopefully enable us to move past this ‘bridge’ phase, although of course much remains uncertain.

While we will continue to play our full role in the meantime, we must also do all we can to ensure that expectations of the support that banks will provide do not exceed what we alone are able to deliver.

The fact is that some parts of the economy won’t recover quickly and may need to change significantly if they are to recover at all. Industries that are fundamentally reshaped will need more support, and this will require a real team effort ... from all sectors – from debt and equity, from public and private markets, locally, regionally and across the EU.

My second observation is that there are also longer-term structural issues which the sector will have to address.

For some time, we have faced the twin problems of low profitability and low valuations.

These problems will now be compounded by near-zero interest rates for years to come, which will clearly inhibit the ability of the banking sector to support our underlying economies. This support from our sector is vitally important for the EU.

It is therefore imperative that we take the hard decisions now to adapt our business models where needed, and create greater efficiencies.

In some cases, this may raise the possibility of mergers, take-overs and branch closures – but we cannot shy away from these questions for the good of our sector, all of our stakeholders and the vital support that we need to provide.

My final observation is that while there is much for us to focus on now, we must always also keep our eyes on the long-term.

There is no more important long-term issue than tackling climate change.

Banks are getting more involved in the low-carbon transition because it is the right thing to do with respect to our role in society.

There is also no denying that there are commercial benefits.

There are many opportunities for us in the midst of the current challenges – providing finance for sustainable projects and clean technologies, and supporting our customers as they transition to a low carbon world.

This transition will be more difficult for some customers than it will be for others – and those in some ‘traditional’ industries face the most difficult transitions of all – but it is far better for us to help them to change their businesses now, rather than walk away and force them to look elsewhere for finance, as they inevitably will.

I welcome the commitment shown by the EU to this agenda. The taxonomy for sustainable activities is a good example, and I believe we can look forward to working closely together to mobilise the financial system around globally consistent standards.

At the same time, we must also look more broadly at how we can support the development of a more inclusive, more resilient and more sustainable economy.

Or to put it another way, do we as an industry have the mechanisms to deliver a full range of finance, debt and equity to all of our customers across the EU so that they all have a chance to achieve their personal and economic goals?

This is a complex issue and banks cannot provide all the answers, but these questions are becoming increasingly important and we must be prepared to help provide answers.

I’m sure there will be many interesting contributions today on these and other issues.

I look forward to these sessions.

But for now, I am very pleased to be able to introduce Christine Lagarde.

After a brilliant career – including as Chairman of Baker McKenzie, French Finance Minister and Managing Director of the IMF – she became the President of the European Central Bank just over a year ago.

We all remember that President Lagarde gave her first speech in her new role at last year’s EBC.

It has certainly been an interesting first year in the job.

But as she recently said, extraordinary times require extraordinary action.

The 750 billion Euro Pandemic Emergency Purchase Programme sent a welcome and powerful signal of the ECB’s determination to do whatever is needed to safeguard the system.

President Lagarde has signalled that climate change is now everyone’s responsibility, and that she will explore every avenue to manage it well.

I am sure I speak for the European banking sector when I say we will support you in fulfilling that shared responsibility.

Finally, President Lagarde has launched a strategic review of the ECB, which is timely given the new circumstances in which the financial system is operating and the need to ensure that it can deliver a sustainable recovery for Europe.

President Lagarde, we are very much looking forward to hearing your thoughts and reflections on these and other areas.

The floor is yours ...