

2021 EBA Policy Research Workshop  
*The new normal in the banking sector –  
reshaping the insights*

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# Final remarks, François-Louis Michaud, Executive Director of the EBA

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Check Against Delivery  
Seul le texte prononcé fait foi  
Es gilt das gesprochene Wort

Good afternoon ladies and gentlemen, dear colleagues and guests,

It is a privilege for me to close, this year again, the EBA policy research workshop. The EBA workshop is a high time in our annual cycle: this is when we have a chance to pause and reflect, to bring the recent experience back to first principles and to anchor our preparations for the next year into some solid theoretical work. This year again the workshop brought together very distinguished policymakers and academics. We wished we could have held it in-person and the current pandemic circumstances did not allow but we take a lot of comfort that our event could be attended by more than 350 participants.

The topic of this year's EBA workshop - "The New Normal in the Banking Sector – Reshaping the Insights" – was hardly a surprise and was very naturally focused on those issues which are front and centre for the banking sector at the current juncture, and for policymakers. During the two days of the event, we first tried to draw some lessons from the unprecedented policy responses which were implemented to limit the negative impact of the crisis on growth and financial stability. We also discussed issues which existed before the pandemic struck and which have certainly not gone away but may also need to be looked at differently in a COVID -or hopefully post-COVID- context: this

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includes of course profitability and competition issues but also the new frontiers with the deep transformation of the financial sector which is currently underway as a result of new technology and of environment factors.

The opening speeches by Jose Manuel Campa, the EBA Chairperson, and Hyun Song Shin (Economic Adviser and Head of Research at the BIS), provided an excellent overview and framing for addressing the key discussion as to whether a COVID insolvency had been avoided. My takeaway is that while the worst may have been avoided the jury is still out and not so pleasant surprises may reach us in the coming months from unexpected areas.

In the second day, Professor Anil Kashyap (Stevens Distinguished Service Professor of Economics and Finance at the University of Chicago, Booth School of Business) addressed an equally important topic for the banking sector, which is that of “Financial Services Disruptions”. We had the opportunity to discuss in detail the main developments and trends in new technologies, the identification of relevant risk drivers, the process of adaption to new technologies and potential financial stability implications of new sources of risk. It was very clear that the forces at play are powerful and that financial intermediation is evolving at high speed.

The discussion of the future of the banking sector in the new normal that is emerging from the COVID-19 pandemic was also discussed from competition and profitability perspectives. Topics such as the revenue pressures, dividend payments, branch contractions, remote-working, operational efficiency, interaction between banks and customers, digital capabilities and data analytics were discussed in detail in a fruitful environment.

Last but not least, we had a specific session on the “Pricing on Climate risks”. The EU has set up ambitious climate and energy targets as part of the European Green Deal with a specific action plan to support transition to a more sustainable economy. Let me reinforce that there is a clear expectation that the banking sector, given its central role in our European economies, will be instrumental in facilitating an orderly transition towards a greener and more resilient post-COVID environment. At the EBA we have made many proposals to make progress in this area. A pre requisit is to close the current data gap but also to ensure an adequate level of transparency. This is where bank disclosure will have to play a key role, to shed light on what we already know but also on those areas where we are still lacking information. Without a good understanding of the known knowns and known unknowns, it will indeed be very difficult to plan for an orderly transition.

Let me conclude by saying that the digital transformation and the transition to a more sustainable economy will continue generating new challenges and opportunities to financial institutions, to consumers, and to policymakers. Current developments are indeed likely to deeply transform the financial intermediation landscape. Both incumbents and new entrants will need to adjust, in their own respective ways, so that we can collectively reach a good balance in the financial sector between efficiency and stability, which is the traditional trade-off for policy makers.

Let me again express my gratitude to all of you for your active participation, interest, and cooperation. This has been a very fruitful policy research workshop from our perspective. Your speeches, papers presented, and interventions allowed it, and will be a continued source of inspiration for us. A final thank you to Samuel Da-Rocha-Lopes and Laura Macchioni for the organisation of the event under the leadership of Jacob Gyntelberg, our new Director for Economic and Risk Analysis.

I look forward to seeing you again in 2022 at the next EBA Policy Research Workshop. In the meantime, do not hesitate to reach out to us so that we can continue the dialogue. Many thanks for your attention.