

[REDACTED]

From: [REDACTED]
Sent: 01 February 2023 11:22
To: Laqarde, Christine
Cc: [REDACTED]
Subject: [EXT] Follow up - Meeting in Davos
Attachments: 20230125_EBF Reference study_Key points.pdf; 240124_Digital Euro - Santander reflections-FV.pdf

Dear President, Dear Christine,

It was a pleasure seeing you and exchanging views in Davos, along with [REDACTED] of the Institute of International Finance. These meetings are always useful to understand your goals and find ways to collaborate.

I note that we share the same view on several issues, including on the critical need to develop European capital markets. Supporting more securitization in Europe would surely add much needed financing capacity, as well as offering a welcome boost to European economic growth. The European securitization market (including the UK) is currently only about 6% of the size of the US market, equivalent to about 1% of GDP compared to 18% in the US.

As I set out, I also believe banks could be doing even more to support growth in Europe if the prudential framework struck a better balance between promoting economic activity, improving productivity and maintaining financial stability. As I mentioned, the EBF recently commissioned a study, made public today, concluding that a review of capital requirements and supervisory procedures could, in a hypothetical scenario, provide capacity for €4-4.5 trillion additional bank lending in Europe. I am attaching a summary of the study's main findings in case they are useful.

We also discussed the importance of addressing the climate crisis. I remain concerned that transitioning the European economy from brown to green will only be made harder if additional capital requirements are imposed, and by the complexities and challenges of new sustainability reporting requirements. International alignment is key. I hope authorities in different jurisdictions will not anticipate Basel's ongoing work to assess the right prudential framework for climate risk, and that they recognize that penalizing banks that are financing the transition will only hamper our ability to realize a net zero economy.

Furthermore, as policymakers continue to consider the proposed European Sustainability Reporting Standards, I believe there is a real danger that adding the cost and complexity of such a detailed reporting framework, distinct from the global standards set out by the ISSB, will undermine European competitiveness and hamper the comparability of companies' progress on sustainability matters globally.

Finally, on the topic of Central Bank Digital Currencies, I am in complete agreement with you on a number of points you raised. I welcome the work the European Central Bank is doing to avoid potential negative impacts on financial stability by setting limits to individual holdings. This will ensure banks can keep playing their role in funding the economy.

The digital euro could rely on current infrastructure and enable interoperability with local payment solutions. This would be the most efficient way to deliver to consumers across Europe the benefits and also respond to ECB's goals in a faster and more certain time frame. There would be high costs to create a completely new infrastructure. The digital euro should also become an opportunity to enable interoperable domestic solutions across Europe, enabling cross-border payments for both the digital and the commercial euro. To that end, the market research on possible technical solutions that you have launched is relevant. We are analysing this and would be delighted to share our views with you in the coming weeks, if that would be of any help.

I very much hope a close collaboration between the ECB and market participants will continue as the ECB assesses the merits of a digital euro. Attached you will find a more detailed description of Santander's views on CBDCs.

As [REDACTED] of the IIF, as [REDACTED] of Banco Santander and as a committed and involved European, I look forward to continuing our dialogue.

Thank you for your capable and decisive leadership of the ECB in such challenging times.

Best regards,

[REDACTED]
[REDACTED]

Banco Santander, S.A.

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