Keynote speech introducing the session
“Globalisation: the promise of a golden dawn or dystopia in the making?”

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Good morning Ladies and Gentlemen,

Let me introduce myself. My name is Francisco Uría and I am a KPMG partner and the head of financial services line of business in the EMEA that, for historical reasons does include India. A lawyer by education, I worked for the Spanish Government in different positions from 1991 to 2004, then I joined the Spanish Banking Association as head of legal and tax and from 2007 as Deputy General Secretary. I joined KPMG in 2010.

As KPMG’s head of its financial services line of business in the EMEA region, I would like to start by telling you how deeply honoured and satisfied we feel with our participation as sponsors in this 25th World Congress of the World Savings and Retail Banks organized by the World Saving and Retail Banking Institute (WSBI). Personally, I am really pleased to have this opportunity to address all of you in the first part of this conference.

Let me also congratulate you for the topic you have selected to be the center of your conversations during the Congress: “Sustainable retail banking: making globalization inclusive for all”. There are many elements in this title that I would like also to be part of my presentation today: financial inclusion, financial sustainability and also diversity.

In my brief presentation, I would like to talk about KPMG, you, and mainly, about us and the long-standing relationship we have.

Let me start by talking a bit about KPMG, for those that could be less familiar with us. As you may know, KPMG is a multidisciplinary firm, present in more than 150 countries with nearly 200,000 professionals serving our clients daily.

We are particularly focused on the financial services industry, providing our services to the main financial institutions in the world. A big part of the entities that are participating in this global conference are KPMG’s clients.

Depending on the client’s decisions, we act as auditors, consultants and even lawyers, according to really strict rules, both external and internal, that are constantly evolving to ensure our independence in case of a real or potential conflict of interests.

In particular, we have a very long and deep relationship with your entities globally, sharing values and working together to improve the quality of the services you offer to your clients. Savings and retail banks are entities that, by definition, are particularly sensitive to the quality of the customer experience, being, as they are – as you are – mainly based in your close relationship with the client.
You and us in KPMG do share some important and relevant values: a sense of purpose, that is relevant, and, above all, the commitment to apply all kind of internal policies to make sure that we are really positively contributing to the communities we belong to. TRUST is a common word for us. As financial entities, in your case, as auditors, advisors and lawyers, in our case, we both depend on the trust we are able to create in our clients, our employees and our stakeholders.

Of course, there are other areas in which our interest and efforts are diverse. Saving and Retail Banks are, in the end, financial institutions, obliged to compete in the marketplace with other financial institutions and, more recently, with new competitors such as FinTechs or the “Big Tech”.

Based on the conversations I had over the past months with many senior executives in the main banks in the EMA region, I can tell you that no matter the country, no matter their banking model, the conversations and their concerns are very similar.

- Lack of profitability in a low–interest rate environment and how to attract investment, especially in the European context.
- How to be more efficient. On this regard, I remember in particular a recent conversation with a senior banker telling me that they (his bank) were investing a lot of money in digital transformation and, at the moment, they have nothing to show to the investors in terms of efficiency gains.
- How to be prepared to compete with less regulated institutions as FinTechs and, mainly, the “Big Tech” that are already present in the financial services environment.
- How to better use technology to gain efficiency, to reduce costs and, mainly, to improve the consumer experience.
- How to be prepared for the risk of a growing activity in non-physical channels and how to avoid the risks in the cybersecurity arena.
- The challenge to effectively implement a huge new regulation, without creating compliance risks and how “reg tech” could help them on this task.
- How to attract and retain talent...

But there are other topics, not only discussed in the financial services industry, that are relevant in this moment, and I would like to focus today on them.

These topics are different but they have a common connection. When we are talking on them we are talking about values and purpose.
Some years ago, Adam Smith stated: “By pursuing his own self-interests he frequently promotes that of society more effectually than when he really intends to promote it. I have never known much good done by those who affected to trade for the public good”.

Milton Freedman was even clearer when he said that “There is one and only one social responsibility of business: to use its resources and engage in activities designed to increase its profits”.

Do you think this is still the case? That the main, and only, purpose of a company should be to increase its profits?

Evidently profit is important to all companies, but it is clear in the last years that those who are successful in the market place do not take its profit as their main purpose but as a consequence of their good and efficient organization when they are looking for their real purpose: to offer their clients better products, better services or a better experience.

If a company is able to be unique providing something for the good of the customers that is better to what their competitors are or were offering, profits will come as a due consequence of this.

Bringing those reflections to the financial services industry, we enter in a conversation in which the main topics could be financial inclusion, diversity and financial sustainability.

I think this is a field, talking about purpose, in which many of the participants in this conference can fell themselves been represented.

Saving banks, community banks and retail banks are relevant to the social communities in which they carry on their activities, facilitating the access to financial services and products that sometimes other financial entities are not providing them.

In a world in which the access to a banking account, the possibility of making payments through a smart phone could be the difference between feeling and being a real participant in the society it is clear that we are talking about something that is important.

It is also obvious that to be able to fulfil their purpose, this kind of entities, your entities, should be efficient and profitable.

We are living in a new world in which the prudential requirements after the global crisis had risen exponentially and the access to capital markets tend to be essential both for equity or funding. The new requirements tied to resolution (TLAC and MREL) are also examples of this for many banks in the world.
To be efficient and profitable in this new world is not easy at all.

Some of you are living a new time in which the interest rates have been smaller than ever, affecting the profitability of your core business. To take deposits to provide loans is not, for many of you, the profitable activity it used to be.

You have also to face the new requirements from the regulation passed after the financial crisis. We are talking about capital, liquidity and the limitation to leverage, but we are also talking about new regulation on consumer protection, payments and others... The investment needed to fulfil this new requirements and also to keep complying with the financial regulation is really huge as it is the effort to comply with the new reporting obligations.

It is nearly the same all over the world.

It is true that, in some markets, the regulators have been aware of the potential effects of those new boundaries to the retail banks and had tried to limit the level of the new obligations based on the application of the proportionality principle. Amongst others, the European Banking Authority has published some interesting documents on this issue but, in practice, is fair to say that the requirements retail banks have to fulfil are not very different from those for the big banks.

In this context it is also true that everything seems to be align towards further consolidation in the main regions, especially in Europe. It seems that, in the end, the final outcome of a crisis that began with the idea of the “too big to fail” could end in banking systems with a limited number of much bigger players.

Scale is important in banking. And there is no doubt that life could be easier when the size of the bank makes it possible to invest at the same time in regulatory compliance, business transformation, digitalization and cybersecurity, just to mention some key examples.

But, at the same time, it is also fair to say that as there is not a single way for happiness in personal life. There is not a single way for success in the business arena. Small and efficient banks could survive if they are truly useful for the communities they serve, and their corporate governance and risk-taking policy is functioning correctly. Big banks can disappear when the contrary happens.

I think this Congress represents a great opportunity to talk about all those topics, and others, from the new environment for financial services, the new competitors, especially the big techs, the digital transformation and the changes of the business models. And, of course, last but not least, the role the saving banks and the retail banks
can or should play in this complex world and the key question of purpose, social
inclusion, diversity and financial sustainability.

Those all are areas in which KPMG is really proud to be working with all of you all over
the world.

We really hope this 25th Congress to be the great success you deserve. Being Spanish,
and before ending, I can´t avoid to congratulate you for the election of Mr. Fainé as
your new president. We have already seen in the evolution of savings banks in Spain,
the change in their legal framework, in which Mr. Fainé has played a very relevant role
– and even in the transformation of the Spanish Saving Banks Confederation (CECA), or
the Caixa Group – how successful this transformation has been. Being, at the same
time, capable to create new banking institutions able to compete with the main Spanish
Banks, and being able to preserve their traditional values investing individually and
collectively a considerable amount of money in social, health, cultural and educational
projects. The former Spanish savings banks are no longer (with a couple of exceptions)
saving banks as we knew them. They are now banking foundations that are owners of
private banks. But, at the same time, I would say that before the change, they were not
as close to the savings banks spirit and purpose as they are today.

Congratulations, Mr. Fainé, you clearly deserve this nomination for your brilliant
professional career and your values through the years.

I can assure you that there is none better skilled than Mr. Fainé to drive this
organization in the complex future that there is ahead.

Thank you very much for your attention.