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O Sinteză a ideilor în loc de Cuvânt Înainte

Europa rămâne cea mai mare economie din lume. Ea reprezintă unul din pilonii de bază ai sistemului global; am putea afirma că ceea ce se întâmplă în Europa definește în mare măsură cum va evolua și funcționa lumea. Situația din Europa privește lumea întreagă datorită ponderii, influenței și importanței sale.

Uniunea Europeană (U.E.) se conturează mai mult prin fragmentare, în loc de integrare și expansiune; se mențin tensiuni și se amplifică interesul național și protecționismul. Unde este acel “final goal” care să demonstreze “unitate în diversitate” în plină acțiune?

Suntem de acord că U.E. și Euro sunt creații ale unor decizii politice. De aceea ele vor exista “by all means”. De aici o posibilă concluzie: problemele apărute sau adâncite de actuala criză se vor rezolva prin soluții în urma unor decizii politice. Dimensiunile politice și sociale devin mai importante decât cele economice și financiare. Programele de austeritate neacompaniate de strategii, politici și programe de dezvoltare economică se dovedesc a fi în detrimentul economiilor naționale pe termen mediu și lung, ele generând recesiune, șomaj și datorie suverană nesustenabilă.

Conceptul European continuă să fie fluid: UE este o zonă care promovează mișcarea liberă a capitalurilor, mărfurilor și forței de muncă, dar exclude unele țări europene; este o uniune monetară (Zona Euro), dar exclude țări membre ale UE (membre deja ale zonei circulației libere a capitalurilor și forței de muncă); are parlament, dar politica externă și de apărare rămâne la nivel național (cum spunea George Friedman: “este obsedată de viitorul ei și este paralizată de trecutul ei”).

Analiza ne conduce către identificarea a trei Europe: grupul țărilor dezvoltate, grupul țărilor care se confruntă cu criza datoriilor publice și private și grupul țărilor recent intrate în UE. Europa încearcă să se miște într-o economie globală care rămâne departe de a realiza o creștere economică și o dezvoltare puternică, sustenabilă și echilibrată. Zona Euro se confruntă cu *provocări complexe*: tensiuni geopolitice, necesitatea unor reforme structurale, echilibre fiscale slabe, un volum înalt al datoriei

externe, un nivel înalt al creditelor neperformante. Întreaga Europă rămâne “prinsă” în criza creșterii economice și a creării unor locuri de muncă, situația fiind rezultanta unor dezechilibre structurale în ceea ce privește productivitatea și competitivitatea, amplificate negativ de indecizii instituționale și politice și o lipsă a unei viziuni comune cu privire la mersul spre viitor.

Pe termen mediu și lung dezechilibrele economice, financiare și politice create de globalizare și adâncite de criză vor forța țările dezvoltate să facă încercări repetate de a recupera pierderea de putere economică, financiară și politică.

Realitatea ultimilor ani demonstrează faptul că în cazul crizelor moderne soluțiile de rezolvare și înlăturare a cauzelor acestora vin prin reforme instituționale și prin intervenția directă a statului în economia reală (stat coordonator și jucător).

Asistăm la o deglobalizare a finanțelor internaționale și concentrarea acestora pe economiile din țările lor de origine și uneori în zone globale de interes strategic pentru țările de origine.

Marile schimbări pe plan mondial impun o mai mare coordonare și consensualizare și nu politici de dominație; de aici necesitatea obiectivă a unui echilibru global bazat pe *multipolarism*.

Exprim opinia că G-20 devine cel mai important forum în ceea ce privește viitorul cooperării economice și financiare internaționale. Este bine să urmărim îndeaproape *relațiile SUA - China* care devin cruciale pentru viitorul omenirii. Rusia va continua să fie un jucător geo-politic regional și global, fără de care nu se poate finaliza nici o inițiativă europeană sau globală; în acest context consider că este important să urmărim *relațiile Germania - Rusia*, esențiale pentru viitorul Europei.

Constatăm că *Marea Convergență* devine evenimentul central în ceea ce privește procesul complex de transformare mondială. Identificăm în cazul multor țări faptul că *politicile având ca scop creșterea competitivității și productivității devin politici de stat*. Ceea ce numeam ieri “periferia” SUA și a Europei devine astăzi inima și motorul economiei mondiale prin mutarea “step by step” a unei părți din putere dinspre Vest spre Est.

Economia mondială, mai cu seamă Europa, rămâne într-o mare măsură vulnerabilă din punct de vedere financiar, economic și politic. Țările sunt chemate să facă față unui cerc vicios care se caracterizează prin

creștere economică nesemnificativă, investiții în volum redus și credit bancar în continuă scădere. Acestea sunt nevoite să găsească soluțiile și căile de a canaliza în primul rând resursele financiare interne (economisirea) și în aceeași măsură resursele externe eligibile pentru realizarea unui *cerc virtuos* între necesitatea obiectivă de creștere a productivității și finanțare. Referindu-mă la țările europene, consider că acestea trebuie să pună în aplicare programe menite să îmbunătățească climatul de afaceri, să ducă la bun sfârșit ample reforme structurale, să îmbunătățească competitivitatea națională și europeană, ca și nivelul productivității, să finalizeze exerciții bugetare și fiscale sustenabile. În plus, *problemele structurale* (generatoare de volatilități și vulnerabilități), care cer în opinia mea o rezolvare hotărâtă în cazul României, cuprind:

- a) Dependența de capitalul străin;
- b) Structura sectorului bancar;
- c) Structura comerțului exterior (sub toate aspectele lui);
- d) Situația și structura sectorului productiv.

Când mă refer la situația țărilor din UE, pornesc de la constatarea unui cunoscut analist că ne confruntăm cu una din cele mai complexe boli și anume *sindromul unei deficiențe cronice a cererii*. Aceasta poate fi identificată prin următoarele realități: creșterea nesustenabilă a datoriilor publice și private, scăderea încrederii, inabilitatea generării unei cereri a cărei motor să fie creditarea, dezechilibrele numeroase, investiții structurale scăzute, creștere nesemnificativă a productivității, schimbări demografice; toate au condus la scăderea așteptărilor cu privire la ofertă, consum și investiții, generând un trend descrescător semnificativ al cererii. Este nevoie de îmbunătățirea rapidă a situației și în acest sens realitatea solicită strategii extinse, care să includă reforme structurale, investiții publice și măsuri de stimulare fiscală. Pentru a se obține o creștere economică sustenabilă este necesar ca în fiecare țară măsurile luate să cuprindă atât domeniul cererii cât și al ofertei. Pentru stimularea cererii interne este nevoie de o politică a băncilor centrale care să fie flexibilă, angajată și proactivă, o îmbunătățire a condițiilor financiare, un progres în consolidarea fiscală și de reforme structurale. Pentru întărirea activității de investiții, crearea de locuri de muncă și creșterea productivității avem nevoie de implementarea unor reforme acoperind piața muncii și a produselor, acțiuni care să îmbunătățească climatul de afaceri. Este cruciala atingerea stadiului

în care reformele structurale sunt implementate efectiv, deoarece numai astfel se induce o creștere a așteptărilor cu privire la venituri, încurajând firmele să facă investiții. Ducând creșterea economică către potențial, reformele structurale contribuie la majorarea veniturilor viitoare, determinând firmele să facă investiții și gospodăriile să majoreze consumul. Este adevărat că va trebui să direcționăm reformele structurale către o compoziție în concordanță cu realitățile curente, cu stadiul la care au ajuns cerințele societății viitorului și anume acestea să se concentreze pe două domenii cruciale, competitivitate și productivitate, cu prioritate dată acesteia din urmă. Când vorbim de creșterea productivității, desigur ne referim la inovație, adoptarea noilor tehnologii și realocarea optimă a resurselor (naturale, financiare și nu în ultimul rând umane). Dorim să vedem în zona publică și privată decizii îndreptate spre o destinație obiectiv necesară și anume R&D.

Consider că dacă analizăm reformele structurale dintr-o țară ar trebui să identificăm câteva elemente importante:

- Guvernele să fie proactive, să pună în aplicare acțiuni și soluții, să producă o “livrare” vizibilă și de calitate, să probeze viteza;
- Creșterea datoriilor nu ar constitui o problemă majoră atunci când reformele și creșterea productivității conduc la o creștere a veniturilor pentru firme și gospodării (datoriile să fie sustenabile);
- Implicarea și participarea directă a sectorului privat în dezvoltarea țării sunt esențiale;
- Austeritatea fiscală neacompaniată de măsuri de stimulare, de creștere a activităților productive, a domeniilor de producere de valoare nouă (materială și intelectuală) poate conduce la recesiune accelerată sau la o creștere economică scăzută;
- Recâștigarea încrederii prin fapte și așteptări realiste;
- Publicul, mediul de afaceri, investitorii să înțeleagă ce dorește să facă o țară, un guvern și instituțiile naționale (transparență și comunicare).

Una din problemele centrale pentru Europa o reprezintă rata încă înaltă a șomajului și consecințele sociale și economice ce derivă de aici. Crearea de noi locuri de muncă solicită idei inovatoare în direcția rezolvării conceptului și găsirii modelului de creștere economică. Consider că unul din factorii principali care inhibă și influențează negativ creșterea economică îl constituie menținerea finanțării bancare pe un teritoriu și trend

negative, în special în cazul IMM-urilor. Obținerea finanțării având caracter sustenabil este esențială pentru orice program de creare de noi locuri de muncă și de creștere economică.

Entitățile economice și financiare din țările avansate economic sunt angajate într-un proces amplu de reducere a expunerilor, cu toate că se bucură de un climat monetar caracterizat prin dobânzi joase și lichiditate abundentă. Putem constata faptul că aceste firme și instituții se concentrează aproape exclusiv pe repornirea economiilor din țările lor de origine. Mulți ani economiile dezvoltate au stimulat activitatea internă prin politici monetare acomodative și prin încurajarea îndatorării. Însă, la momentul izbucnirii recente crize, nivelul îndatorării (publice și private) s-a dovedit a fi nesustenabil.

Băncile comerciale parcurg un proces de deleveraging; ele sunt presate de Basel III și de cerințele intrării în funcțiune a Uniunii Bancare (AQR și testele de stres). Băncile centrale cu obiectivele lor principale, stabilitatea prețurilor și stabilitatea financiară, au pus în practică programe de sprijinire a economiilor naționale prin reducerea dobânzilor de politică monetară, prin stimulente monetare la scară masivă (din 2007 băncile centrale au lansat lichidități la un nivel total de peste 14 trilioane de Dolari SUA). Activitatea băncilor centrale devine tot mai complexă și mai dificilă: ele sunt angajate în politici de sprijinire a creșterii economice, concomitent cu politici prin care să realizeze obiectivele lor principale și anume stabilitatea prețurilor (stabilizarea inflației și a poziției internaționale a monedei naționale pe un trend și la un nivel cerut de fundamentele naționale și de dezvoltările internaționale) și stabilitatea financiară. Constatăm menținerea la un nivel îngrijorător a fragmentării piețelor financiare și funcționarea defectuoasă a mecanismului transmisiei politicii monetare. Piețele financiare au tendința să opereze ca un mecanism amplificator al problemelor din economie și nu de pe poziția unui “shock absorber”. Ne confruntăm deci cu o *problemă fundamentală* care frânează economiile naționale în procesul de ajustare. *Constat că în multe cazuri piețele financiare operează ca un șoc negativ în procesul de creștere a competitivității, afectând inovația, investiția, creșterea economică și somajul.* Vor fi în continuare mari presiuni pe țările cele mai îndatorate și dependente de fluxurile externe de capital, având de rezolvat această mare problemă structurală ce este generatoare de volatilități; țările se vor

confrunța cu riscul sustenabilității datoriei, atât publice cât și private. Ce dorim: reluarea finanțării economiei reale, reducerea costurilor la împrumuturi concomitent cu încurajarea economisirii, dezvoltarea pieței de capital ca alternative la finanțarea gospodăriilor și firmelor, precum a sectorului public, încurajarea consumului și a cererii, încurajarea investițiilor publice și private și nu în ultimul rând protecția clienților, a consumatorilor în aceste momente încărcate de volatilități. Economiiile europene au nevoie de finanțare, în special pe termen lung. Realitățile mă determină să constat că încă mulți ani economiiile din Europa sunt “banking and credit related”.

Procesul de deleveraging cuplat cu stimuli monetari pun instituțiile financiare în fața unor provocări majore în momentul când acestea au nevoie să finalizeze un amplu proces de transformare:

- Restructurarea băncilor și căutarea unui nou model de business;
- Managementul creditelor neperformante și a provizioanelor;
- Clienți cu situație deteriorată, soluții de protecție pentru clienți;
- Riscuri mai mari, necesități de capitalizare;
- Reducerea progresivă a apetitului pentru risc;
- Scăderea profitabilității în condițiile în care au nevoie de capitalizare (scăderea interesului pentru participarea la capitalul unor bănci din partea acționarilor actuali sau a potențialilor investitori impun băncilor schimbări structurale, un model de business mai puțin riscant și îndatorare mai mică, reducerea bilanțurilor și restructurare).

Menținerea creditării bancare la un nivel scăzut, uneori negativ, are legătură și cu managementul defectuos al unor bănci în ceea ce privesc riscurile, relațiile cu clienții și responsabilitatea (în primul rând morală, de cetățean corporatist) față de economia țării în care își desfășoară activitatea și de unde au obținut, obțin și vor obține (daca sunt minate de buna intenție și recapătă încrederea jucătorilor de pe piață) veniturile, profiturile și bonusurile.

De altfel, procesul de deleveraging este triplu și complex: clienți, bănci, sectorul public. Pentru realizarea și protejarea creșterii economice adâncirea acestui proces trebuie controlată, încetinită și oprită. În caz contrar ne vom “bucura” în continuare de efectele cercului vicios amintit și anume creștere economică nesemnificativă, investiții scăzute și credit pe un trend negativ. Subsidiarele aparținând unor grupuri bancare din Zona Euro

sunt “presate” de noua strategie a grupurilor să se îndrepte cu preponderență spre atragerea de resurse financiare de pe piețele unde își desfășoară activitatea (atât în moneda locală cât și a celor în valute străine). *Va trebui să ne intereseze mai mult cum sunt folosite și canalizate asemenea resurse rezultate din procesul de economisire internă, în așa fel să putem realiza un cerc virtuos între creșterea productivității și credit, finanțare.* Contează atât calitatea cât și cantitatea creditării; creșterea investițiilor productive pot majora cererea internă și așteptările, creând o revenire a economiilor naționale pe un trend în mare măsură “self-sustained”.

Cu referire la finanțarea pe termen lung am în vedere un sistem de soluții integrate care să cuprindă:

- Mobilizarea și direcționarea resurselor financiare publice;
- Mobilizarea și direcționarea resurselor private (gospodării și firme);
- Revitalizarea finanțării bancare;
- Implicarea investitorilor instituționali autohtoni și internaționali;
- Dezvoltarea pieței de capital;
- Garanții de stat; fonduri de garantare;
- Banca autohtonă de dezvoltare.

Putem afirma că există suficiente surse de finanțare a proiectelor pe termen lung. Însă anticipez o mare competiție în perioada următoare pentru atragerea acestor finanțări având în vedere că se estimează un necesar de finanțat în următorii cinci ani de circa 7,5 trilioane Euro la nivel mondial, din care peste 2 trilioane Euro în Europa. Revin cu opinia că mobilizarea în măsura bună a resurselor interne este esențială, atât pentru finanțare, cât și pentru cofinanțări unde se cere participare autohtonă. De altfel așteptăm cam de mulțisor momentul când pentru România vom avea pe masa de lucru și o strategie care să pună bazele utilizării efective și eficiente a tuturor resurselor interne încă disponibile (naturale, financiare și mai ales resursa umană).

În contextual problemelor și provocărilor actuale la care este supusă Zona Euro mulți pun întrebarea dacă țările membre UE vor mai dori să adopte Euro. Mulți aduc în discuție cazul Greciei, lansând scenariu. Repet un răspuns pe care l-am exprimat de multe ori în mod direct. Adoptarea Euro este o obligație asumată de țările care au aderat la UE în momentul semnării Tratatului de aderare. UE, Euro, instituțiile europene sunt “produse” ale unor decizii politice; ele nu vor dispărea, se vor perfecționa și

se vor diversifica. Statele membre vor lua decizii colective și vor implementa soluții pentru menținerea structurilor politice, economice și financiare create de ele la nivel European. Grecia nu va părăsi Zona Euro; în situația ei sau a altor situații similare țările membre vor finaliza soluții prin negocieri politice, unde aș dori să văd îmbinate armonios interesul general cu cel național pe termen lung. Despre aderare la Zona Euro putem discuta poate numai în privința anului propus ca țintă de fiecare țară candidată. Îndeplinirea unor criterii de convergență reprezintă un subiect important de luat în considerare; aș întreba însă ce rol are Zona Euro în procesul de convergență al țărilor noi aderente și în ce măsură adaugă valoare acestui proces după aderare? Subliniez faptul că decizia de a începe procesul de aderare la Zona Euro este în întregime o decizie politică a țării candidate și depinde în întregime de gradul de determinare a acelei țări în a convinge țările din Zona Euro că au realizat mecanismele necesare pentru a avea o capacitate internă sustenabilă în ceea ce privește politica bugetară și politicile structurale. Progresele ajustărilor economice realizate de unele țări candidate din Europa Centrală și de Est (și aici aș numi în primul rând Polonia, Cehia, Ungaria) demonstrează un nivel de determinare care nu prea îl găsim în cazul multor țări deja membre ale Zonei Euro, candidatele atingând nivele eligibile în ceea ce privește convergența nominală și reală. Ele nu și-au propus încă un an țintă pentru aderare. Consider că mai ales după recenta “experiență” legată de Francul Elvețian putem asista cât de curând la momentul aderării celor trei țări menționate aici la Zona Euro (în urma deciziei politice comune cu factorii din această zonă). Consider că asemenea valuri de decuplări vor crea noi volatilități și vulnerabilități pentru celelalte țări candidate din Europa Centrală și de Est. România și-a propus anul 2019 ca posibilă țintă de aderare. Realizarea unui consens național, care să aibă la bază o Strategie și o Agendă precisă potențează efortul nostru de realizare a convergenței reale sustenabile și de întărire a economiei naționale. Consider că această decizie de adoptare a monedei unice nu trebuie să se ia în primul rând “de dragul intrării în Zona Euro, din dorința de a fi și noi acolo”, ci pornind de la convingerea că dezvoltarea economică a țării, realizarea criteriilor de convergență la un stadiu sustenabil, creșterea competitivității și mai ales a productivității sunt necesare pentru aducerea României pe o platformă puternică care să o facă să reziste și să se consolideze pe termen lung într-o Europă care dorește

să devină, printr-un proces amplu de transformare, pol care să reziste concurenței globale. Este util să avem în vedere și scenariul unei decizii politice la nivel European ca toate țările candidate să adere deodată la Zona Euro, parcursul evenimentelor europene și globale vor impune poate o asemenea decizie într-un viitor apropiat; va fi important stadiul în care ne vom afla atunci în ceea ce privește forța și competitivitatea economiei naționale. Avem nevoie de acțiune. În aceiași ordine de idei consider că este necesar să finalizăm o decizie la nivel național cu privire la aderarea României la Uniunea Bancară Europeană, hotărându-ne asupra uneia din variante: înainte sau după aderarea la Zona Euro. Problemele și țintele macroeconomice impun în opinia mea luarea concomitentă în considerare și aderarea la Uniunea Piețelor de Capital, proiect aflat în plin progres. Exprim opinia că o decizie de aderare a României la Uniunea Bancară și la Uniunea Piețelor de Capital înainte de adoptarea Euro are meritele ei, mai ales că avem în față rezolvarea cât mai urgentă a problemelor structurale reamintite aici. Consider că finalizarea unui asemenea proiect poate contribui la întărirea stabilității financiare, la creșterea încrederii în sistemul financiar românesc și la crearea unui suport sustenabil pentru revenirea finanțării pe un făgaș normal care să conducă la creștere economică.

Consider că România merită o "upgradare" prin includerea sa în grupul țărilor emergente. Ca țară membră a UE, România a parcurs importante etape în procesul de integrare, etape ce au inclus numeroase reforme economice menite să creeze o economie funcțională de piață, care se prezintă astăzi destul de matură. Analiza criteriilor caracteristice zonei "Frontier markets" unde este inclusă acum, și anume reglementările și legislația, stabilitatea sau instabilitatea politică și economică, lichiditatea, poziția leului în raport cu valutele principale (și în special raportul leu/Euro) ne conduce la concluzia că România este eligibilă pentru includerea în categoria superioară. România este atractivă pentru investitorii pe termen lung. Aceștia identifică aici numeroase avantaje: o mare piață internă, forță de muncă pregătită profesional și educațional, flexibilă și încă relativ ieftină, experiența bună a multor investitori globali și regionali avută în România, poziție geopolitică (între EU și economiile euroasiatice). E adevărat că pot fi identificate unele riscuri. Acestea sunt și trebuie în continuare să fie mai evident adresate prin politici și programe interne care să accelereze creșterea economică, competitivitatea și productivitatea.

Riscurile sunt legate de insuficiența capitalului autohton pentru investiții, insuficiența fondurilor publice și private alocate pentru R&D, productivitatea muncii scăzută, dezechilibre demografice, venituri mici. Coroborând avantajele cu riscurile, investitorii pot găsi variantele care să le aducă un raport atrăgător între riscuri și câștiguri. Cred că în curând lumea afacerilor va constata că România poate fi un excelent HUB pentru afacerile lor din Europa de S-E și totodată O POARTĂ STRATEGICĂ pentru fluxurile investiționale și economice Est-Vest.

Am inclus în această carte o parte din ideile exprimate de mine cu ocazia unor evenimente publice oficiale, bazându-mă pe experiența acumulată de pe pozițiile de bancher comercial și de bancher central. Am considerat aceste idei ca fiind, în primul rând, **oportunități** cu avantaj competitiv, dar și **priorități** ale României generate de procesele și fenomenele europene și mondiale din perioada 2007-2014. Unele din ele au fost analizate și luate în considerare, altele au fost irosite. ***Mai avem încă fereastra deschisă pentru acțiune. Lumea se mișcă și se transformă rapid. Important să ne menținem cu privirea către viitor.***

Autorul

BANKING FOR THE FUTURE

I. THE NEW BUSINESS MODEL IN THE BANKING SECTOR AND ITS CHALLENGES¹

Introduction

Several provisions regarding the functioning of the financial sector in general and the banking sector in particular were crafted both at European and international level at the end of 2012 and the beginning of 2013 (the European agreement for unified supervision in the euro area and the BIS minimum liquidity criteria).

Such events are just two points in a string of measures that form an integrated process of restructuring the functioning of the financial system at international level. The starting point for the reform was the realization of the staggering social costs triggered by the 2007-2009 financial crisis. This financial crisis represented a catalyst for the efforts to rethink the fundamentals of old banking practices. The bottom line is that the financial and banking status-quo has become unacceptable.

There is a long list of measures that are still in the pipeline since there is no agreement at international level regarding their definition, content, measurement, and implementation. However, those measures ready to be implemented regarding Basel III, liquidity criteria etc. give some flavour of the main issues affecting the banking business model for the period to come.

This article contains personal ideas, which do not represent the view of me as a former commercial banker (asked to find solutions for alleviating the crisis effects on a bank, as demanded by the on-going concern principle) or of a central banker (my current position). Some readers might find themselves in these comments, be it as teachers, researchers, an ordinary observer of today's events, or even as a client of the banking sector or a taxpayer who is affected by these events.

¹ Paper presented at the Strategica International Academic Conference, Bucharest, 28 June 2013.

The post-crisis banking sector regulation is not the main factor pushing for the change in banking business model, but just an element channelling the change. If regulation would be the main factor than we no longer talked about a free market economy, but about a central planned one. The question persists though: what made the change in the banking business model necessary?

Another important question that needs to be raised is about the way banks will look after these changes are implemented. In theory, these changes should bring about a banking sector providing services without creating risks and vulnerabilities. Many financial institutions are still on a diet of government aid (especially in Europe) and under such circumstances the economic environment can hardly offer insights into the new banking business model. In short, one of today's priorities is the following: how to bring the banking sector back to its normal state, whereby the banking sector is a financial intermediary protecting the interests of all stakeholders.

It is evident that the Romanian banking sector is exposed to the same pressures for reform. The reason lies in the fact it is dominated by foreign owned capital banks mainly from the euro area, which means that is dependent on the group strategies and credit lines from the mother banks. Therefore, it is important to ponder on the significance of internal and external pressure factors that trigger the change in the business model of the banks in Romania.

It is certain the euro area banks will go through a major transformation process. These banks have global systemic importance and thus have to undertake the reforms leading to the strengthening of each banking group and of the European banking system in general. The reasons for this transformation are obvious. In 2010, US banks had US 8.6 trillion assets (80% of US GDP). In the same period, the banks in the EU had euro 43 trillion assets (350% of EU GDP). Such a situation if not skilfully managed could be explosive for the global economy. One can say that if the banks in the US are too big to fail the banks in the EU are both too big to fail and too big to save.

Europe needs to re-establish trust into a healthy banking sector besides fiscal consolidation and economic reforms. These are necessary conditions for increased competitiveness and inclusive economic growth. Romania needs to follow the European banking reform process very carefully as it

will be affected in a decisive manner. In the US the banking sector crisis was solved by and large through state intervention (mostly as a signal of support through the participation in the recapitalisation of banks; this measure has strengthened private capital confidence in the banking sector and has encouraged its participation in the recapitalisation of several systemic banks). In Europe the problem is so much more complicated. The structure and the SIFIs status need decisions and political solutions, new regulations and institutional reforms. We perceive a challenging trend for the Romanian banking sector in the sense that foreign owned banking groups will gradually retreat from the Romanian financial market to their home countries. In the same time, while their resources will be oriented towards resuming growth for the home local market, and for the core strategy and core business areas. Most likely this trend is closely linked with the de-globalisation phenomenon of the developed countries financial sectors, which, in my opinion, is set to continue for the following years.

Having in mind the Romanian banking sector structure, the Romanian authorities need to pro-actively follow the transformation process in Europe and adopt solutions that can strengthen the position of the Romanian banking sector throughout the on-going European integration process. Romania will face complex issues related to the implantation of the new regulation provisions, which will trigger a cut in the banking finance to the level where banks will balance their capital and liquidity indicators. This is even more important for Romania at this junction where the economy needs reforms and consolidation in order to achieve an inclusive and sustainable economy.

This article is organised as follows: the first section will briefly summarize the literature regarding the banking sector business models; the second section will discuss the current changes in the banking business model; the third will present some alternatives to the banking business models, while the last will comment on the near future challenges for the Romanian banking sector.

1. A brief literature review

The scholar discussion over the business model of the banking sector is at least as old and as divisive as is the subject of the Great Crisis of 1929 – 1939 and is largely related with the saga of the 1933 US Glass-Steagall

Act since its adoption, implementation, functioning and abolishment in the late 1990s.

The 2007-2009 financial crisis and subsequent measures concerning the banking sector at international level elicited great interest from the scholars. The obvious themes of interest related to the triggers of the financial crisis or the involvement of the banking sector in triggering the crisis and the way it unfolded. Many questions though concerned the basics of banking: why financial intermediaries exist after all (Diamond, 1984), but mostly the way the banking sector was functioning, that is the business models this sector was following. Another part of the debate concerned the differences between the business models of the banking sector of US and EU respectively.

Ayadi et al (2011) analysed the business model of 26 major European banks before and after the financial crisis (from 2006 to 2009) and came up with three major business models. They called these models – retail banks, investment banks and wholesale banks. The conclusions of their study is that over the studied period the retail banks outperformed the other two types, as they were more stable and were less likely to need government bailout, while they managed to expend customer loans despite the financial crisis. The worst performer was the wholesale bank model.

An entire string of the literature on banks deals with the economic factors that push banks into diversifying their activities and hence to adopt new business models. One set of factors concerns the asymmetry information between creditors and debtors. Banks are able to obtain more information on their clients if they engage in providing other services (Sharpe, 1990; Diamond & Rajan, 2001).

A second set of factors was rooted in the classic liberalism argument of the functioning of self- regulating market, despite the fact that the banking sector was nowhere near to being a free and/or unregulated market. Thus, the experts in the 1980' and early 1990' thought that by diversifying their activities banks may reduce their risks (Diamond, 1984). After the financial crisis this view was challenged and finally dropped because it was crystal clear that with the diversification of banks' activities into each other areas the system was less diverse and instead of obtaining the diversification of risks, the banking sector became more prone to common shocks (Haldane, 2009).

A third set of factors relates to regulation. Regulatory reforms since Basel I managed to actually reduce the competitive advantages of banks and so this became an incentive for banks to offer a wider range of products and to invent new products which would circumvent regulation (Ayadi et al, 2011; Croitoru, 2013).

Most of the studies written after the 2007 – 2009 financial crisis find that the diversification of banks' activities is not beneficial for the banks at least for two reasons. On the one hand, the benefits of diversifying in terms of risk-taking, performance and efficiency may be cancelled out by the costs of increased exposure to volatility (De Young & Roland, 2001; Stiroh, 2006; Stiroh & Rumble, 2006). On the other hand, despite the fact that markets value more banks that diversify their activities such banks hold less capital in reality and usually engage in more risky activities (Demsetz & Strahan, 1997; Baele et al, 2007).

Most of the debate in the past two years was concentrated on the question of the universal bank model. There are those who consider that this model should be dismantled. Blundell-Wignall et al (2013) conducted a study on 94 large global banks from 2004 to 2011 and conclude that as far as systemically important banks are concerned traditional banking should be separated from securities business because of the risks related both to operations and contagion.

On the other hand, Dombert (2012) argues that if regulators and supervisors manage to adequately solve the too big to fail problem there is no reason to forgo the advantages of the universal bank model. In his view, capital adequacy at all times is the fundamental element in order to achieve and maintain financial stability.

A KPMG report (KPMG 2012) argues that this is not the end of the universal bank model provided some changes to the way it functioned until now are made. The key message is that the universal bank model has to transform from achieving increased efficiency (from economies of scale and internal synergies) to cost efficiency. In order to obtain cost efficiency banks need to be flexible enough to function successfully in this new environment where they are challenged by new regulations, the downturn economic environment, rapidly changing customers and rapid progress of technology. "Banks need to consider componentized operating models supported by flexible and configurable architectures. Each component

should be able to operate independently or at least only loosely connected to other components and industry hubs.”(KPMG 2012, p.5)

2. Changes in the banking business model

2.1. The efficiency of the banking business model

Profitability is the main reason making the change of the banking business model necessary. The financial system has as main function the allocation of financial resources and the limits of its activity are set by the capacity to manage the risk and debt. The 2010 BIS Annual Report analyses the financial data for all economic sectors during the 1995-2005 decade at global level and shows that the financial sector was as profitable as the rest of the economic sectors.

Table 1: Return on equity for different economic sectors (1995-2009)

	1995-2009	1995-2000	2001-2007	2008-2009
Banks	12.2	13.3	12.8	3.2
Nonbank financials	11.2	12.3	11.4	5.4
Nonfinancials	11.7	10.9	12.8	9.8
Energy	14.2	10.8	18.6	10.1
Industrials	10.4	8.3	11.5	11.0
IT	12.8	15.1	12.8	10.3
Utilities	10.8	9.3	11.6	11.9
Source: BIS, Annual Report 2010, p.75				

However, there are two issues concerning the level of profit rate in the financial sector. On the one hand, the financial sector managed to obtain comparable results with the rest of the economy only during the economic boom and within an economic environment dominated by low interest and inflation rates. On the other hand, the financial sector was able to obtain these results only through a high leverage level, 5-6 times higher than the rest of the economic sectors.

Thus, the present business model of the banking sector devours too many resources (capital), which could be otherwise used by different

economic sectors in a more efficient manner. Moreover, the data presented by the BIS report suggests that other economic sectors could use these financial resources without producing the same high level of risk in the economy.

Most of the risks associated with the banking sector business model come from the dominance of short term financing (overuse of the money market instruments), a method that has prevailed at least after the 1990s. This move was partly encouraged by the changes in central banks' operations. They changed their focus to using the liquidity management as their main monetary policy instrument. But instead of accommodating the needs of the domestic money market (reflecting the demand for funds coming through commercial banks from the real economy) central banks have become prisoners of the liquidity needs of the rent seeking behaviour of commercial banks on the money markets at global level.

It is highly probable that one of the things which encouraged the over-expansion of the banking sector via high debt levels (and consequently the high level of risk) was the lack of financial education. One of the most experienced bankers in the US – Henry Kaufman –, a veteran of many difficult moments of the banking sector in the 20th century, remarked that after the 1980^s many top universities in the US have discontinued teaching classes of financial history to their students.

A solid financial education could make a contribution to decreasing the risk of another financial crisis for three reasons. First, understanding the causes of past financial crisis may contain the financial imagination of today's bankers as well as of those who are still students. Second, financial education should teach banking and financial products which exist on the market at a certain moment too. Only by learning how the latest financial products actually work the students of today will become more than just simple automatons that archive credit files tomorrow, while the risk of those credits are calculated through a complex econometric model at headquarters. It is the duty of the teachers to revisit the syllabus especially in the current situation when there are major changes underway in the banking sector. Third, the main advantage of understanding financial history is that it gives a flavour of the mechanisms determining financial crisis as well as of the way these spread. This can make bankers better equipped for the next financial crisis.

All past financial crisis have only one thing in common: there were no two alike, but they all started by taking in too much risk.

2.2. *What was wrong within the banking business model?*

There is one question related to the 2007-2009 financial crisis which does not have a simple, clear and easy to explain answer and that is: What was the cause of the financial crisis?

From the point of view of the particular enterprise called bank, one possible answer to this question is that the growth type from this business cycle based on excessive debt eroded almost to extinction the essence of the object of its activity. The essence of the activity of a bank enterprise consists in the allocation of capital between those who have savings and those who have a need for investment. Like any other enterprise, banking carries a risk stemming from the fact that the time horizon of the deposits does not coincide with that of credits (the problem of the maturity transformation).

Figure 1: The maturity transformation and the liquidity mismatch

Assets	Liabilities
Market liquidity	Funding liquidity
- Can only sell assets at fire-sale prices	- Can't roll over short term debt
Ease with which one can raise money by selling the asset	- Margin -funding is recalled
	Ease with which one can raise money by borrowing using the asset as collateral
A maturity mismatch is actually a liquidity mismatch	

Source: Brunnermeier et al (2011a)

Overstretching the bank's capacity to attract sources for financing credits leads to the erosion of their credibility as it is no longer able to satisfy the minimum condition of its object – maturity transformation. However, the financial crisis in its first phases (from August 2007 to August 2008) is considered mainly a liquidity mismatch.

2.3. The main factors triggering the change of the banking business model

Any economic crisis forces entrepreneurs to restructure and the same must be true for banks. There is another source of elements forcing banks to restructure besides the economic ones mentioned above. Obviously these elements concur to the increase of costs for banks, but these elements are interventionist and therefore not from the market.

This group of factors could be called the regulation framework, although it refers mainly to the intervention of regulators and supervisors from governmental, inter-governmental and supranational levels.

There are three factors in this group:

- the increase of capital cost due to the changes in capital requirements according to Basel III;
- the increase of liquidity cost due to the changes in the liquidity coverage ratio which has to be accomplished in the proportion of 60% by 2015 and 100% by 2019 (high quality liquid assets/Total net cash outflows in a crisis, which actually means how much cash and easy-to-sell assets a bank should hold against short term commitments);
- the increase of functioning costs due to multiplying levels of compliance to supervision.

Thus, national and international supervisory bodies make more difficult and burdensome banks' efforts to put in place a new business model, which is sustainable by imposing new regulation at international level.

On the other hand, there are two factors which allow for a decrease of the above mentioned costs. First, there are numerous unknowns regarding the organisation of supervision within the euro area and EU in general. Procrastinated debates in Brussels allow the banks to postpone taking on board the costs related to internal reorganization along the new lines of supervision (i.e. data reporting, training personnel in new regulation provisions). Second, due to more or less objective factors, some deadlines and conditions that were previously announced as part of the new standards are now diluted (i.e. Basel III and liquidity conditions).

The banking sector in Central and Eastern Europe (CEE) moves towards a new paradigm. In the past few years the performance of the CEE banking system decreased under the pressure of volatility and uncertainty from the EU area. The banks had to tackle with the challenges of offsetting this volatility.

The average capitalisation of the CEE banking sector has shrunk by 67% in the aftermath of the crisis after it surged by 52% between 2000-2007.

Under these circumstance we see the successful bank of the near future as one which is able to effectively manage a plethora of challenges: new norms and regulations, increased risks, higher resources costs, major changes in customer behaviour (higher and more complex expectations regarding financial innovation, while customer loyalty will be more and more difficult to maintain and consolidate), fierce competition from non-traditional players. Therefore banks are in need of deep changes regarding strategy and internal structure in order to internalise the lessons of the past crisis and to prepare for the future expectations. However, this cannot be achieved without finishing the transformation process, including the mentality change and the implementation of a new banking culture.

We acknowledge the fact that from now on the banking activity will be more complex and more difficult as it will face new customer demands while prioritising capital, liquidity and risk management. The 2011 Mckinsey paper published in 2011 presented four possible strategies for the banks in this region (which we can assert today that are under way to be implemented):

- asset portfolio restructuring, which in fact speaks of prioritizing markets and clients;
- building a new regional governance model, which refers to the way banking groups can coordinate and centralize regionally;
- differentiating the products and services by segments of clients and businesses, which refers to identifying the growth engines in the region;
- innovation, which refers to new products and services that can help to reduce costs.

We dare raise a flag for all of stakeholders of the Romanian banking sector, including the National Bank of România. It concerns the possible new model, which banking groups from the euro zone could implement for their subsidiaries in România. It is possible to have a sort of autonomy for these subsidiaries in the sense of their braking off from the mother group and their transformation into independent banks from the legal point of view as well as from the capital and resources. In this way the legal responsibilities of the mother group are grossly reduced, while in the same time cutting the systemic risk of contagion from the subsidiary towards the

group and reducing the consolidated costs for the group with capital and liquidity requirements. The remaining links between the group and the subsidiary will be reduced to strategy and support (IT, risk management, procurement, training, brand management) where synergy potential is achieved. But this new relationship model will see the transfer of many tasks to the host country, to its central bank and supervision body, as well as costs related to restructuring, banking resolution and deposit guarantee. From this point of view we regard it as essential for the Romanian authorities to take part into the negotiations on the new rules covering home-host relations.

In spite of all these changes we believe that a bank as an enterprise can navigate through crisis periods by combining good risk management with finding solutions that satisfy the principle of “on-going concerns”.

The implementation of Basel III requirements should deliver a better and more capitalized financial system. It seems that each set of Basel regulation (I, II and III) was designed also to correct the errors and unintended consequences of the previous version. The reality is that each new version of Basel regulation was more complex and less efficient. None of these led to the accomplishment of sufficiently capitalized banks in order for them to cover and absorb the shocks coming from the real economy.

We deem that a thorough analysis as well as a structured decision is needed before making Basel III compulsory. This is essential in order for a Basel IV not to become a necessity. It seems that we find it difficult to shake off old habits or otherwise: “we never have enough time to properly do something in the first place, but we always have enough time to do it again”.

Banking regulations must always have a purpose: to protect healthy banks, to safeguard public money and the taxpayers, to shield depositors and clients, to build the necessary framework which allows the real economy to access credits, to encourage and not to shy away from innovation – the source of progress. Past experience shows that simple rules are the best.

A recent report of the experts group led by Erkki Liikanen, the Governor of the Finish central bank, pointed to another controversial chapter in banking regulation – the tendency to separate investment and retail banking. In short, this report underlines the following ideas:

- Separation of investment and retail banking activities. This targets mainly proprietary trading. Such investment banking activities refer to taking on risks and initiating transactions with derivatives on behalf of the bank, but using for these operations retail clients deposits. These deposits have a special regime and are guaranteed through the deposit guarantee schemes (and for which, in some cases, in order to eliminate systemic risks and protect the clients, public money were or are still used).
- A new classification of debt instruments (borrowing and debt) and identifying the instruments which should not be on commercial banks' balance sheets.
- Extra capital requirements for investment banking for trading book with assets.
- An improved governance.

Many experts foresee a diminution of the number and force of universal banks. Some even say that investment banks and retail banks can no longer exist alongside in the same institution. In the words of one analyst: "It is almost as one would put Tesco and Harrods together under the same roof". It is probable that the strength of universal banks will be eroded by the market forces powered as they are by Basel III (the new capital requirements, but most important the necessity of a new banking culture).

Other experts reached the conclusion that we face a form of financial capitalism, which is mainly based on "transaction banking" instead of the more solid model of "relationship banking". Some analysts go that far and paraphrase Winston Churchill in saying that "it will not be the end of the universal bank, but it will most certainly mark the beginning of the end".

We see some truth in these opinions but we favour the following view of the future banking system: the separation of investment and retail banking (which in technical terms would come to the distinction between proprietary trading and client driven trading) under the roof of the same universal bank. Such a structure would conserve and strengthen the group synergy, with favourable effects for the clients and market.

3. Alternatives to the banking business model

3.1. The alternative to long term finance

Other types of nonbanking companies were offering funding on certain segment of the financial services market even before the start of the financial crisis. The reason for which such companies have survived and prospered after the debut of the crisis is that they satisfy the basic principle of the maturity match.

The new business model of banks and the new capital and liquidity requirements push the banks towards shrinking their long term assets, while funding themselves more from deposits and less from borrowing. Under such circumstances, long term projects (infrastructure, leasing, and real estate) are most affected. The EU banks are by far the biggest player on this market at global level occupying almost two thirds. According to the IMF data (The Economist 2012a), in 2013 the EU banks could shed almost USD 2.8 trillion of their assets. This is quite a significant and difficult balance sheet restructure with potential negative effects for the real economy, including for the Romanian one.

However, one must acknowledge that there are significant amounts of funding which by definition have long term maturity – insurance as well as pension funds. This is the case because the insurance and pension sector have by definition long term liabilities. Moreover, the insurance sector was less affected by the financial crisis than was the banking sector since it did not take part in the spiral of short term financing (but it did have some credibility issues as it did take part in the securitization process – see the AIG case).

Investing in financing long term investments could be the key to survival in the case of the pension funds due to the double challenge they face. On one hand, in an environment dominated by close to 0% interest rates, pension funds need profitable investment; while on the other hand, pension funds face increasing liabilities due to the unfavourable demographic changes.

Nevertheless, the added sums from insurance and pension funds are do not match the resources raised through banks on long term for three reasons. First, the assets of these funds, although significant, are relatively low compared to the levels offered before the crisis by the commercial banks. Thus, a MorganStanley paper (The Economist 2012a) gives evidence

to the fact that on the medium term the EU banks will cut their exposure to the real estate sector by USD 300–600 billion, while the insurance and pension funds can only offer USD 100–200 billion. Second, there are regulation issues. Regulators and supervisors do not agree with long maturity assets on the balance sheets of insurance and pensions funds because they are quite illiquid. Third, there are some behaviour barriers, because traditionally pension funds invest their money in assets like stocks and bonds of companies with very good rating, but never in some private infrastructure projects.

3.2. The alternative to medium term financing

The reduction of banking finance will create another serious problem in Europe. European corporations finance their activity up to 90% from the banking sector. In the US the banking sector is the source for only 25-30% of the corporations finance needs. The current challenge for the European companies is to find an alternative source for around EUR 8.1 billion (Barclays report quoted in *The Economist* 2012a) funding needs, as the banking sector increases the cost of credit and targets activities with lower risk.

The US experience suggests that the only possible answer for the European companies is the capital market. However, the European capital markets raise funds amounting to only EUR 1.3 billion presently (*The Economist* 2012a).

However, this does not suggest that banks will completely abandon this business. There is a cultural reason behind it. In time, banks have forged strong relations with their clients, be they corporates or households, leaving the banks with significant knowledge of their customers. Besides, the capital market simply does not have all the necessary tools for financing a company. Therefore, banks may become consultants both for the companies and for the capital market for the medium term financing. The banks will help with consultant services the process of raising medium term capital, by forming partnerships with institutional investors.

Such an activity will be profitable for banks as it allows keeping the client portfolios and the special relation with these clients, without taking on new risks, while all the same making profit from the consultancy. In order to strengthen the credibility of this new concept for the clients, the banks could keep on their balance sheet a part of the finance effort (and also of the risk).

This new trend raises some concerns related to the attitude of Europeans towards capital market in general and capital market risks in particular. A new addition to this subject comes from the current international negotiations for the regulation and supervision of the shadow banking sector, aiming at preserving financial stability by eliminating the systemic risk induced by this sector into the banking sector. The main items in these negotiations are the money market funds, collaterals to repo and securities lending operations. More to the point, European authorities in general, and Eastern European ones in particular (Romanian especially) have to undertake major changes regarding their policies and the regulation for the development of the capital markets.

3.3. The alternative to short term financing

Short term assets are by far the most interesting for banks from the risk point of view under the present circumstances. However, from the point of view of the cost of finance, such assets are no longer advantageous, as the cost of cash or very liquid assets operations is higher than zero, despite the next to 0 interest rate environment.

There are at least two reasons for the proliferation of alternative short term finance sources (peer to peer finance). First, small and medium enterprises do not have medium and long term financing needs in order to become a point of interest for the banking sector. Moreover, such enterprises do not have the appropriate profile to qualify for financing through the capital market. Second, the risks of small and medium enterprises are too high, since they do not have a predictable cash flow and business cycles triggers major restructuring among such companies.

The main two reasons which made possible the alternative short term financing companies are the following:

- banks almost abandoned the short term financing activities before the financial crisis;
- the technological progress allows such alternatives to function with very low costs.
- Other pros of such alternative sources of financing are a consequence of the fact that with fierce competition in this sector companies providing financing are interested in offering customer tailored products.

- There are at least four types of financial relations describing alternative peer to peer short term finance:
 - credit to small and medium companies (trade receivables)
 - credit to individuals;
 - participation with equity in innovative start-ups;
 - payment platforms for receivables.

Nevertheless, short term financing through peer to peer transactions cannot replace the short term amounts borrowed through the banking sector despite its diversity because the former are incomparably smaller than the latter. Therefore, banks will remain the main players on the short term financing market for the time being due to a number of inbuilt advantages:

- their size (providing for territorial expansion),
- the nature of their activity (supplying to their client services related to current accounts, payment systems and savings),
- their ability to provide for deposit guarantee.

4. Near future challenges for the Romanian banking sector

4.1. Imbalances in the Romanian banking sector

There are some issues related to the business model of the banks in Romania despite the fact that they did not need governmental intervention for bailouts. First, the Romanian banking sector have imbalances even if from the point of view of solvency and provisions for NPLs they can measure up with the banks in developed European countries. The main imbalances are the result of mismatches in the maturity of assets and liabilities and the structure on currencies of assets and liabilities respectively. Both these imbalances can generate liquidity risks. This element is even more important if coupled with the fact that Romanian banks use clients' deposits as the main source for financing their assets.

Another risk factor to the business model of the Romanian banks is the fact that their mother banks have not yet significantly curtailed the funds sent to their Romanian branches. Thus, in the aftermath of the financial crisis the foreign parent banks of the Romanian banks have only reduced by 6% the amounts transferred to their Romanian branches. This situation will dramatically change as international provisions related to capital; liquidity and unified supervision come into force. The funds transferred to the Romanian banks will diminish as foreign parent banks

will have to recapitalise and decrease risk (through shortening the maturities of their assets). Romanian banks will reduce their participation to the money market instruments which require large liquidity as their foreign parent banks will be forced to keep larger amounts of cash in order to satisfy the new liquidity requirements. Many banking entities in Romania might be restructured or closed altogether as their foreign parent banks will be reshaped by the unified supervision.

All the above changes will impact the Romanian banking system. Consequently the following factors need to be thoroughly thought over:

- the necessity to increase the weight of liquid assets, leading to the reduction of resources available for financing real economy (especially on medium and long term);
- the focus on attracting resources from the domestic market (Romanian and foreign currencies) due to retrenchment of foreign parent banks funds, leading to higher competition on the domestic market for resources and a possible increase in deposit interest rates;
- the restructure of balance sheets through the reduction of assets (be it by selling assets, or by not renewing credit lines) due to the new capital requirements for foreign parent banks, leading to increase distress for the non-financial sector, including bankruptcies and possible increases in unemployment rate.

4.2. The refocusing of Romanian banks

The Romanian banking sector might go through some of the following changes in the near future due to the changes mentioned above:

- decrease of borrowing, mainly for liabilities with maturities exceeding the two year maturity (real estate projects, infrastructure projects);
- increased cost of borrowing, mainly for clients with high risk profile (small and medium enterprises, individuals with low and medium income). It is necessary for the public authorities (Government of Romania, guarantee funds and the Bucharest Stock Exchange) to provide for alternative financing instruments and sources for small and medium enterprises.
- increased costs for those operations which are liquidity and human resources consuming;

- upward pressures on money market interest rates as medium and small size banks will need additional resources to restructure their portfolios;
- decrease of banks' network of offices and increased layoffs; this will happen despite the fact that in România the network is among the least wide ones (31.7 bank offices to 100000 inhabitants) in EU, with the exception of the Czech Republic and the Baltic states, which places România below the EU average of 46;
- some foreign parent banks will chose to close down the business in România;
- increase of deposit's interest rates, especially for long term deposits (mostly for foreign currency denominated deposits);
- gradual dissolution of the advantages attached to domestic currency denominated current accounts (and savings accounts);
- expansion of self-banking services destined to clients of large local banks.

However, there is also a different reality, a success story, which was told by the FT in January 2013 and related the experience of Handelsbanken in Sweden. Such an experience is all the more relevant for the Romanian banking sector since it comes from a country that is a member of the EU but outside de euro area and also it comes from a banking sector which is deeply related to the banking sector from other countries in the region that not always share the same currency.

Mr. Par Boman, president of this bank, was revealing that he organises his weekly schedule such as to be able to discuss with the bank's clients in the field offices. By understanding client needs, Mr Boman is able to come up with tailored to client needs solutions. This strategy is able to counteract the mercenary offensive of the non-banking sector which tries to enter the market for banking services. Mr. Boman's bank tries to implement the policy of putting customers first and in this way promoting a sort of "back to the future" business model for banks, representing a mix between modern and tradition – a good risk management with positive long term effects for the bank and its stakeholders. Handelsbanken manages to open up new branches despite current difficult conditions by applying the principle of proximity which brings in new clients and businesses, thus strengthening customers' loyalty towards the bank.

In contrast to this sunny reality, in the Romanian banking sector there have been significant layoffs and offices were closed down, due to the policy of disintermediation implemented by foreign parent banks. This happens despite the fact that Romania has many regions without proper access to banking services and the financial intermediation is among the lowest in the EU. In the first semester of 2012, commercial banks closed down 352 offices, while 3700 employees were fired. This represented an acceleration compared to the entire previous year, when 130 offices were closed down and 1000 employees were fired. This evolution is worrisome for a country interested in continuing development, financing investment or reducing social and regional imbalances.

4.3. The monetary policy of the NBR

The transformation which commercial banks face will affect the money market. Also, credit retrenchment will affect the real economy, as financing alternatives are slow to fill in the gap. Regulation and supervision will go through significant changes. In short, most of the commercial banks in the EU go through a process of disintermediation with a strong risk aversion. In the same time households prefer savings over borrowing, while companies use their hoarder piles of cash to finance their current expenses, avoiding any investment or modernization programmes. To complete the grim picture, austere fiscal policies have a strong negative impact on GDP growth. It is very difficult to define an effective and efficient monetary policy in such a macroeconomic environment.

The monetary policy of NBR will face new challenges. First, it is possible that the NBR will have to implement a very active management of liquidity if the liquidity demand increases, which will consolidate its position as net creditor to the system. The pressures on the liquidity will also require some rethinking of the Treasury concerning the management of the public debt.

Second, the monetary policy will continue to be focused on achieving price stability and financial stability through strong and proactive mix of policies. The coordination of all macroeconomic policies is the only combination conducive to optimal allocation of resources in order to achieve a sustainable and inclusive economic growth.

Third, the inflation targeting regime is a valid strategy for the monetary policy. The inflation rate undershot the inflation target only once since the NBR implemented the inflation targeting strategy. However, the inflation targeting regime is successful each and every time the inflation rate is on a descending path for a long time and does not have fluctuations. The end of year inflation rate might be higher than the inflation target on medium term, in a scenario whereby the Romanian economy will have a very low growth rate (lower than the potential). This happens because structural adjustment is quite sluggish in Romania.

Despite all these hurdles, the main message of the financial crisis is that there are many opportunities which are not taken advantage of.

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II. BANKING FOR THE FUTURE²

Good evening ladies and gentlemen and thank you for inviting me as a speaker at this prestigious event. It is an honour for me to share some of my views on the future of the banking industry in front of such distinguished audience. Although I currently hold a position with the Romanian central bank, the opinions I will express here do not represent the official view of this institution. They are merely the thoughts of a banker who had the chance to witness over the past 30 years the development and integration of the financial sector across US, Europe and Eastern Europe.

The main trends in the European environment are focused on growth, job creation and competitiveness, all within the unique global transformation era, having as central event the great convergence. Speaking about Europe please keep in mind that it is still a credit related economy and will stay like this for the next few years. In this respect let's not forget that banks play a fundamental role in financing the real economy.

I will not dwell on the recent past (the financial crisis). We need to prove a long term thinking. In my view, the critical issue for the future of the banking industry is to wisely use the opportunity brought by the financial crisis in order to perform a major overhaul to ensure its efficiency and performance over the next decades.

In order to achieve this is necessary to have as many informed views as possible. I am encouraged by the fact that there are many high quality analyses available. The Report "The shape of things to come" we talk about at this major event is a practical contribution to the debate. I consider that this Report is highly important for Romania within the current trends of deleveraging and disintermediation, when the country is facing the negative impact of the structural vulnerability of its banking system, a system having more than 90 pct foreign capital mainly from Euro-zone. The Report is an invitation for a serious analysis and more "action now" on behalf of Romanian authorities, banks and businesses, including National Bank of Romania. Euro area banks are going through a major transformation process which will have a great impact on Romanian convergence efforts.

² Speech delivered at the launch of the Oliver Wyman Report "The Shape of Things to Come – What recent history tells us about the future of European Banking", Bucharest, 27 November 2013.

In my view the future of the banking sector is outlined by the present discussions on the following areas that I will elaborate on: the challenges on short term; the business model that banks will adopt over medium term; and the contribution of the banking sector to growth over long term.

Challenges on the short term

I consider there are three challenges on short term for the banks around the world and these elements will weigh on the business model and on their contribution to growth.

First, the most obvious test for the banking industry is how to survive the deleveraging process. (ECB statistics are showing that outstanding loans to non-financial sector remains negative on annual growth rates, i.e. -2.3% in 2012, -3.4% mid 2013, -3.8% August 2013.) The prospect for an accelerated and chaotic disintermediation is heightened by the fact that Basel III will soon impact the banks worldwide while the banks in the European area are also going to be submitted to the AQR in the next 12 months.

Obviously, emerging countries like România are among the first ones to receive the full blow in case of a messy deleveraging. Until now foreign banks have repatriated around 26.2% of their exposure, amounting to around EUR 5 billion. Nevertheless, this move was more than offset by raising deposits on the domestic market.

Second, banks in the euro area have to sever the links with public funding established during the various crisis episodes since 2007. This factor impacts the future of the banking sector for two reasons. On one hand, the capital injected through public spending saved the day but also had perverse effects because it postponed the cleaning up of the balance sheets. Therefore, in the very near future banks will have to shed assets while returning public capital. The data is showing shrinkage of 9pct between 2008 and 2013 in the balance sheets of the banks. On the other hand, banks will need additional capital to cover for the public funds and also to prepare for the final phases of Basel III. They will start looking for capital in an unforgiving environment where capital is still very scarce and shy of investing in banks (to note that between 2009 and 2013 banks' capital and reserves have gone up by 35% amounting to Euro 2.4 trillion). A vicious cycle might start under these circumstances as the meagre economic growth generated by the real economy is not enough to feed

banks which in turn diminish non-financial sector's chances to generate growth. In fact Basel III has aggravated the situation exactly when the euro-zone economy was moving into recession.

Third, if banks need additional capital they must show some profits and in order to obtain profits they must cut costs. The industry has already been through several waves of cost slashing since the start of the financial crisis in 2007. Nevertheless, there are two factors that will continue in the short run to contribute to the increase in costs which makes reducing costs even more necessary and challenging. Authorities at international and European level are nowhere near the end of regulation of this sector (in addition to capital we are talking about liquidity requirements, bank recovery and resolution directive requirements, and the leverage ratio) and this will create additional costs for the banks. Moreover, the costs of provisioning the NPLs will continue to grow in Europe as long as banks can still operate on public money support. The results: limiting bank lending and maturity transformation role which will be detrimental not only to short term financing, but especially to long term investments. We have to bear in mind that the long term financing is becoming a priority for România and all EU member countries. I hope that the authorities will take into consideration the diversity, the business model and the risk profile of each bank and the specific situation in each country when observing and implementing the new regulations.

The way banks will choose in the next 12 months to react to these challenges will impact the business model in that it will decide which banks will preserve their place in this market and which will be absorbed by other players or will disappear altogether. To the same extent there will be an effect on banks' participation in the next economic growth because some might miss the boat.

The business model

The academic discussion over the business model of the banking sector is at least as old and as divisive as is the subject of the Great Crisis of 1929 – 1939 and is largely related to the saga of the 1933 US Glass-Steagall Act since its adoption, implementation, functioning and abolishment in the late 1990s.

Profitability is one of the main reasons making necessary the change of the banking business model. The financial system has as main function the allocation of financial resources and the limits of its activity are set by the capacity to manage risk and debt.

The banking sector in Central and Eastern Europe (CEE) moves towards a new paradigm. In the past few years the performance of the CEE banking system decreased under the pressure of volatility and uncertainty from the EU area. The banks had to tackle with the challenges of offsetting this volatility. The average capitalisation of the CEE banking sector has shrunk by 67% in the aftermath of the crisis after it surged by 52% between 2000 and 2007.

In spite of all these changes I believe that a bank as an enterprise can navigate through crisis periods by combining good risk management with finding solutions that satisfy the principle of “on-going concerns”. In my opinion a successful bank in România and in CEE is one being able to effectively manage the new regulations, increased risks and volatility, higher funding costs, qualitative changes in customer behaviour, high competition from non-traditional players. They are in need of deep changes to prepare themselves for the future, however this cannot be achieved without entering and finalizing a transformation process, starting with mentality and banking culture.

Their business must become strong and sustainable to the benefit of all stakeholders. We need to identify in the case of each bank its new philosophy in connection to corporate behaviour, product development and marketing, customer relationship, reputation, collective and social responsibility, and for sure I am not forgetting the credibility. In fact gaining and/or regaining the credibility is probably the core challenge facing the banking industry. I have made reference to risk. Please allow me to revisit in few words this concept. Risk cannot be eliminated, “and without risk there can be no reward, no progress and no economic growth” (KPMG Sept 2013). Risk management is one of the core capabilities of the financial services institutions. Risk taking and risk mitigation are sides of the risk culture. It is my opinion that exaggerated “protection” and “prevention”, and too much risk aversion are detrimental in a long run to the economy and living standard, and to the banks future as well. Think of it.