

WHAT ROLE SHOULD BANKS PLAY IN THE TWIN DIGITAL AND CLIMATE REVOLUTION?

Denis Beau – First Deputy Governor

I. THE BANKING SECTOR AND THE TRANSITION TO A DIGITAL FUTURE AND A SUSTAINABLE ECONOMY

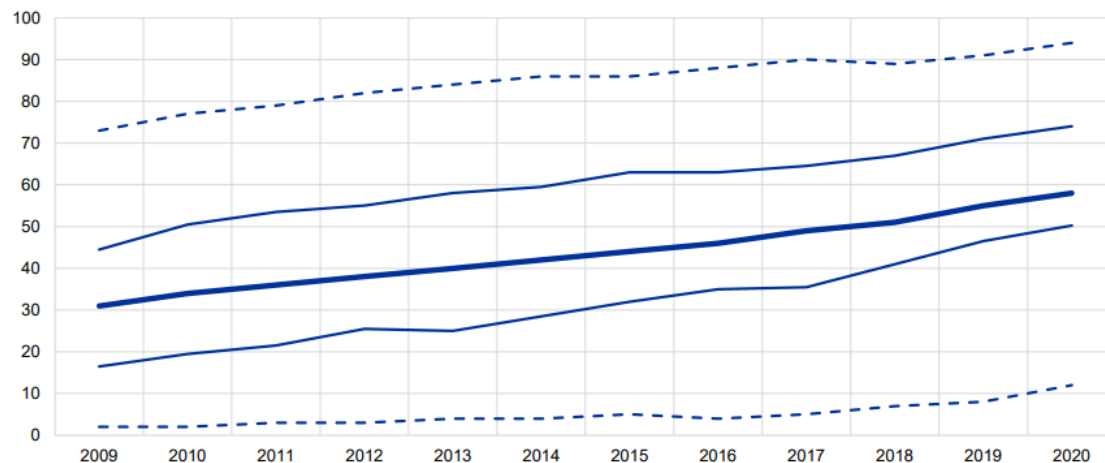
The digital transition is changing the traditional banking model

New customer expectations

Competition from bigtechs and fintechs

Rise of DeFi

Percentage of individuals using the internet for online banking across the EU



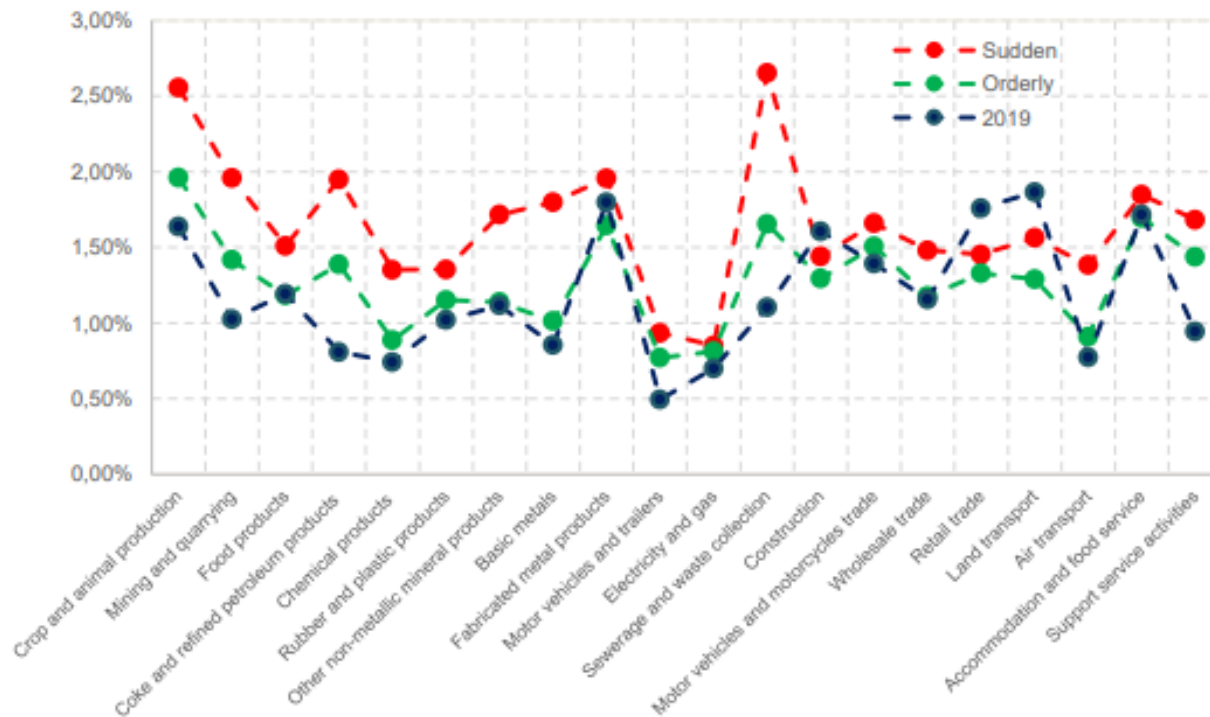
Source: Report by the ESRB advisory scientific committee on digitalisation and the banking sector (January 2022)

Note: The thick line represents the European average, while the thinner lines represent the first and third quartiles. Maxima and minima are shown with dotted lines.

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Banks are exposed to losses in the event of a disorderly transition

Chart 7 - Evolution of the probability of default broken down by sector



Note: the graph below represents the weighted average (weighted using total corporate exposures) of the one-year probabilities of default by sector of the 6 main French banking groups. The levels shown for the orderly and sudden transition scenarios correspond to those observed in 2050.

Source: ACPR

Source: Main findings of the ACPR's pilot climate exercise in 2020

Note: the accelerated transition scenario corresponds to a disorderly transition

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These structural transformations could weaken banks and financial stability

The entire economy would be negatively impacted if transition risk were to materialise

Competition from new intermediaries and private digital assets could lead to fragmentation of financial services

The effects in 2050 of a disorderly, sudden and severe climate transition (compared to a baseline orderly transition scenario):

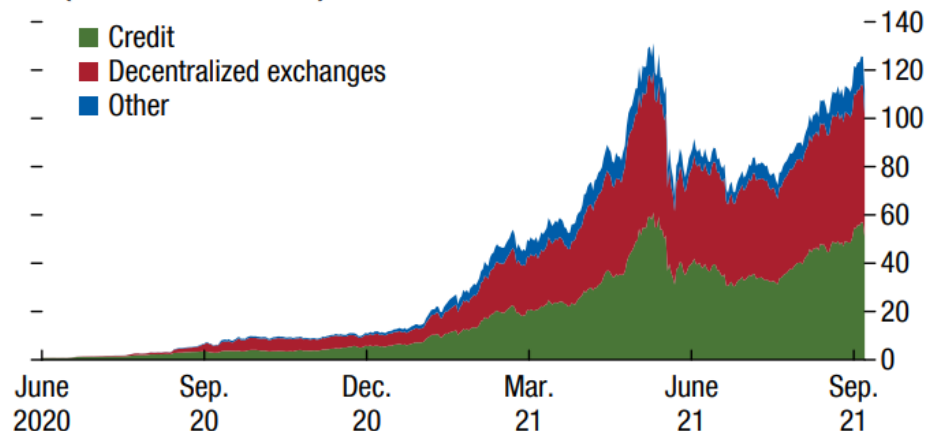
5.5% loss of GDP

58% loss of value added in the most affected sector, the coking and refining sector

6-fold increase in the probabilities of default in the coking and refining sector, rendering more than 50% of the sector's assets ineligible as collateral for monetary policy operations

Total value locked in decentralised finance protocols

6. Total Value Locked in Decentralized Finance (Billions of US dollars)



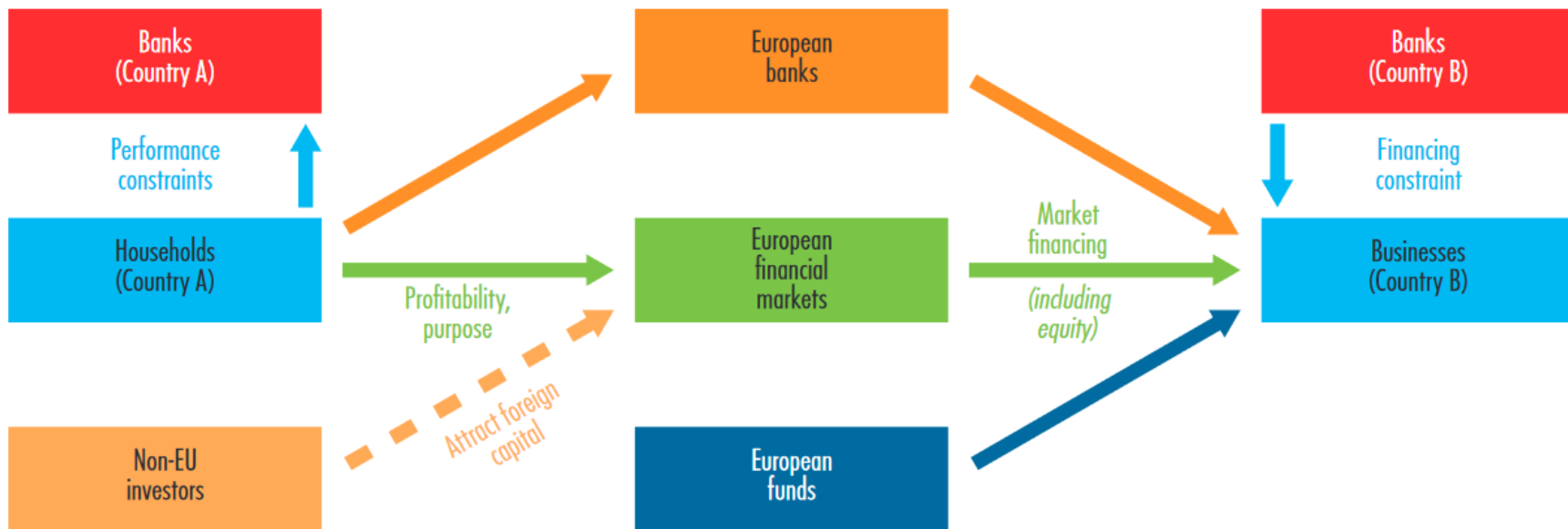
Source: [Banque de France Bulletin 237/9](#)

Source: [IMF GFSR 2021](#)

I. THE BANKING SECTOR AND THE TRANSITION TO A DIGITAL FUTURE AND A SUSTAINABLE ECONOMY

Assisted by resilient banks, we need to build a Financing Union for Investment and Innovation

A Capital Markets Union to channel savings towards financially constrained businesses



Source: Banque de France (author's diagram).

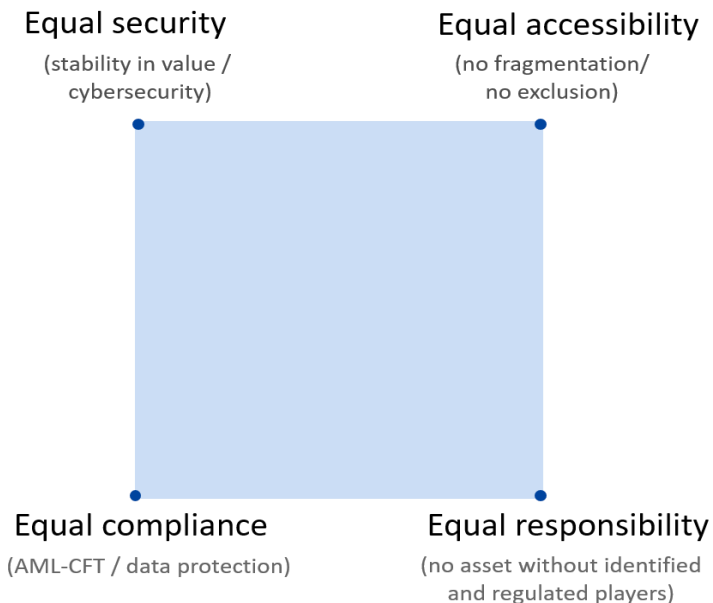
II. THE BANKING SECTOR: A PARTICIPANT IN THE DIGITAL AND GREEN TRANSITION

Regulatory responses seek to ensure that risks are better controlled and to create a change-friendly framework

Regulate digital finance according to the “same activities, same risks, same rules” principle

The EU framework is a leader compared with other jurisdictions in terms of regulating sustainable finance

SQUARE OF GUARANTEES



European
Taxonomy
Regulation

Corporate
Sustainability
Reporting
Directive

European
Green Bonds
Regulation

II. THE BANKING SECTOR: A PARTICIPANT IN THE DIGITAL AND GREEN TRANSITION

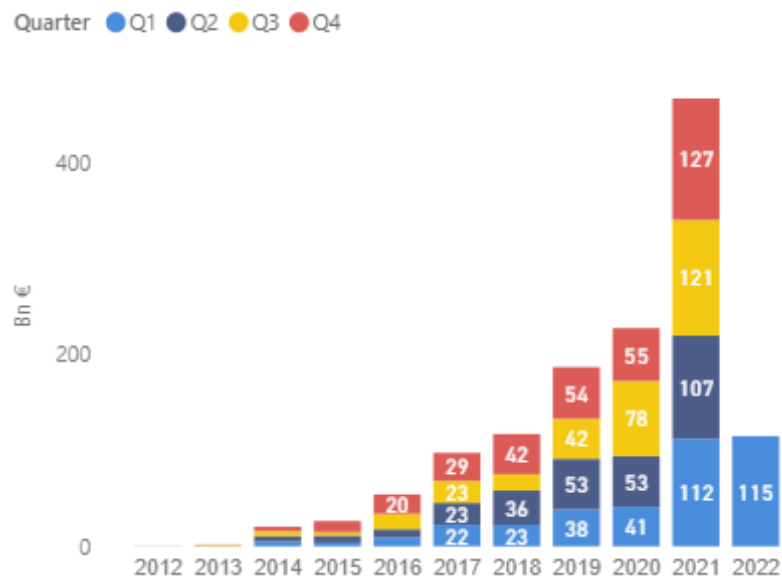
Banks are adapting to these challenges, which are also genuine opportunities for growth

Coopetition between fintechs & banks



EPI European Payments Initiative
INTERIM COMPANY

Chart 1: Green bond issues aligned with ICMA criteria since 2012 ((€bn equiv.)



Source: Internal - Banque de France

II. THE BANKING SECTOR: A PARTICIPANT IN THE DIGITAL AND GREEN TRANSITION

Central banks are leading by example

An active role in digital innovation...

WORK BY THE EUROSISTEM ON A RETAIL DIGITAL EURO

January 2020 Creation of a high-level task force within the Eurosystem			14 July 2021 Governing Council opens an investigation phase			Q4 2023 Decision on whether to launch a digital euro
Preliminary work			Investigation phase			Development phase
Publication of report on a digital euro (Oct. 2020)	Public consultation (Oct. 2020 – Jan. 2021)	Preliminary trials (Oct. 2020 – Apr. 2021)	Conduct prototyping and conceptual and work on a digital euro	Dialogue with users and market participants	Assess and control the impact of a digital euro on financial intermediaries	

and in the transition to a sustainable economy

23 billion euros the total value of portfolios to which the Banque de France's social responsible investment strategy applies	The Banque de France's Social Responsible Investment strategy in 2021		
2024 Target date for a complete exit from coal and for exclusion thresholds for oil and gas;	3 pillars		
2021 exclusion for non-conventional hydrocarbons	Pillar 1	Pillar 2	Pillar 3
	Align investments with France's climate commitments	Exclusion based on environmental, social and governance (ESG) criteria	Exercise voting rights and engage dialogue with issuers
Source : Banque de France			