



Report of the panel debate “Rebuilding trust in Banks: the role of Leadership”

Panel members:

Tom Dechaene, Director NBB, Max Jadot, CEO BNPParibas Fortis,

Marc Raisière, Vice -president Febelfin and CEO Belfius and

Jean-Paul Servais, Chairman FSMA.

The debate was moderated by Bart De Bondt, Managing Director YouthStart

Report written by Frank Lierman, Chairman of the Editorial Board of the Revue bancaire et financière/Bank- en Financiewezen.

The debate focused on 5 themes.

1. Economic and social added value of the banking sector

Bart De Bondt (BDB): The financial crisis of 2008 has strengthened many people in the idea that banks are only there to enrich themselves rather than offer economic and social value?

Max Jadot (MJ): The crisis was a major one. It will take at least more than 10 years to rebuild reputation and to change the mindset of people working in the sector, but also the mindset of our clients. We should walk the talk to regain our place in society. Solidity, liquidity and profitability form the key triangle and a lot has been done on each topic. Next to that, banks must reformulate their mission and the role they can play. The balance sheet at BNP Paribas Fortis came down from more than 800 billion euro to some 300 billion euro now. The deposits of real clients are now transformed into credits for real clients. The management for own account has shrunk importantly due to the change in legislation. Once people see that we are able to finance the real economy and at the same time offer solidity, liquidity and profitability with a much smaller balance sheet, confidence will return. We are not yet there; more years are to go. Banks must be humble for what has happened, but must also be confident to move towards and do the necessary changes in this changing world. I am convinced we will achieve this transformation, but I don't know when the process will be finalised. Perhaps we will need a whole generation.

BDB: What is the social added value of financial institutions? Can current financial institutions comply with this?

Jean-Paul Servais (JPS): The starting point is: where is leadership in the bank? It is crucial that leaders have the trust of the people. Leaders must have the capacity to be trusted. They must understand what the general interest means.



Six years ago, when the FSMA started a mission statement, was published, as has been done for example by the FCA in the UK. Some key elements of this mission statement are: the FSMA strives to ensure the honest and equitable treatment of financial consumers. It aims at the fair and orderly operation and the transparency of the financial markets by seeing to it that companies that raise financing on those markets provide correct, complete and timely information. It promotes proper provision of financial services by verifying that financial institutions comply with the applicable rules of conduct, by supervising financial products, financial service providers and supplementary pensions, and by contributing to improving the financial education of consumers. In this way the FSMA seeks to ensure that the financial system deserves the trust of its users.

The first decision the FSMA has taken was a banning of too complex products. There was no legal basis for this, but all the banks adhered to this moratorium.

In six years time, a lot has changed. We screened a huge number of structured products in order to protect the Belgian retail consumers. In 2017 50 products with new characteristics were screened and 20 of them were refused to be sold in Belgium.

Leadership implies to be able to explain to all customers the correct content of the products which are sold.

BDB: A fish start to smell as his head before it starts to rot. You are the heads of your organisation, what behaviour should you as leader develop?

Marc Raisière (MR): The value of the bank and insurance company is to support the economy. We have forgotten this specific role in the years before the crisis. Belfius is a bank- insurance company in order to be clear on the role Belfius prefers to play. An ideal leader don't exist. We try to be a good leader. It depends of the situation of the company and of the targets decided by the executive committee and the board of directors. We may not forget that Dexia/Belfius has been bankrupt twice in respectively 2008 and 2011. The only real question is how to build trust via à vis the employees, the regulators, the customers, the society.

It was key to have leadership based on values. The management has to take into account the lessons learned from the past and to take engagement to never make the same mistakes. Therefore, risk management and finance are crucial departments. We cannot anymore accept that only a few people have the power to decide as it was the case in some international groups, such as Dexia. Belfius has a major focus on the customer and uses 3 big values:

- transparency in order to regain trust;
- engagement to be aware that the banks are important for the real economy and that sustainable business must be developed;
- authenticity of all employees, not to copy the behaviour of the CEO but to complement the leaders.

BDB: What must be done to be authentic?

MR: Authenticity for me implies to be myself, to avoid mistakes and to have colleagues who are able to challenge me. In fact, it is necessary to be vulnerable knowing that the world is so complex and changing continuously. Nobody knows everything and can decide solely.



Governance is essential in order to have balanced decisions and to develop a sustainable strategy. In 2013 and 2014 I spend many hours and days to understand the different products Dexia sold in the years before the crisis. It was a very difficult exercise.

MJ: May I use some metaphors. A good leader is one who is able to go up the ladder but also to go down the ladder and to play accordion in the meanwhile. Being at the top, you have a global view and you are able to have a reflection on and to understand the whole environment. Nevertheless, it is important to focus also on the metiers of the bank. I started my career as an employee at a very low level and 35 years later I am at the top. In my decision taking, I always take into account the implications on the work floor.

Another metaphor: the Rode Ridder (Red Knight) uses his sword and shield to fight for justice. The sword is the commercial team having a long-term approach, while the shield is in fact the people of compliance, the legal department, the ALM, the risk management who play an extremely important role.

Tom Dechaene (TD): Trust is not the same for each person. May I refer to some traders of a bank in London at the end of the nineties. They were driving ferrari's, held party's in bars, spend a lot of money after successful operations. They were all fired and banned from business for the rest of their life due to the fact that their bank lost a huge amount of money, went bankrupt and was bailed out afterwards. The leader of that group of traders is now head hunter. It is not surprising that people lost trust in banking.

The job of supervisor is to avoid new similar stories. But no zero failure is possible. Looking to the last 10 years we observe a lot of reassuring evolutions in the changes of the legal environment, such as the fit and proper exam which is now much more severe than in the past. I refer also to the new compensation rules, the exclusive skills, the necessity for continued training, the conviction that share and bond holders can lose money but that deposit holders need to be preserved from losses via an adapted deposit guarantee scheme. A lot has changed. Nevertheless, the top of the financial institutions must give the good example.

JPS: I can assure you that each inspection report on MiFID has to be a reflection of a broad discussion with all kind of people in the organisation. It is not sufficient to obtain compliance from the top. Minutes of meetings of the board of directors, of the executive committee and of the audit committee are asked as proof, as evidence for decisions taken.

Meanwhile the FSMA recruits young staff members, who were not yet in the financial sector during the crisis. It is necessary to explain to them which lessons have been learned from the crisis. As chairman of the FSMA I see each candidate and try to discover their capacity to follow strict guidelines concerning the protection of the consumers.

2. Dealing with customers

BDB: What have banks done to rebuild trust of their customers?

MJ: It is obvious a cliché to say that we put customers in the centre of our thinking. The discussion within our bank is now focused on 'customer centricity' versus 'customer obsession'. It was striking to see that the opinions diverged.



The older management was more in favour of centrality while the young management was more for obsession. So, we adapted our communication to take care of the greater focus on customers' needs. We are not yet there where we like to be, but the movement is on the way and there is no way back. The top has to give the good example to all levels. The banks are entering in the next phase of servicing. With a bigger openness for innovation, digitalisation, better products that customers deserves at prices which are extremely good. Every bank is in this exercise. But here are also collective actions. A nice example is "itsme", which is the top of the world thanks to the collaboration of banks with telecommunication firms and the government. With this product we are in the fore front within Europe.

BDB: When confronted with angry customers, how do you react?

MJ: I see every day the complaints which are addressed to me and I read them and ask a reaction of the appropriate departments. The compliance department is in charge of the follow-up. On a regular basis the executive committee is informed and formulates specific actions if needed. In fact, we live all the time in a discussion environment with the customers but there is the conviction that correct answers are still possible.

BDB: What do you do ensure that your managers go to the field and stand in the mod?

MR: Each manager meets every day customers. Within Belfius 3 main actions have been developed:

- customer centrality with the slogan to go for 100% for the 95% goal of satisfied or very satisfied customers. This was launched in 2014 when the solvency and liquidity situation of the bank was still very weak;
- the end customer is the only real customer because we believe that the so called internal customer doesn't exist. The end customers trust the bank for the savings and loans;
- the budget of each manager is analysed with the focus: what is the impact on customer satisfaction? If the manager cannot justify his budget on that field cuts are decided. Those who meet the satisfaction criteria can even receive a bigger budget.

JPS: 6000 is the number of client dossiers audited by the inspection teams of the FSMA. The team is every day in the field. The efforts deployed are much bigger than those of other supervisors. We do not meet only the CEO or people in the headquarters but our men and women are also in the local branches doing some mystery shopping. Local people are proud to see the inspectors of FSMA in their branch. The fact that the supervisor pays attention to their job is considered as a recognition of the crucial role they play in the relationship with the customers.

MR: The customer satisfaction in Belgium is already at the high level. The problem of mistrust was mainly focusing on the institutions and not on the people in the branches.

3. How to cope with staff members?

BDB: Are employees managed in a different way now than 10 years ago? If yes, where lays the difference?



MJ: There is no difference with before. Branch managers and agents were not responsible for the crisis. We try to have more equilibrium between the word and the shield. We try to increase the pride, which was lost. In 2009 we had a big event at the Heizel, where we pushed the managers and employees to go back to see the customers. Customers are waiting for us and do not understand why the bank people were hiding themselves. Going back to the basics of the banking metier is needed to rebuild confidence.

BDB: If a candidate employee asks you before he decides to work for you, what are the success keys in the job? How do you react?

MR: Before hiring someone, it is crucial that we must be sure that the future employee shares the vision we decided 6 years ago: back to the roots of banking and insurance which is collect money, save money and protect money, no trading. We ask to share our values, as I described a few minutes ago. We give large attention to people management in order to rebuild confidence in banking and insurance business after the second bankruptcy 6 years ago. Of course, there is also the focus on the strategy and the business model to develop further our future. Keeping authenticity is necessary to create value, to become more productive. So, more attention for emotional management is necessary.

BDB: Happy employees make happy customers: how to help employees to become happier?

MR: The combination of technical strategy with emotional strategy is crucial. We have to share more information on the world who is very complex and still in change modus due to the disruption via digitalisation. We are looking how we can react quickly on the questions asked by the customers. This implies a serious effort in more training. But also, the search to find a good balance between the different needs of the employees besides its job, that could be sports, eating, sleeping... We are not yet there, but we are convinced that it is the future.

MJ: The measure of success can be described as follows: satisfied customers is our economic role, satisfied employees is our social role, satisfied shareholders is our financial role and satisfied stakeholders is our societal role.

JPS: I would like to underline the fact that we need people who consider it a pleasure to work for the FSMA. They must consider it as a new experience compared to what they have done before joining the FSMA. Also, the mission statement of the FSMA is essential. The return of the trust of the Belgian consumer is ongoing. Our employees must be convinced that they contribute to this rebuilding of trust effort.

4. How to deal with the ideas of the inclusive society?

BDB: It is striking that there are only men on the stage. What about the women flow to the top of the banks?

JPS: 60% of the employees of the FSMA are women because they were the best candidates to fill in the vacancies. There are no imposed rules or requirements in place. The salaries of women and men are the same. The IMF and ESMA recognise the good efforts deployed by FSMA in this area.

TD: We do have a nearly 50-50 % situation in the supervision department. It takes time to have women on the top. We are moving in the good direction and fast.



BDB: Diversity in the financial sector: is this a reflection of the social reality?

MR: The challenge was to change the macho culture. We introduced quotas because we were unable to hire sufficient women. And it works to change so the management of the company. We are not yet there where we like to be, but the movement is irreversible.

MJ: There is the willingness to do major steps. We use strive numbers, which are communicated. Some examples: 50% of the brand managers must be women: it is the case now. In the top 100 of the BNPParibas group only 8% were women in 2008, now we do have already 25%.

JPS: It is a real challenge and a lot depends of citizenship nationality. Look to the FSA and the Bank of England in the UK where the chairman is a Canadian citizen and most staff members are Commonwealth citizens. We must be able to hire also non-Belgians for our management functions. Of course, for the audits in the branches you need people who speak the local languages.

5. Future leadership in the banking sector

BDB: What are your 3 most personal qualities for most suitable leaders at this time?

MR: Good management will be key. Change is unavoidable. Diversity not via quotas but the ambition to reach a good balance between work and life which implies a change in the mindset.

JPS: I have no objective to put forward if I have to talk on myself.

MJ: Humbleness, so I am not able to answer your question

TD: International outlook, which is already the case within Europe, but also the capacity to lead by example in order to tackle down the old culture. It is possible that we move towards IT centric persons and less pure bankers.

BDB: Which leadership quality should be developed to be suitable as banker?

JPS: Commitment to the general interest, night and day.

MJ: Curiosity for innovation.

MR: Change capacity everywhere.