

Financial Times interview with Francisco González

“...if you want to have a real European market we need a sole regulator, a sole supervisor...”

He highlighted the Bank of Spain model as "a model to follow"



In an interview published yesterday by the Financial Times, Francisco González, chairman of BBVA, stressed the need to have a sole regulator and a sole supervisor for the European financial market that could be integrated within the European Central Bank. [Click here to watch the video of the interview.](#)

In an interview granted to the British business newspaper the Financial Times, the chairman of BBVA affirmed that the globalisation of financial markets means that both Europe and the United States need a sole regulator and a sole supervisor to manage the risks of cross-border banking, although in his view “that is impossible today”.

Along these lines, he highlighted the role of the Bank of Spain, which he considers to be “a model to follow”. He pointed out that two strategic decisions by the Spanish regulator have managed to ensure that the Spanish financial system is less exposed to the consequences of the current crisis: on the one hand, the prohibition of off-balance sheet financing and, on the other, the requirement to set aside provisions (counter-cyclical) in the good years, which has meant that institutions now have a big cushion to deal with the present situation of growing default ratios.

BBVA, responsible management

Lionel Barber, editor of the Financial Times, inquired about the keys to BBVA’s management success in the current climate. Francisco González reaffirmed the principles that underpin BBVA’s corporate culture as essential features of the position the Bank maintains regarding its competitors, based on people and innovation. Amongst other things, he provided the example of “not to do things which you don’t understand, to lend money to people who can’t repay it, to not leverage too much”.

The chairman of BBVA stressed that the Group is capable of having a strong business model because it clearly understands innovation and has very strong principles in terms of "making business", such as the long-term relationship with customers. "We work not on the short, but on the medium/long term, and therefore understanding your position is very important", he added.

He said that the Spanish financial system is sound, although there will inevitably be some further consolidation of entities, not just in Spain, but in every country, and that BBVA will have a crucial role to play as it is "one of the strongest players in the world today".

BBVA "is in the top ten", indicated González, who stressed that the acquisition of new franchises depends on the price and the quality of the portfolio. He went on to add that, in his opinion, innovation, to which his bank dedicates considerable effort and investment, is a must and is a platform that provides a huge amount of business opportunities.

Elsewhere, he contended that the causes of the crisis affecting international markets are due primarily to the lack of proper regulation and supervision in some parts of the banking industry worldwide, and to the "greed" of many institutions and bankers, who have forgotten the basic principles of the banking system, such as prudence and good ethics. He pointed out that the 'Madoff case' is a perfect example of lack of proper regulation and supervision.

Regarding the capital requirements of financial institutions, the chairman of BBVA explained that in general terms they depend on the cycle, for whilst market prices continue to drop, banks will need more capital. Nonetheless, he qualified this by saying that this situation will not apply to everyone. He noted that not all the banks in Europe and the United States are in the same situation and so, in his opinion, it is not easy to give a specific answer.

This interview is part of the 'Credit Crunch' series that the Financial Times is holding with leading figures in the world of finance, such as the Nobel laureate in Economics, Joseph Stiglitz, or the European Central Bank President, Jean-Claude Trichet.