Early Warning System

MIGA-15006

Santander Central Bank Mandatory Reserves Coverage

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Quick Facts

Countries	Argentina
Financial Institutions	Multilateral Investment Guarantee Agency (MIGA)
Status	Proposed
Bank Risk Rating	U
Voting Date	2022-06-13
Borrower	Banco Santander,S.A.
Sectors	Finance
Investment Type(s)	Guarantee
Investment Amount (USD)	$ 500.00 million
Project Cost (USD)	$ 500.00 million

Project Description

PROJECT DESCRIPTION

This summary covers equity investments and shareholder loans by Banco Santander S.A. ("Santander") in its subsidiary in Argentina, Banco Santander Argentina S.A. ("Santander Argentina" or the "Bank"). The investor has applied for MIGA guarantees of up to US$500 million in mandatory reserves cover, for a period of up to 2 years. The guarantees are expected to be issued in MIGA's fiscal year 2022.

Spain-based Banco Santander is one of the largest global financial institutions in the world in terms of market capitalization with retail and commercial operations in countries across Europe, Latin America, and North America. Its subsidiary banks abroad are required to maintain reserves at the central banks in their respective jurisdictions, based on the volume of customer deposits that these subsidiaries have. Mandatory reserves contribute to Santander's overall risk-weighted assets (RWA) at the consolidated level, resulting in less headroom for other assets at a given level of capital.

ENVIRONMENTAL CATEGORIZATION

Santander Argentina provides retail and consumer loans, small and medium enterprise (SME) and corporate finance services to clients in Argentina. MIGA previously supported Santander Argentina from 2017 to 2021. For this project, the MIGA guarantee will support all of the Bank's lending activities. MIGA analyzed the Bank's portfolio for types of transactions, tenor, size, industry sectors, and exposure to MIGA's exclusion list. Santander Argentina's portfolio has corporate finance exposure to certain sectors that could have potential significant adverse environmental and social (E&S) risks and impacts such as oil and gas, agriculture and fisheries, construction and chemicals. This project has thus been categorized as FI-1 under MIGA's Policy on Environmental and Social Sustainability (2013).

As of December 2021, about 56% of the Bank's lending is to retail, 33% to corporates, 11% to SMEs. The main sectors supported include agriculture and fisheries, food processing, construction, oil and gas. Santander Argentina has limited exposures to activities on the MIGA Exclusion List.

The main ES considerations of this project relate to Santander Argentina's ability to identify, assess, and manage the E&S risks and impacts associated with its lending activities and the management of labor matters. MIGA analyzed Santander Argentina's portfolio for types of transactions, tenor, size, industry sectors, and exposure to MIGA's Exclusion List. MIGA also analyzed Santander Argentina's E&S risk management procedures in line with the requirements of Performance Standard 1: Assessment and Management of Environmental and Social Risks and Impacts (PS1), and Santander Argentina's labor practices in line with the requirements of Performance Standard 2: Labor and Working Conditions (PS2). The applicable E&S requirements for this project will be: (i) MIGA Exclusion List; (ii) applicable E&S laws and regulations in Argentina; and (iii) MIGA E&S Performance Standards.

Santander Group is an Equator Principles financial institution and is also a signatory to other global sustainable/responsible finance initiatives. As a member of the Santander Group, Santander Argentina aligns its E&S risk management procedures withSantander Group's Environmental, Social and Climate Risk Management Policy. Santander Argentina's E&S risk management system is focused on transactions in four sensitive sectors - (i) mining and metallurgy, (ii) energy, (iii) oil and gas, and (iv) soft commodities. Transactions in these four sensitive sectors are assessed for E&S risks and impacts. The sector policies, reflect amongst other aspects, the E&S issues associated with the sectors, scope of application, best practice standards, as well as prohibited and restricted activities within the sectors. The Sector policies are adapted to consider the particular characteristics and development of the market in which the relevant Santander subsidiary operates. Santander Argentina appointed a dedicated E&S officer who oversees the E&S risk management system. During the time of the previous MIGA engagement (2017 -2021), Santander Argentina satisfactorily implemented MIGA's E&S requirements. The ESMS was subsequently streamlined to focus on the Santander Group's policies and procedures. As such, Santander Argentina will be

Investment Description

- Multilateral Investment Guarantee Agency (MIGA)

The description of investment type was not available at the time of the snapshot.

Financial Intermediary

Financial Intermediary: A commercial bank or financial institution that receives funds from a development bank. A financial intermediary then lends these funds to their clients (private actors) in the form of loans, bonds, guarantees and equity shares. Financial intermediaries include insurance, pension and equity funds. The direct financial relationship is between the development bank and the financial intermediary.

- Banco Santander SA (Financial Intermediary)

Contact Information

ACCESS TO INFORMATION

You can submit a request for information disclosure at: https://www.miga.org/contact/access_to_information

You can also request general information about MIGA and for information on guarantees by emailing: migainquiry@worldbank.org

ACCOUNTABILITY MECHANISM OF IFC/MIGA

The Compliance Advisor Ombudsman (CAO) is the independent complaint mechanism and fact-finding body for people who believe they are likely to be, or have been, adversely affected by an IFC or MIGA- financed project. If you submit a complaint to the CAO, they may assist you in resolving a dispute with the company and/or investigate to assess whether the IFC is following its own policies and procedures for preventing harm to people or the environment. If you want to submit a complaint electronically, you can email the CAO at CAO@worldbankgroup.org. You can learn more about the CAO and how to file a complaint at http://www.cao-ombudsman.org