Early Warning System

MIGA-3567

Santander Central Bank Mandatory Reserves Coverage

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Quick Facts

Countries	Argentina
Financial Institutions	Multilateral Investment Guarantee Agency (MIGA)
Status	Hold
Bank Risk Rating	U
Voting Date	2017-06-20
Borrower	Banco Santander S.A.
Investment Type(s)	Loan
Investment Amount (USD)	$ 250.00 million

Project Description

Project description

On June 23, 2017, MIGA issued a guarantee of $250 million covering equity investments by Banco Santander S.A. (Banco Santander) in its subsidiary in Argentina, Banco Santander Rio S.A. The mandatory reserves coverage is for a period of up to 3 years.

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

This project is a Category FI-1 project according to MIGA's Policy on Environmental and Social Sustainability. Santander is a universal bank and its subsidiary in Argentina, Santander Rio, provides finance to retail customers, small and medium-sized enterprises (SMEs), and corporate clients.

MIGA analyzed the portfolio of Santander Rio for types of transactions, tenor, size, industry sectors, and exposure to MIGA's exclusion list. Santander Rio has financial exposure on business activities with potential significant adverse environmental and social risks. The applicable environmental and social requirements are MIGA's Exclusion List; applicable national social and environmental laws and regulations; and MIGA's Performance Standards.

MIGA also assessed Santander Rio's existing environmental and social management system (ESMS) and labor practices. Santander Group is a signatory to the Equator Principles that constitute screening criteria for project and corporate financing against the Performance Standards. Santander Rio's ESMS is aligned with the Equator Principles and Santander Group corporate policies. MIGA also considered the emergency response plan of the subsidiary as part of the management system and it was determined to be adequate. Human resources and labor practices are aligned with the requirement of MIGA's Performance Standard 2 on Labor and Working Conditions.

Based on MIGA's review and applicable performance requirements, the following actions will be expected to be implemented by Santander Rio within an agreed timeframe: revise and update the ESMS to better reflect its portfolio, operation, local context, and incorporate MIGA applicable environmental and social requirements including external communication and grievance mechanism; retain resources for the implementation of the ESMS; and report periodically to MIGA on the update and implementation of the revised ESMS as well as ongoing compliance with applicable elements of the Performance Standards.

Development impact

MIGA's guarantee supports Banco Santander – the largest private sector bank with systemic importance in the Argentine financial system – by helping it reduce the risk of some of its assets, freeing up capacity under the existing limits on a consolidated basis. This enables Banco Santander to further support additional local lending in Argentina, particularly in activities linked to the real economy, including credit to small and medium-sized enterprises, thereby helping to stimulate economic growth and employment in the country.

MIGA's coverage to Banco Santander is aligned with the World Bank Group's strategy for Argentina, as it seeks to enhance access to finance for private sector firms which has been identified as one of the main obstacles to private sector development and firm productivity in the country.

Investment Description

- Multilateral Investment Guarantee Agency (MIGA)

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)

Private Actors Description

According to MIGA, 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.

Contact Information

ACCOUNTABILITY MECHANISM OF 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/

Campaign Documents

- Banktrack: Banco Santander
- Business and Human Rights Resource Center: Santander