Early Warning System

MIGA-3552

Santander Central Bank Mandatory Reserves Coverage

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Quick Facts

Countries	Argentina
Financial Institutions	Multilateral Investment Guarantee Agency (MIGA)
Status	Approved
Bank Risk Rating	FI
Voting Date	2017-06-20
Borrower	Banco Santander S.A.
Investment Type(s)	Loan
Investment Amount (USD)	$ 285.00 million

Project Description

This summary describes equity investments that Banco Santander S.A. (Santander) has in its subsidiary in Argentina, Banco Santander Rio S.A. (Santander Rio). The investor has applied for MIGA guarantees of up to a maximum of $285 million in mandatory reserves cover 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

The aim of MIGA's proposed guarantees is to help Banco Santander reduce the risk of some of its assets, which could lead to a reduction in the Group's RWA on a consolidated basis. The RWA capacity that is freed up can be expected to be used by Santander Rio to extend more credit in Argentina, primarily to SMEs and other priority sectors, thereby supporting growth and employment in the country.

Investment Description

- Multilateral Investment Guarantee Agency (MIGA)

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/