

# The Box: a tool for bank influence

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The Box is a tool for investors to use their counterparty selection process to influence bank behaviour.

Banks are key in facilitating access to capital markets. When arranging a bond or loan, despite not directly using its balance sheet, the reputation of the bank is essential in representing the borrower to investors, and thus enabling debt to be raised. Historically it has been hard to influence this activity; it is often not covered by bank sustainability policies, which focus on direct lending.

By monitoring syndication fees, specifically from aligned and non-aligned activities, investors can direct business to the best performers and so incentivise a change in behaviour within banks.

The idea of 'The Box' is derived from traditional market usage, where dealers can be sanctioned by investors for poor behaviour. This can be extended in order to ensure longer term climate strategy alignment, alongside best-execution objectives.<sup>1</sup>

A key focus is fossil investment. AFII has been monitoring syndication league tables of bank activity in the fossil sector, offset by green deals, for two years,<sup>2</sup> which has supported investor and issuer engagement.

**The Box is a flexible tool that can be used to influence any population of banks.**

**Rankings can be tailored to any preference, to drive incentives towards more aligned behaviour.**



<sup>1</sup> For a discussion, see "[Can ESG trading and best execution coexist?](#)", Risk.Net, 20 Jan 2022.

<sup>2</sup> The latest tables can be seen in "[Net green/fossil bond syndication – Sep23](#)", AFII, 14 Sep 2023.

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## Counterparty selection as a tool for behaviour change

The banking industry, both as a provider of direct capital and facilitation of access to capital markets, has a unique ability to influence the pace of climate transition. However, its ambition to do so is often challenged,<sup>3</sup> and an important question is how to get better alignment between banks' and climate-focused investors' climate change mitigation strategies.

Key users of financial markets, Asset Owners, Managers and Bond Issuers (AOMBIs), have a choice to make in how they procure financial services in general, and banking services in particular. Services generate fees, and fees are a particular compelling form of revenue for banks, as it is – in contrast to the banks' lending businesses – not subject to future balance-sheet exposure and risk charges. Thus, any fee-generative business, such as bond issuance, secondary trading, or custody services, has the significant potential to influence banks' behaviour.

Consequently, if sustainability factors are incorporated into AOMBIs' counterparty selection, such that certain behaviours are rewarded with more business or sanctioned through removal of business, then it can have important effects to drive climate strategy alignment.<sup>4</sup>

This article proposes 'The Box' as a methodology to systematically use counterparty arguments to drive such bank alignment.<sup>5</sup>

As an example of this method, AFII has been monitoring league tables of bank fossil syndication fees for two years.<sup>2</sup> We present the latest tables, and analysis on relative movements within the rankings.

### Expand an existing tool to sustainability

The process of ceasing doing business with a certain bank is generally called “putting the bank in the freezer / box” and is a commonplace – explicitly or implicitly – market practice outside the remit of ESG/climate alignment.

It is simply a process of putting a relationship into cryostasis, i.e. ceasing to do business with a view to letting the relationship thaw out once certain objectives have been achieved. It is a potentially powerful, yet low-cost, tool for bank counterparties to manage bank relationships and incentives.

This tool is often used to police bank behaviour; for example if an investor felt that a bank was engaging in unfair methods, such as favouritism or discriminatory pricing in the secondary markets, “boxing” the bank on other business would serve to provide the penalty for such behaviour.

The effect of “boxing” a bank can be significant, especially if action comes from a large counterparty. It is not only a matter of the direct revenue effects, but has a reputational dimension too: if sovereign wealth fund X says that they are not doing business with bank Y, then bond issuer Z will be less inclined to issue their bond through Y. At the prospect of such feedback effects, banks as business organisations are likely to seek to change. Losing an important buy-side client with

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<sup>3</sup> For example “[FCA warns banks over ‘greenwashing’ in sustainable loans](#)”, FT, 29 Jun 2023 and “[Are banks greenwashing with their ‘green finance’ claims?](#)”, ShareAction, 22 Nov 2023.

<sup>4</sup> “[US bank BNY Mellon cuts ties with Adani’s Carmichael coalmine](#)”, Guardian, 5 Nov 2021, is a template case where counterparty arguments were used to disincentivize a bank from committing to non-climate aligned lending activities.

<sup>5</sup> For the original analysis please see “[The Box](#)”, AFII, 14 Sep 2021. AFII, 15 Sep 2021. Also see “[Buy-side traders start to cool on ESG-deficient dealers](#)”, Risk.Net, 11 Jan 2022.

associated reputational loss (even if temporarily) will probably prove more consequential than any gain from running the odd bond mandate.

## Banks and sustainability

PCAF recently launched their methodology on a carbon emissions standard for capital market emissions.<sup>6</sup> According to the standard, banks will need to account for a third of the emissions linked to their capital market deals when reporting their carbon footprint. For banks applying the standard this means that facilitated emissions, i.e. those generated by underwriting-related activities such as bond issuance, will now be partially accounted for. Banks already need to account for 100% of the emissions from any on-balance-sheet financing.

AFII's 'The Box' takes the latest bonds and loans data into account to rank banks on their deal fee generation towards fossil versus green lending. Being able to take the latest data into account makes the feedback mechanism both faster and clearer, while also netting green efforts as a way of promoting more climate-aligned behaviour.

Historically, it has been hard for investors to hold banks to account for the impact of their lending business. Indeed, researchers have found that, using Euro-area data, banks that portray "*their activities as more sustainable extend more credit to borrowers in brown industries and borrowers with higher emissions in general.*"<sup>7</sup>

It is even harder to understand the impact of debt-arranging business, where no direct balance sheet is used, however the bank's reputation is essential to facilitate capital market access.

Using a tool such as 'The Box', would serve to link businesses within banks. The head of trading, now facing losing business due to the client choices of a DCM team, would have increased empowerment to drive overall sustainability decisions at the bank.

## 'The Box': implementation

We propose the following implementation procedure for 'The Box':

- 1) Generate a league table of banks' syndication activities, using preference for aligned activities.
- 2) Communicate to the bottom tiers that they are 'at risk' from fee-generating activity exclusion, either bilaterally or publicly. A bilateral discussion is likely to be better at driving direct alignment with the individual counterparty with less stigma attached to it, whereas a public announcement is likely to drive incentives among all counterparties. The pre-exclusion discussion is also important to verify the underlying data for the process, noting that fee data can have certain imprecisions.
- 3) Execute and communicate a de-selection for the poorest performing bank(s) in terms of business flows. For example:
  - a. Asset owners/managers: De-list the institutions from the eligible counterparty list for new trades for a certain set of products such as cash bonds, credit derivatives,

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<sup>6</sup> "[Banks get carbon emissions standard they sought for stock, bond deals](#)", Reuters, 1 Dec 2023.

<sup>7</sup> "['Glossy Green' Banks in the Spotlight](#)", Nordsip, 10 May 2023.

IR swaps and futures, FX transactions. On primary market transactions, communicate such preferences to the syndicate.

- b. Bond issuers: De-list the institution from syndicating bond deals or executing other financing transactions over the boxed period.
- 4) After a pre-set period, say 3-6 months, repeat the process starting at step 1. An advantage of this process is that the feedback, positive or negative, can be relatively quick and within single compensation cycles, thus driving short behaviour more efficiently than an annual cycle.

## Best execution

The Markets in Financial Instruments Directive 2014 (MiFID 2), provides specific requirements around best execution:

*“A firm must take all sufficient steps to obtain, when executing orders, the best possible results for its clients taking into account the execution factors”.*<sup>8</sup>

The act of removing any counterparty would seem to strictly increase transaction costs, by reducing the number of available counterparties. However, we believe selective use of this tool is not necessarily inconsistent with MiFID 2 requirements.

- As a first step, engagement around league table performance will support improved behaviour, with no direct impact on execution.
- De-selecting counterparties ‘on-a-tie’ will not impact execution, but will affect bank profitability, and so should impact behaviour.
- The majority of execution is typically focused on a small number of counterparties, so excluding banks outside this ‘tier-1’ list is unlikely to affect transaction costs. This can be monitored and adjusted if necessary.

The idea of ‘The Box’ is derived from traditional market usage where dealers are sanctioned by investors in order to ensure longer term alignment. Short-term transaction costs may go up but longer term transaction costs go down through a better functioning market place.<sup>1</sup> It should also be noted that investors with a larger number of counterparties will see a proportionally smaller potential transaction cost impact.

## Bank ranking methodology

In order to rank banks’ performance in supporting access to capital markets, we must first collect data on deals. With a comprehensive universe of securities, we can then conduct rankings, to understand the relative behaviour between banks.

## Syndication fees

Syndication fees are USD payments which the bank receives for arranging and organising the issuance. Typically, a number of banks would be involved in a deal, however the fees paid are not flat, with ‘lead’ arrangers receiving more.

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<sup>8</sup> [“COBS 11.2A Best execution – MiFID provisions”](#), FCA, accessed 7 Dec 2023.

We consider the fee to be an indication both of how much work the bank provided to arrange the bond or loan, and of how important it was for the issuer to have that bank involved. Banks do not work for free, and issuers do not pay fees that they do not have to.

There is good competition in the market for bond and loan syndication, and so we expect fee levels to reflect bank appetite for certain business, i.e. for a controversial issuer who may have fewer banks offering to represent it, we would expect fees to be higher.

We also look at syndication fees on a relative basis, i.e. what portion of total bank syndication revenues are represented by selected desirable or undesirable activities. This is essential to adjust for the total size of different banks, and so make league table comparisons.

### Data collection

Data is collected at the deal level, and then aggregated to provide rankings.

We restrict the population only to vanilla deals, to get a good overview of the market. The following are excluded; variable interest redemptions, bonds without warrants or that are credit linked, convertibles, retained deals, and schuldscheins. Self-led deals must have a transaction amount above USD 50mm. Deal call, put and maturity length must be more than 540 days. Only deals with an effective date within the specified time window is included.

Eligible securities, both bonds and loans, are identified in Bloomberg, alongside the fees paid to participating banks. Where fee information is not available, they are estimated using Bloomberg's Bond Fee Model that leverages as-reported values where available to predict non-reported fees based on issuer and security-level information.<sup>9</sup>

Current fees are collected over a one-year rolling window. We collect data for the past three years, to calculate two years' of rolling fees, in order to understand changes in behaviour. This means that for tables which are effective 13 Dec 2023 (as the later tables in this document are), the initial ranking uses an observation period of 13 Dec 2022-13 Dec 2023, and earlier periods are used accordingly.

This granular data-set can also be used to identify individual transactions that may be mis-aligned with a banks' sustainability policy, and so present an engagement priority.

### Ranking

The dataset above gives us, for each institution and period, fees generated from the undesirable behaviour we are seeking to discourage, fees generated from desirable behaviour we are seeking to encourage, and total fees which are used to consider relative performance.

The metric used for ranking is a percentage, as per below calculation:

$$Net\ aligned\ fee\ share\ for\ bank_i = \frac{\sum_{r=1}^m Aligned\ fees_r - \sum_{r=1}^n Non-aligned\ fees_r}{\sum_{r=1}^p Total\ fees_r}$$

where  $m, n, p$  are the total number of relevant deals for bank  $i$  in the specified rolling window.

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<sup>9</sup> For more information see the Wallet Share Fact Sheet in the LEAG help section in Bloomberg.

When both positive and negative behaviour is included, the net fees for consideration can be positive or negative, and a further analysis can consider this as an important delineator in overall performance.

Clearly, the net fee number will be dependent on market conditions, e.g. there may be larger needs for issuances in certain sectors versus others,<sup>10</sup> which makes it useful to look at net fee shares on a relative basis within certain groups of banks, rather than an outright number. We create this relative comparison simply by ranking peer groups of banks. The ranking is monitored over time, with changes in ranking being identified and analysed. This gives a real-time estimate of how the bank is behaving in the market in terms of their focus in facilitating deals that are undesirable.

## League tables

To show how this framework can be used, we describe the current league tables that we generate and monitor. The methodology and use, however, is entirely flexible to monitor any undesirable or desirable behaviour. Please contact the team for bespoke rankings.

### Global Green/Fossil rankings

A key purpose of bank engagement is to support reducing funding for fossil activities, and so first we isolate fees from fossil deals.

However, we want to give credit for green activity, which can impact the balance of business done by the bank, and so we look at net fees.<sup>11</sup>

These league tables have been produced and monitored regularly since Sep 2021.

### Method

We define a fossil bond issue/deal as any issue with a BICS2 level classification of “Coal Operations”, “Exploration & Production”, “Integrated Oils”, “Oil & Gas Services & Equipment”, “Pipeline” or “Refining & Marketing”<sup>12</sup> and then tally all new league-table eligible syndicated bond issues and loans between Nov 2020-Nov 2023 on a fee revenue and bank-by-bank basis.

We define a green deal as green bond and/or loan issuance, as defined by the green instrument indicator data field in Bloomberg. We also include Sustainability-Linked Bond (SLB) data for reference, which is defined by the self-reported sustainability-linked data field.

The net fees are calculated as below for each bank, and then ranked within peer groups.

$$\text{Net green/fossil fee share for bank}_i = \frac{\sum_{r=1}^m \text{Green fees}_r - \sum_{r=1}^n \text{Fossil fees}_r}{\sum_{r=1}^p \text{Total fees}_r}$$

where  $m, n, p$  are the total number of relevant deals for bank  $i$  in the specified rolling window.

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<sup>10</sup> For example, renewable energy structurally has larger funding need in a build-out compared to oil and gas companies that may be almost self-financing through cash flows in already established activities.

<sup>11</sup> We note JPMorgan has just formally announced that from a sustainable financing point of view they will begin to combine oil & gas financing with green financing, and consider the energy mix target of that portfolio, as reported in “[JPMorgan Has a New Way to Gauge Its Green Progress](#)”, Bloomberg, 15 Nov 2023. We prefer to separate the two sectors for more transparency.

<sup>12</sup> Industry classifications from Bloomberg.

## Table description

The Green/Fossil league table for the IMM date of Dec 23 is shown in Table 1 for banks considered Tier-1 in terms of global DCM activities, and in Table 2 for banks considered intermediate.<sup>13</sup>

*Rank:* Current Rank

*Chg vs Sep-23:* Change in ranking in 3 months

*vs Dec-2022:* Change in ranking in 1 year

*vs Dec-2021:* Change in ranking in 2 years

*Net Green/Fossil fees pct:* (Total Green fees – Total Fossil fees) / Total fees

*Total Fees:* All fees from eligible deals in the period

*Net Green/Fossil revenue USDmn:* Total Green fees – Total Fossil fees

*Chg in fossil fees vs -21/22:* Percentage change in Fossil absolute fees.

*SLB fees of total:* Total SLB fees / Total fees

*Net fees (green+SLB)/fossil:* (Total Green fees + Total SLB fees – Total Fossil fees) / Total fees

Table 1. The Green/Fossil Box. Source: AFII, Bloomberg, effective date 13 Dec 2023.

Rank	Chg vs Sep-23	vs Dec-2022	vs Dec-2021	Bank	Net green/fossil fees pct	Total fees USDmn	Net green/ fossil revenue USDmn	Chg in fossil fees vs -21/22	SLB fees of total	Net fees (green+ SLB) /fossil
1	0 ~	3 ↑	1 ↑	BNP Paribas	7.6%	1,586.1	120.3	-80%	2.1%	9.6%
2	0 ~	-1 ↓	-1 ↓	Credit Agricole	6.4%	1,285.2	82.3	-21%	3.3%	9.7%
3	0 ~	3 ↑	5 ↑	Societe Generale	5.9%	701.8	41.6	-32%	3.3%	9.2%
4	1 ↑	-1 ↓	1 ↑	HSBC	4.8%	1,308.5	62.5	-33%	1.7%	6.5%
5	-1 ↓	-3 ↓	-1 ↓	UBS & Credit Suisse	4.5%	970.0	43.3	-49%	0.1%	4.6%
6	0 ~	1 ↑	-3 ↓	Deutsche Bank	0.9%	1,201.5	11.0	-7%	1.7%	2.6%
7	2 ↑	2 ↑	4 ↑	Barclays	-0.1%	1,339.8	-1.1	-14%	0.6%	0.5%
8	0 ~	0 ~	2 ↑	Morgan Stanley	-0.1%	1,079.1	-1.3	-23%	0.9%	0.8%
9	3 ↑	4 ↑	3 ↑	Citi	-0.2%	1,879.3	-4.0	-35%	1.1%	0.9%
10	1 ↑	1 ↑	-3 ↓	BofA Securities	-0.5%	2,113.6	-10.2	-8%	0.9%	0.5%
11	3 ↑	1 ↑	2 ↑	JP Morgan	-1.7%	2,433.6	-41.7	-27%	0.5%	-1.2%
12	1 ↑	-7 ↓	-3 ↓	Goldman Sachs	-3.0%	1,149.4	-34.4	16%	0.6%	-2.4%
13	2 ↑	1 ↑	1 ↑	Mizuho Financial	-3.0%	855.7	-25.9	26%	1.8%	-1.3%
14	-7 ↓	1 ↑	1 ↑	MUFG	-4.6%	821.3	-37.5	14%	1.7%	-2.9%
15	-5 ↓	-5 ↓	-9 ↓	SMBC	-5.1%	792.2	-40.5	38%	1.2%	-3.9%
16	0 ~	1 ↑	0 ~	RBC	-6.4%	906.4	-58.4	-21%	0.2%	-6.2%
17	0 ~	-1 ↓	0 ~	Wells Fargo	-8.9%	1,145.0	-101.5	-15%	0.4%	-8.5%

The recent rankings exhibit more volatility than the September report,<sup>14</sup> with the largest moves being the downward trajectories of MUFG (-7), SMBC (-5) as well as the upward move of Citi (+3), the latter moving up to the middle of the list, and to the second-highest position among the US-based Tier-1 institutions.

Both MUFG and SMBC have gone from a positive balance in Sep-23 to a negative one in Dec-23, mainly driven by increased fossil fees as well as decreased green fees. Notable fossil deals for SMBC were a loan to the Indonesian government-owned oil and natural gas trading company Pertamina International Shipping (PERTSH) where they were book runners, as well as their joint lead manager role in bonds issued by Enbridge, the Canadian pipeline and energy company, and

<sup>13</sup> The intermediate sample of banks is chosen on basis of total fee size with certain subjectivity relating to the relevance of the bank as a counterparty in terms of secondary trading activities in hard-currencies. The list is subject to change and updates.

<sup>14</sup> "[Net green/fossil bond syndication league table – Sep 23](#)", AFII, 14 Sep 2023.

the ConocoPhillips (COP) oil sands bond in August<sup>15</sup>. For MUFG, notable deals include their joint-bookrunners role in a loan to fund a 800km gas pipeline in northern Brazil issued to TAG, a Brazilian natural gas company, as well as a joint lead managers role in bonds issued by American midstream company Energy Transfer.

Table 2 shows the rankings for intermediate institutions, where notable moves compared with Sep 23 are Commonwealth Bank (+5), ING Groep (-4) and DNB (-8). The DNB calculation has been adjusted for what appears to be a data error in terms of total fees, indicated by (\*), where USD 634mn linked to a government deal has been removed. Interesting fossil deals in this space include DNBs joint lead manager role in a bond issuance for U.A.E. based Shelf Drilling Holdings (SHLFDI), as well as another deal managed by joint-bookrunner ING for Mercuria Energy America (MEENAM), an energy trading company.

Table 2. The Green/Fossil Box for intermediate-sized institutions. Source: AFII, Bloomberg, effective date 13 Dec 2023.

Rank	Chg vs Sep-23	vs Dec-2022	vs Dec-2021	Bank	Net green/fossil fees pct	Total fees USDmn	Net green/fossil revenue USDmn	Chg in fossil fees vs -21/22	SLB fees of total	Net fees (green+ SLB) /fossil
1	0~	3↑	0~	Swedbank	30.3%	78.4	23.8	-93%	1.4%	31.8%
2	0~	-1↓	0~	SEB	20.4%	233.4	47.6	-74%	2.5%	22.9%
3	0~	-1↓	0~	Nordea	19.4%	321.9	62.4	-85%	3.3%	22.7%
4	0~	1↑	1↑	ABN Amro	11.1%	74.9	8.3	-64%	4.2%	15.3%
5	1↑	6↑	2↑	BBVA	9.4%	347.9	32.8	149%	2.8%	12.2%
6	2↑	0~	-2↓	NatWest Markets	7.8%	373.9	29.3	-34%	0.4%	8.3%
7	-2↓	1↑	2↑	Commerzbank	7.7%	319.4	24.6	-58%	3.2%	10.9%
8	1↑	2↑	-2↓	Nomura	6.5%	411.0	26.9	42%	0.6%	7.1%
9	-2↓	7↑	3↑	Westpac Banking	5.5%	219.8	12.2	-58%	na.	5.5%
10	5↑	4↑	1↑	Commonwealth Bank	5.5%	256.6	14.2	-93%	0.1%	5.6%
11	0~	1↑	9↑	NAB	4.2%	234.1	9.8	-75%	1.6%	5.7%
12	2↑	7↑	5↑	UniCredit	4.1%	581.0	23.6	-7%	4.3%	8.4%
13	0~	0~	-3↓	ICBC	3.4%	710.7	24.3	-11%	0.5%	3.9%
14	3↑	6↑	1↑	ANZ Banking Group	2.7%	336.0	9.0	-40%	0.9%	3.6%
15	1↑	-6↓	-1↓	Natixis	2.3%	546.8	12.7	7%	2.5%	4.8%
16	-4↓	-9↓	9↑	ING Groep	2.0%	497.0	10.0	-14%	2.8%	4.8%
17	2↑	0~	-9↓	Banco Santander	1.9%	672.6	13.1	102%	1.0%	2.9%
18	-8↓	-15↓	-2↓	DNB ASA	1.9%	235.3	4.5	77%	2.5%	4.4%
19	1↑	3↑	0~	Lloyds Bank	0.6%	206.4	1.3	-9%	0.5%	1.1%
20	-2↓	-5↓	1↑	Rabobank	-0.5%	140.9	-0.7	7%	1.5%	1.0%
21	2↑	-3↓	-3↓	Standard Chartered Bank	-0.6%	453.0	-2.7	13%	1.9%	1.3%
22	-1↓	-1↓	-9↓	Intesa Sanpaolo	-1.6%	415.3	-6.7	96%	4.4%	2.8%
23	-1↓	0~	-1↓	Jefferies	-5.0%	198.8	-9.9	-23%	na.	-5.0%
24	1↑	3↑	2↑	TD Securities	-5.3%	681.4	-36.3	-12%	0.4%	-4.9%
25	-1↓	-1↓	-1↓	US Bancorp	-5.6%	399.5	-22.3	27%	0.1%	-5.4%
26	0~	-1↓	-3↓	BMO Capital Markets	-6.9%	548.9	-38.0	5%	0.5%	-6.4%
27	0~	-1↓	0~	Scotiabank	-8.9%	643.3	-57.5	6%	1.0%	-8.0%

<sup>15</sup> [“ConocoPhillips crossing oil sands exclusion thresholds”](#), AFII, 16 Aug 2023.



## Regional fossil rankings

Using deal level data, we can look specifically at targeted regions and populations, where the funding environment, or key bank players, may diverge from the global view. To apply a regional filter, it is possible to either: filter the deals by their country of risk, to understand which banks are facilitating capital flow into the region; or filter the banks themselves by jurisdiction, to allow for a local engagement lens.

We have analysed both to produce regional fossil rankings in this section.

### Table Description

The regional Green/Fossil Boxes follow the same format as the global analysis.

#### 1. ASEAN

We began monitoring The ASEAN<sup>16</sup> Box in Nov 23,<sup>17</sup> which comprises deals from the in-scope countries for banks with a minimum of USD 10mm total fees in the region.

Table 3. The ASEAN Green/Fossil Box. Source: AFII, Bloomberg, effective 23 Nov 2023.

Rank	vs Nov-2022	vs Nov-2021	Bank	Net green/fossil fees pct	Total fees USDmn	Net green/ fossil revenue USDmn	Chg in fossil fees vs -21/22	SLB fees of total	Net fees (green+ SLB) /fossil
1	1 ↑	2 ↑	Oversea-Chinese Banking	17.8%	62.8	11.2	53%	2.1%	19.9%
2	2 ↑	0 ~	DBS Group	13.7%	93.1	12.7	-14%	2.2%	15.8%
3	0 ~	1 ↑	United Overseas Bank	12.3%	84.4	10.4	57%	0.6%	12.9%
4	17 ↑	3 ↑	Mizuho Financial	11.5%	21.1	2.4	14%	5.6%	17.0%
5	3 ↑	6 ↑	CIMB Group Holdings Bhd	6.7%	121.2	8.1	-67%	1.5%	8.2%
6	1 ↑	0 ~	Government Savings Bank	1.5%	18.4	0.3	n.a.	0.0%	1.5%
7	8 ↑	5 ↑	Siam Commercial Bank PCL	1.0%	30.0	0.3	-86%	2.4%	3.5%
8	2 ↑	-3 ↓	BNP Paribas	0.9%	33.3	0.3	-100%	3.7%	4.6%
9	-3 ↓	0 ~	HSBC	0.2%	41.3	0.1	-88%	2.7%	3.0%
10	1 ↑	0 ~	AmInvestment Bank Bhd	-1.1%	38.5	-0.4	-70%	0.0%	-1.1%
11	-6 ↓	9 ↑	Maybank	-1.6%	93.9	-1.5	-72%	0.0%	-1.6%
12	5 ↑	2 ↑	Kasikornbank PCL	-2.8%	32.2	-0.9	-70%	4.1%	1.3%
13	-1 ↓	6 ↑	RHB	-3.2%	59.7	-1.9	-52%	0.7%	-2.4%
14	8 ↑	3 ↑	Bank of China	-3.6%	33.4	-1.2	-28%	2.0%	-1.6%
15	3 ↑	0 ~	Bangkok Bank PCL	-5.0%	39.5	-2.0	-58%	3.3%	-1.7%
16	0 ~	0 ~	Krung Thai Bank	-6.3%	25.1	-1.6	-46%	5.0%	-1.3%
17	-8 ↓	1 ↑	Bank Negara Indonesia	-9.2%	31.5	-2.9	144%	0.0%	-9.2%
18	2 ↑	5 ↑	Bank Mandiri	-10.9%	48.0	-5.3	-33%	0.0%	-10.9%
19	0 ~	2 ↑	MUFG	-11.5%	43.0	-4.9	-47%	6.2%	-5.3%
20	3 ↑	-7 ↓	SMBC	-13.9%	45.3	-6.3	56%	4.2%	-9.7%
21	-7 ↓	-13 ↓	Standard Chartered Bank	-16.0%	28.0	-4.5	-3%	4.9%	-11.1%
22	-9 ↓	0 ~	Bank Rakyat Indonesia PT	-20.0%	25.8	-5.2	238%	0.0%	-20.0%
23	-22 ↓	-22 ↓	Deutsche Bank	-65.2%	19.2	-12.5	n.a.	0.0%	-65.2%

Table 3 shows the most noteworthy rankings observed among the major institutions with deals in the ASEAN region. The top ranked are Oversea-Chinese Banking as well as DBS group, which have remained in the top section this past year. Mizuho Financial (+17) has climbed to the top during

<sup>16</sup> A region which comprises Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand, and Vietnam.

<sup>17</sup> For the inaugural analysis please see "[Asia bank league table of green and fossil bond syndication fees](#)", AFII, 29 Nov 2023.

this time as well. Notably at the bottom, Deutsche Bank has a net of -65% in fossil deals in the ASEAN region, which is over 8x the lowest ranked bank when considering a global view (see Table 1).

The ASEAN rankings seem considerably more volatile, which is explained by the low total fees for deals in the ASEAN region provided by Bloomberg. When considering a counterparty to be put “in the box”, i.e. to exclude from an investor’s activities, too high volatility in this data can pose a challenge. This is because it could mean shifting too frequently between deciding which counterparties to exclude.

To account for this fact, we provide Table 4 where the fees data has been grouped over the past three years. This ranking is more stable; however, it also means that recent shifts in behaviour will take longer to show in the ranking.

Table 4. The ASEAN Green/Fossil Box using three-years of data. Source: AFII, Bloomberg, effective 23 Nov 23.

Rank	Bank	Net green/fossil fees pct	Total fees USDmn	Net green/ fossil revenue USDmn	SLB fees of total	Net fees (green+ SLB) /fossil
1	Oversea-Chinese Banking	14.3%	229.6	32.8	2.4%	16.7%
2	DBS Group	12.0%	317.1	38.2	3.9%	15.9%
3	United Overseas Bank	11.3%	307.0	34.8	2.8%	14.1%
4	Government Savings Bank	1.2%	57.1	0.7	0.0%	1.2%
5	CIMB Group Holdings Bhd	0.6%	356.8	2.2	0.8%	1.5%
6	BNP Paribas	0.6%	70.6	0.4	2.0%	2.6%
7	HSBC	-1.6%	187.1	-3.0	3.0%	1.4%
8	Siam Commercial Bank PCL	-3.3%	89.8	-3.0	2.8%	-0.5%
9	AmInvestment Bank Bhd	-3.5%	109.6	-3.9	0.0%	-3.5%
10	Mizuho Financial	-4.5%	73.6	-3.3	1.8%	-2.7%
11	Maybank	-4.5%	323.9	-14.7	0.5%	-4.1%
12	Standard Chartered Bank	-5.7%	150.2	-8.6	1.0%	-4.8%
13	RHB	-6.7%	166.2	-11.1	0.4%	-6.2%
14	Kasikornbank PCL	-7.5%	114.8	-8.6	2.7%	-4.7%
15	Bank Negara Indonesia	-7.8%	75.5	-5.9	0.0%	-7.8%
16	Deutsche Bank	-8.6%	58.1	-5.0	0.0%	-8.6%
17	Bangkok Bank PCL	-9.5%	127.7	-12.1	2.4%	-7.1%
18	Krung Thai Bank	-10.0%	101.5	-10.2	3.0%	-7.0%
19	Bank of China	-11.7%	70.6	-8.3	0.9%	-10.8%
20	Bank Rakyat Indonesia PT	-14.4%	54.6	-7.9	0.0%	-14.4%
21	MUFG	-14.8%	162.7	-24.2	3.9%	-10.9%
22	SMBC	-17.3%	140.2	-24.3	2.6%	-14.7%
23	Bank Mandiri	-19.7%	142.5	-28.0	0.0%	-19.7%

In general, when comparing this to Table 3 there are similarities. Oversea Chinese Banking Corp, DBS Group and United Overseas Bank are all still in the top section, and MUFG and SMBC are in the bottom section.

Cases such as Deutsche Bank are, however, where it differs more. Deutsche Bank increased its fossil fees substantially in 2023 compared to 2021-2022, mainly due to its bookrunner role in a USD 3bn loan, which will support a commitment by the Singaporean company Trafigura to deliver gas into Europe, and ultimately, to Germany.<sup>18</sup> This led it to its bottom position in the one-year ranking,

<sup>18</sup> [“Trafigura signs USD3 billion loan agreement guaranteed by the Federal Republic of Germany to secure gas supply”](#), Trafigura, 5 Dec 2022.

whereas closer to the middle in the three-year ranking. In cases like this, further investigation might need to be conducted to decide where the bank in question should rank.

## 2. Japan

Table 5 shows the equivalent Green/Fossil Box for Japanese deals and major banks (with a minimum of USD 10mn in total fees). It is notable that almost no banks have negative net fees. Japan's oil consumption is mostly driven by imported crude oil and the country has no notable domestic production,<sup>19</sup> which makes this an ineffective differentiator.

However, it is interesting to note that MUFG, which ranks poorly in the ASEAN Green/Fossil Box, has a relatively high share of green bonds in the Japan region.

Table 5. The Japan Green/Fossil Box. Source: AFII, Bloomberg, effective 23 Nov 2023.

Rank	vs Nov-2022	vs Nov-2021	Bank	Net green/fossil fees pct	Total fees USDmn	Net green/ fossil revenue USDmn	Chg in fossil fees vs -21/22	SLB fees of total	Net fees (green+ SLB) /fossil
1	7 ↑	8 ↑	MUFG	19.1%	36.3	6.9	n.a.	3.9%	23.0%
2	1 ↑	1 ↑	BofA Securities	16.6%	25.8	4.3	n.a.	0.0%	16.6%
3	10 ↑	9 ↑	Mizuho Financial	9.7%	178.9	17.4	-53%	2.5%	12.3%
4	2 ↑	2 ↑	Goldman Sachs	9.1%	25.6	2.3	n.a.	0.4%	9.5%
5	4 ↑	3 ↑	Nomura	8.7%	119.9	10.5	99%	2.1%	10.9%
6	-5 ↓	-4 ↓	BNP Paribas	8.7%	21.5	1.9	n.a.	0.0%	8.7%
7	-2 ↓	-2 ↓	Citi	7.7%	19.5	1.5	n.a.	0.0%	7.7%
8	3 ↑	3 ↑	Morgan Stanley	7.3%	116.8	8.6	-77%	1.3%	8.7%
9	1 ↑	-2 ↓	SMBC	7.2%	149.4	10.8	-63%	2.0%	9.2%
10	2 ↑	5 ↑	Daiwa Securities	7.0%	117.8	8.3	-88%	1.7%	8.8%
11	-9 ↓	-10 ↓	JP Morgan	6.8%	20.8	1.4	n.a.	0.0%	6.8%
12	-8 ↓	-8 ↓	Credit Agricole CIB	2.4%	25.1	0.6	n.a.	11.1%	13.5%
13	-6 ↓	-3 ↓	Barclays	1.1%	17.0	0.2	n.a.	0.0%	1.1%
14	0 ~	-1 ↓	SBI Holdings Inc/Japan	0.0%	14.8	0.0	n.a.	0.0%	0.0%
15	0 ~	-1 ↓	ANZ Group Holdings Ltd	-2.2%	12.4	-0.3	n.a.	0.0%	-2.2%

Next in Table 6 we present global deals by Japanese banks, to support local engagement.

Table 6. The Green/Fossil Box for Japanese banks. Source: AFII, Bloomberg, effective 23 Nov 2023.

Rank	vs Nov-2022	vs Nov-2021	Bank	Net green/fossil fees pct	Total fees USDmn	Net green/ fossil revenue USDmn	Chg in fossil fees vs -21/22	SLB fees of total	Net fees (green+ SLB) /fossil
1	0 ~	0 ~	Nomura	6.3%	418.5	26.3	1%	0.6%	6.9%
2	1 ↑	1 ↑	Mizuho Financial	-2.9%	847.0	-24.6	21%	1.6%	-1.3%
3	1 ↑	1 ↑	MUFG	-3.4%	829.0	-27.9	1%	1.7%	-1.6%
4	-2 ↓	-2 ↓	SMBC	-3.9%	793.3	-30.6	14%	1.3%	-2.6%

Here, Nomura ranks best due to their low share of fossil fees. SMBC comes out at the bottom of the list, also demonstrating an increase in its fossil fees since one year ago. The most notable recent deal is their mandated arranger role in the project financing of an FPSO (Floating Production Storage and Offloading) in Brazil signed by SBM Offshore, capable of processing 180,000 barrels of oil and 12 million m<sup>3</sup> of gas per day.<sup>20</sup>

<sup>19</sup> “[Japan Oil Security Policy](#)”, IEA, 18 Aug 2022.

<sup>20</sup> “[SBM Offshore completes US\\$1.615 billion financing of Alexandre de Gusmão](#)”, SBM Offshore, 20 Jun 2023.

### 3. Canada

Table 7 shows the Green/Fossil Box for Canadian banks. These institutions have traditionally been very active in Fossil lending, as the net fee numbers demonstrate; the best performer is TD Securities, which generates 5.3% more of its total fees from Fossil lending than from Green transactions.

Table 7. The Canada Green/Fossil Box. Source: AFII, Bloomberg, effective 13 Dec 23.

Rank	Chg vs Sep-23	vs Dec-2022	vs Dec-2021	Bank	Net green/fossil fees pct	Total fees USDmn	Net green/fossil revenue USDmn	Chg in fossil fees vs -20/21	SLB fees of total	Net fees (green+SLB)/fossil
1	0~	4↑	1↑	TD Securities	-5.3%	681.4	-36.3	-12%	0.4%	-4.9%
2	0~	2↑	1↑	RBC Capital Markets	-6.4%	906.4	-58.4	-21%	0.2%	-6.2%
3	0~	0~	1↑	CIBC	-6.7%	324.8	-21.9	-41%	0.6%	-6.1%
4	0~	-3↓	-3↓	BMO Capital Markets	-6.9%	548.9	-38.0	5%	0.5%	-6.4%
5	0~	-3↓	0~	Scotiabank	-8.9%	643.3	-57.5	6%	1.0%	-8.0%

Engagement can be quite regionally specific, and analysis such as this demonstrates that even within a poor performing universe there can be differentiated performance, which means a relative improvement can drive impact.

If Scotiabank adjusted its net fees to match TD Securities, that would represent \$23mm worth of syndication business which it did not participate in. We estimate this could remove \$4.6bn of funding for the fossil sector (using 0.5% of notional as fee).<sup>21</sup>

#### Other sector extensions

This framework can extend to encourage any aligned behaviour, and discourage poor behaviour.

We will in the upcoming months extend the analysis to consider syndication fees from deforestation-linked activities.

<sup>21</sup> This is a slightly idealistic example, as it's likely such funding would be sought elsewhere, but it shows how much funding would be impacted if one bank chose to move away from such business.

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