

The Integration of ESG Criteria in Proprietary Trading of Universal Banks (Depot A): An Analysis of Regulatory Requirements and Economic Impact

Umberto Nicosia

European Polytechnical University (EPU), Bulgaria
nicosia.umberto@yahoo.de

Abstract

The integration of environmental, social, and governance (ESG) criteria in proprietary trading by universal banks is at the forefront of a growing societal awareness of sustainable financial practices and the evolving regulatory landscape within the financial sector. Faced with environmental challenges, social inequalities, and an increasing demand for responsible corporate governance, ESG criteria emerge as pivotal metrics for evaluating both the long-term financial and non-financial performance of companies. This paradigm shift is reflected in a multitude of initiatives and measures aimed at driving the financial sector as a catalyst for a more sustainable and equitable global economy. Against this backdrop, the integration of ESG criteria into the proprietary trading activities of universal banks assumes paramount importance. In this context, it becomes evident that the integration of ESG criteria in proprietary trading by universal banks is not only an ethical necessity but also an economic imperative. Therefore, understanding the regulatory landscape, operational barriers, and potential opportunities associated with ESG integration is crucial. This doctoral project aims to examine these complexities and contribute to a better understanding of the nuanced interplay among sustainability, regulation, and financial viability in the banking sector. Given the complex nature and extensive scope of these regulations, as well as the multifaceted aspects of ESG criteria, uncertainties persist regarding the seamless integration of these regulations into banks' daily trading activities. The objective of this dissertation is to make a substantial contribution to understanding the integration of ESG criteria in proprietary trading by universal banks and to generate practical insights for the further development of strategies and guidelines in this area. By identifying and addressing key research gaps, this work contributes to advancing understanding and practice in the field of sustainable finance and responsible investing.

Keywords: universal banks, sustainable finance practices, regulatory requirements, economic profitability, risk management, environmental, social, and governance (ESG), capital flow management