

Dear distinguished guests and colleagues!

Ladies and gentlemen!

Welcome to Budapest. It is my true pleasure to open the third MNB Financial Stability Conference.

Thank you for accepting our invitation in an age of transformations. Today we meet at a critical juncture for the financial sector worldwide, but especially in the EU. The mandate to boost economic competitiveness on the continent is clear and urgent. Europe needs faster innovation, deeper and more integrated capital markets, and seamless digital transformation if we are to remain a leading global economic engine.

At the same time, we must not forget about our financial stability mandates either: central banks and supervisory authorities are tasked with safeguarding systemic resilience amidst rapid technological shifts, geopolitical realignments, climate-related challenges and changing macroeconomic conditions.

In this environment, regulation is frequently framed as an administrative weight that puts European firms at a disadvantage compared to their global peers. It is often argued that in order to remain competitive, we must roll back supervisory requirements, lower compliance burdens, and let market forces run unchecked.

It will be very interesting to hear the opinions of our distinguished speakers on this matter today. However, I would like to address this premise beforehand from the point of view of the Central Bank of Hungary.

Strong, predictable, and forward-looking regulation is not an impediment to competitiveness, but a prerequisite for it. Financial stability provides the baseline for all sustainable economic growth. It is the infrastructure that allows businesses to invest with confidence, consumers to save securely, and capital to be allocated efficiently.

Therefore, we must ensure that we do not deregulate for the wrong purposes. Easing regulations may generate a brief burst of economic momentum or immediate cost savings for institutions. However, it may significantly increase long-term systemic vulnerability. History has shown us many times that whenever unmanaged risks accumulate and turn into systemic distress, the consequences are severe. The resulting loss of market confidence, contraction in credit, and drain on public trust far outweigh any temporary advantages gained from reduced standards. We cannot afford to sacrifice long-term resilience on the altar of short-term gains.

Instead, as we look toward the future architecture of the European single market, two operational principles should guide our regulatory agenda: simplification and harmonisation.

The European financial landscape remains highly fragmented. Overlapping reporting mandates, conflicting supervisory expectations across borders, and national regulatory variations add substantial administrative weight to institutions. It seems justified to streamline rules, eliminate redundancies, and create a truly unified European rulebook, while leaving space for national discretions where country-specific factors make it necessary. This clarity is essential for allowing both the innovative new entrants and the established banking institutions to scale smoothly across all member states.

Furthermore, protecting stability does not mean locking the doors to innovation. We need to acknowledge that regulation must evolve alongside the market. Digitalisation and especially artificial intelligence are reshaping financial services at an unprecedented pace. New solutions offer immense opportunities for operational efficiency, better fraud detection, and improved customer experience. However, they also introduce novel structural risks: operational concentration around key technology providers, opaque decision-making models, algorithmic bias, and the potential for accelerated, automated transmission of liquidity shocks.

It is important to highlight that this also has become an issue of competitiveness: Europe is sorely lacking the infrastructure and know-how to build frontier AI models and therefore relies on other parts of the world, such as the USA and Asia to utilise the power of AI. This highlights the vulnerability and dependence of the EU banking sector in this field, which is an important risk to address by EU and national authorities, as it has also been highlighted by the European Systemic Risk Board.

The core trade-offs I have been talking about are precisely the focus of our discussions over the course of this conference. Over the next two days, we are privileged to bring together a wide range of perspectives from central banks, national supervisory authorities, European institutions, and academic experts across numerous countries and continents. We will examine a broad spectrum of viewpoints on how different jurisdictions are adapting to aspects I have mentioned before.

Having such a diverse assembly of institutions and experts in one room is invaluable. We will not agree on every detail, nor should we. Healthy, constructive debate is necessary to sharpen our policy tools and avoid blind spots while supporting our economies.

Let us draw on the diverse insights and experiences shared across our sessions today to build a financial sector that is technologically advanced and resilient for the long term.

Thank you, and I wish you all a productive and insightful conference.