



## Closing remarks

Frankfurt am Main, 27 September 2024

# The ever-evolving nature of systemic risks and the importance of European cooperation

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**Eighth Annual Conference of the European Systemic Risk Board: New Frontiers in  
Macroprudential Policy**

It is a tradition for me to close our Annual Conferences. After two fully online meetings, our eighth conference has once again allowed physical attendance. Many of us benefited from the exchanges in the margins of the conference that this has made possible. Many thanks as well to all those who have attended remotely. As usual, the video recordings of this event will be posted on our website, for you to revisit or share with others.

This rich event, which owes much to the passion and the inexhaustible energy of my deputy Tuomas Peltonen, as well as to the dedication of Shirley Simmons-Nocca, Elena Lanza, Jonathan Rice, Antonio Sanchez and Beatriz Viegas, has brought together key policy makers and academics. I would like to mention, among many of them, the Chair and Vice-chair of the ESRB, President Christine Lagarde and Governor Olli Rehn, as well as the Chair of the SSM, Professor Claudia Buch. Please let me thank, among the representatives of academia, the Chairs and Vice-chairs of the ESRB Advisory Scientific Committee, Professors Thorsten Beck, Steve Cecchetti and Loriana Pellizon, as well as many other ASC members who lent their intellectual weight to the panels. A particular thank you goes to our international guests from the Bank of International Settlements, the Federal Reserve and the Financial Stability Institute.

The three panels allowed us to explore how artificial intelligence interacts with systemic risk, what vulnerabilities are associated with systemic liquidity and how we should think of evolving systemic risks, from climate-related disasters and cyberattacks to geopolitical tensions. Unfortunately, we are exposed to all of them in parallel.

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Much of what we have discussed today reflects new objectives of our institutional work. But, of course, these do not replace our long-standing objectives. In the period since the last Annual Conference, we closely followed developments in the residential and commercial real estate sectors, we reflected on banks' vulnerability to deposit runs, we prioritised the monitoring of vulnerabilities in non-bank financial intermediation and the policies to mitigate them, and we continued to develop our macroprudential policy stance. Several reports published on our website are a testimony of this work.

My concluding remarks after the Annual Conferences have always been an opportunity to share some personal reflection on how the ESRB and its Secretariat have contributed to advancing macroprudential policy in the European Union. These are my views and not necessarily those of the institution.

Today we have dwelt a lot on what has been labelled radical uncertainty by John Kay and Mervyn King. The crises we experienced over the past few years illustrated the importance of this concept, which reminds us that we cannot manage all the risks we are confronted with on the basis of probabilities. But radical uncertainty is not new. It has dominated our work right from the beginning.

In October 2008, a few weeks after the collapse of Lehman Brothers, European Commission President José Manuel Barroso established an expert group to revise the supervisory architecture of our financial system and entrusted the leadership of this group to Jacques de Larosière. At this time, the financial landscape was changing day by day across the Union, with governments responding with costly interventions to save their banks.

Jacques de Larosière presented his group's findings to President Barroso on 25 February 2009, well before the Greek sovereign debt crisis started. In the de Larosière report, the ESRB was conceived as a body that should explore medium-term risks to financial stability and was therefore not given any emergency powers to manage a financial crisis. The European co-legislators speedily acted on the report's proposals: the European Supervisory Authorities and the ESRB could start their work at the beginning of 2011.

But, in the meantime, the Greek sovereign debt crisis had erupted. Shortly after the Commission had tabled its legislative proposals to establish the ESAs and the ESRB on 23 September 2009, the newly elected Greek government revealed the true state of Greek public finances. By the time the ESRB founding regulation had been published in the Official Journal of the EU in November 2010, the situation in Greece had already necessitated several emergency fiscal packages in the country and the troika had been established. Irish bonds had also increasingly come under attack, also leading to a request for EU and IMF support.

It is in this context of growing macroeconomic and political uncertainty that the inaugural meeting of the General Board took place in the Eurotower on 20 January 2011. While the ESRB got ready to work, setting up internal bodies and procedures, the financial integration achieved in the Economic and Monetary Union was unravelling, sovereign assets of several EU countries rapidly lost value and fears were spreading that EMU could fall apart. It took one year and the famous 'whatever it takes' speech of President Draghi to stop that vicious dynamic.

These were turbulent times indeed! Today, we are confronted with other sources of uncertainty and threats, which imply that we cannot rely on the future just being an extrapolation of the past. In recent years, we have experienced a major pandemic, the Russian invasion of Ukraine and hybrid threats against Western democracies, the UK leaving the European Union, the rise of protectionism, and increasingly severe weather events linked to climate change.

The turbulences of the ESRB's early days and of the last few years have one thing in common: whether they cause a systemic crisis in the financial system or not depends to a large extent on financial markets' confidence that Europeans have the strength to stick together in the face of adversity. That is not something that we could put in our warnings and recommendations, but our task at the ESRB is to work on tail risks. These may in the future be combinations of adverse events in multiple areas, geopolitics, public health, technology. Tackling a cumulation of these crises will require an increased European cooperation.

We were exposed to radical uncertainty in the sovereign debt crisis. At the time, we decided to deal with it together as Europeans. Today we are confronted with equally significant challenges. We have elements for a European approach to tackling the challenges we are facing: the Letta Report on the future of the single market and the Draghi Report on the competitiveness of the EU. My hope is that the two reports will help Europe become more resilient thanks to higher productivity, higher growth and higher living standards.

Macroprudential policy can be confronted with the financial implication of global threats, but it can obviously not prevent them. The macroprudential community that the ESRB brings together can however contribute, in cooperation with experts in other areas, to a better understanding of how different scenarios can play out and what role the financial system would play in such scenarios.

At the ESRB Secretariat we will continue to reflect on such a broader range of threats to financial stability and, ultimately, prosperity and peace. We will do this with a highly motivated community of experts from our member organisations, who can count on the dedication of the ESRB Secretariat staff. Beyond the colleagues I have already mentioned, I would like to thank Magnus Andersson, Joana Baptista, Emily Beau, Ralf Jacob, Angel Ivan Moreno Bernal and Olaf Weeken. To mention all others would be impossible. But I vividly recognize their contributions.

I look forward to our next Annual Conference, and hope that, by then, we can be much more confident in our ability to cope with the challenges of radical uncertainty.

And with this, I would like to ask Tuomas and Shirley to join me on stage.

We are declaring together the conference closed.