EUROPEAN CENTRAL BANK

EUROSYSTEM

27 June 2025

Summary of Banking Industry Dialogue on 25 June 2025

Participants

- Members of the Governing Council of the ECB or their alternates.
- Representatives of ABN Amro, Banco Santander, Barclays, Citigroup, Commerzbank, Crédit Mutuel Group, Deutsche Bank, Intesa Sanpaolo, JP Morgan Chase, KBC Group, Société Générale, Standard Chartered and UBS.
- Senior ECB officials from the Directorate General Macroprudential Policy and Financial Stability, Directorate General Market Operations, Directorate General Secretariat, and the Chief Compliance and Governance Officer.

1 - Key risks to euro area financial stability

Sources of risk and vulnerabilities for financial stability in the euro area were considered elevated with geopolitical and policy uncertainty at high levels. The broad risk of geoeconomic fragmentation was seen as raising the likelihood of increasingly frequent and impactful adverse tail events. Bank representatives saw an escalation of geopolitical or trade tensions as the most likely triggers for the unravelling of key sources of risk and vulnerability for the euro area financial system, in particular, elevated financial asset valuations and cyber threats. They also expressed concern regarding the disruptive capabilities of artificial intelligence and risks stemming from global regulatory fragmentation, both of which were seen as threatening the competitiveness of the euro area banking sector.

Financial markets, in particular US Treasury and US equity markets, were seen as vulnerable to sudden and sharp adjustments against the backdrop of an uncertain policy environment. Bank representatives expressed concern regarding the possibility of a rapid adjustment of these asset valuations that would expose euro area (and global) investors to substantial losses and have significant implications for global risk premia.

Bank representatives noted the ubiquitous threat of cyber-attacks was amplified by elevated geopolitical tensions. They saw the escalation in tensions as increasing the risk of state-sponsored cyber-attacks on key financial and non-financial institutions. They also noted that advancements in generative AI left these institutions more vulnerable to attacks.

2 - How can banks active in the euro area contribute to improving the competitiveness of Europe?

Bank representatives observed a significant and growing competitiveness gap between Europe and the United States. It was noted that this partly reflected a lack of investment in technology-intensive and innovative sectors, with the EU seen as lagging the United States in ability to mobilise private capital to the more productive sectors of the economy.

A competitive banking sector (i.e. profitable and resilient) was seen as key for supporting the competitiveness of mature and innovative industries. Bank representatives saw European banks at a competitive disadvantage to their US counterparts with respect to the intermediation of capital markets, profitability and the cost of capital. They anticipated that planned bank regulatory reforms in the US would worsen this disadvantage and called for a simplification of regulation and reporting requirements for European banks, including capital layers. They believed it possible to maintain a level-playing-field with respect to global banking regulations, whilst safeguarding euro area financial stability.

Single market initiatives - the Savings & Investment Union and Banking Union - were seen as necessary prerequisites for improving Europe's competitiveness. The investment needed to boost EU competitiveness, as well as meet defence and infrastructure needs, was seen by many as beyond the capacity of the banking sector. Moreover, it was noted that risk management constraints limited banks' capacity to finance the riskier innovations that involve intangible assets (or assets that are hard to collateralise) and uncertain income streams.