The 15th Edition of the Seminar on Financial Stability Issues

On financial (in)stability and systemic risks in a world with high uncertainty and multiple disequilibria

Closing Remarks: Leonardo Badea, Deputy Governor

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Distinguished guests,

Esteemed colleagues,

Ladies and gentlemen,

First of all, allow me to express my sincere regrets for not attending the seminar in person, due to an overlap with the last meeting of the National Bank of Romania's Board, in the current mandate. I am, however, pleased to have had the opportunity to join you virtually today, following the stimulating discussions that took place in Sinaia.

As we conclude the 15th edition of the Seminar on Financial Stability, I wish to express my sincere appreciation to all of you for your active engagement and valuable contributions.

Over the past few days, there were explored a wide range of critical issues that shape the stability of the global financial system, from the main challenges faced by policymakers in the current geopolitical context, to the evolving risks of digital finance or the vulnerabilities in the real estate sector.

Financial stability today goes beyond managing traditional risks such as liquidity, credit or real estate booms; it now requires an understanding of technological advancements, climate change, and geopolitical uncertainty. Moreover, mounting fiscal imbalances and high levels of both public and private debt in many countries represent other elements to closely monitor.

The first panel provided an excellent coverage of the key systemic risks we are currently facing, along with the challenges they pose to financial stability.

With that in mind, the natural question arises regarding the appropriate measures to implement.

In this context, the second panel took a deep dive into the topic by exploring the effectiveness of macroprudential policy. Considering the vulnerabilities observed in housing markets across the globe, we gained valuable insights from the panel's examination of potential spillover effects from the real estate sector on financial stability.

Lastly, I found the dynamic discussions on emerging challenges particularly engaging, especially regarding the interaction between the rapid advancement of AI technologies and the stability of the financial sector. As emphasized in today's panel, artificial intelligence has the potential to fundamentally transform financial systems and is swiftly evolving into a general-purpose technology, comparable to revolutionary innovations such as electricity or the internet.

While AI impacts all sectors of the economy, the financial system—given its heavy reliance on data—is especially susceptible to AI-driven disruption. According to the Bank for International Settlements, AI will have far-reaching implications, significantly enhancing efficiency, reducing costs, and improving compliance by processing vast amounts of data more quickly and accurately than human capabilities.

However, alongside this great potential come significant risks. As the IMF and the OECD have pointed out in several publications, the increased use of AI in finance could lead to greater market concentration, as only a handful of firms have access to the vast computational power needed to build and operate advanced AI systems. This concentration introduces operational risks and heightens concerns about too-big-to-fail institutions, creating potential vulnerabilities within the financial system. Additionally, other complex issues related to algorithmic bias and discrimination, were discussed today and present significant challenges that will not be easily resolved in the near future.

Undoubtedly, capacity building among financial stability staff on these innovative topics will become increasingly important for the central bank, in order to ensure a smooth digital transition within the financial sector.

Going forward, it is imperative that policymakers establish frameworks that promote transparency, fairness, and accountability in AI systems. The ultimate objective for both authorities and market participants is to develop resilient infrastructures capable of withstanding cyber threats while ensuring impartiality in an increasingly automated financial environment.

In my opinion, the increasing complexity of finance and banking should motivate central banks to actively seek top talent not only from the financial sector but also from related fields such as IT, computer science, and statistics, among others. This expanded expertise in financial stability will be crucial for effectively addressing the evolving challenges within the financial landscape.

Ladies and gentlemen,

The success of this seminar is built upon the insights and expertise shared by our distinguished speakers. I would like to extend my sincere gratitude to the International Monetary Fund, our steadfast partner for nearly two decades in this important initiative.

Together, we began building this project several years before the onset of the Global Financial Crisis, at a time when financial stability was not yet a central focus for policymakers.

Additionally, I would like to express my appreciation to my colleagues from the Financial Stability Department, the International Relations Department, the Secretariat and the entire organizational team, whose tireless efforts made this event possible.

As we look ahead, we bear the responsibility of advancing the knowledge and ideas shared during this seminar and, whenever feasible, translating them into policy actions. As we conclude this seminar, let us remain dedicated to enhancing our collaboration, keeping in mind that financial stability is not a static objective but a dynamic process that requires ongoing vigilance, flexibility, and cooperation.

Thank you all once again for your engagement and contributions. I wish you safe travels as you return home, and I look forward to seeing you at future editions of the financial stability seminar in the years to come.

Thank you.