
# "CRISIS PREPAREDNESS FOR EUROPE: FINANCIAL AND PAYMENTS SYSTEMS FACING NEW RISKS"

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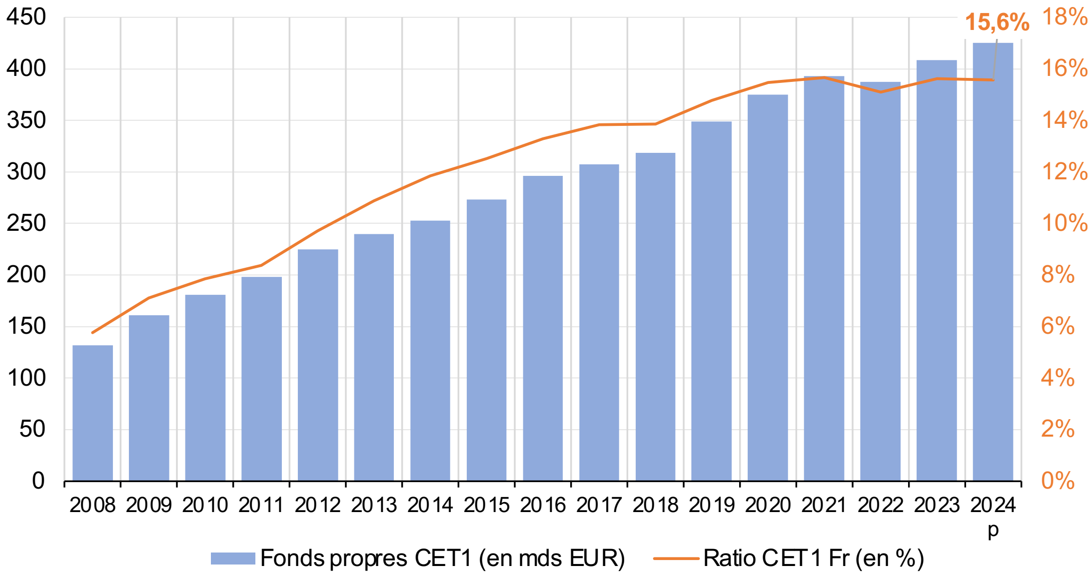
# 1. THE GOOD NEWS : RESILIENT SOLVENCY AND LIQUIDITY PERSPECTIVES FOR FINANCIAL INTERMEDIARIES AND NON FINANCIAL ACTORS

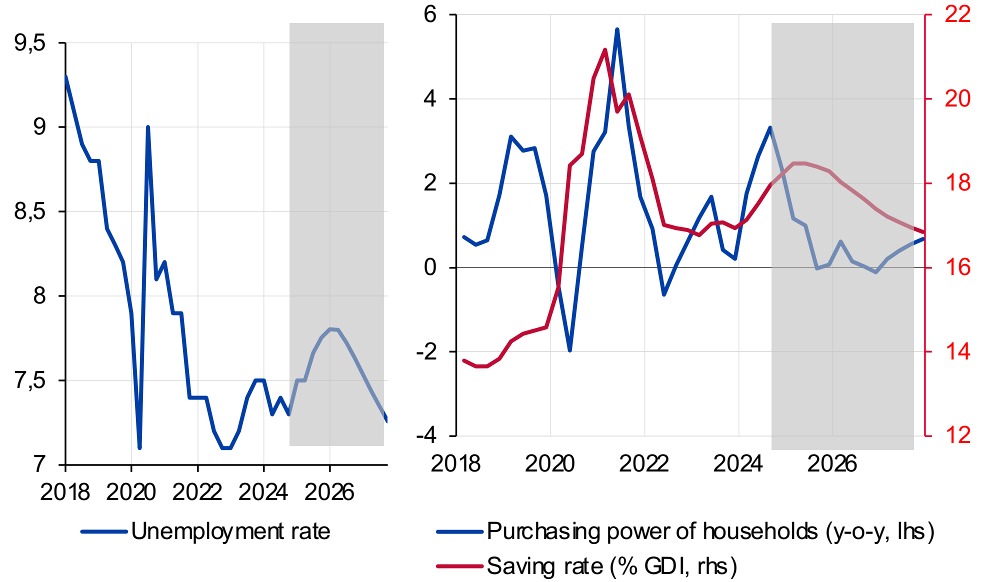
- **For financial intermediaries : Strong capital and liquidity positions of European banks and insurers**, Uncertain macroeconomic environment amid rising tariffs, but **the increase in French banks' cost of risk remained contained in 2024 and early 2025.**
- **For households and NFCs** : Low unemployment rate and increasing purchasing power ; NFCs : solid cash buffers, declining leverage, limited exposure to variable interest rates

French banks CET1 ratios




*Source : ACPR*

Households' financial situation (%)

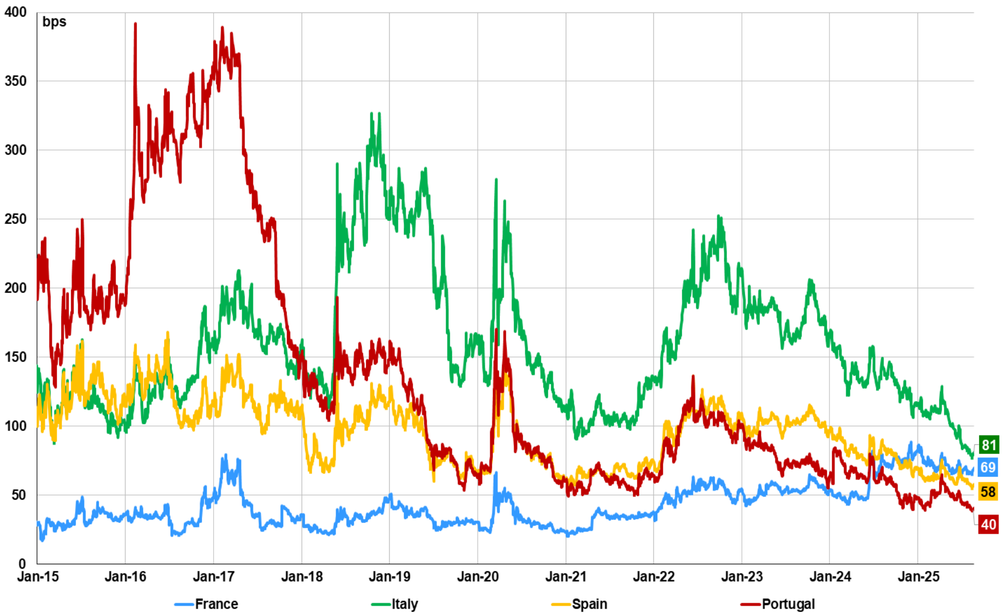



*Note: Savings rate as percentage of gross disposable income. Purchasing power refers to the quantity of goods and services that households - not adjusted for the number of consumption units - can buy with their gross disposable income. The grey area corresponds to the BdF macroeconomic projection horizon of June 2025.*
*Source : INSEE, Banque de France.*

# 1. WHILE PUBLIC DEBTS REQUIRE STABILISATION

- **With public debt at 113.2% of GDP in 2024, France ranks third among euro area countries in terms of debt-to-GDP ratio, behind Italy and Greece**.
- Converging spreads in the euro area vis à vis the German Bund
- **Liquidity conditions remain good, on both the primary and secondary markets**.

EGB 10y spreads vs Bund (bps)




*Source : Bloomberg*

# 2. FINANCIAL SYSTEM FACES NEW STRUCTURAL AND EXISTENTIAL THREATS

## Disruption on the liability side : stablecoins and crypto assets

- **Crypto market has grown by 65% between November 2024 and July 2025**.
- interconnections with the traditional financial system are growing (crypto ETPs, stablecoins reserves)
- **USD stablecoins issued by non banks represent 99% of the global stablecoins market**.

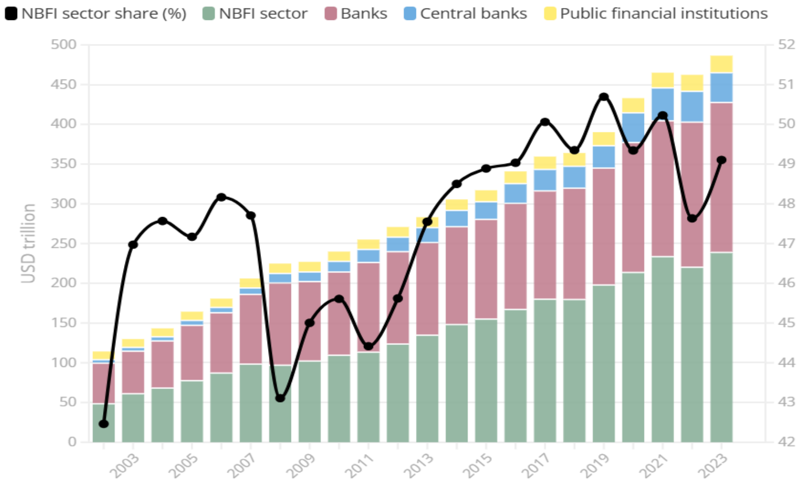
| Loss of monetary sovereignty | Weakening of bank liabilities | Growing interconnections with financial system and risk of fire sales |
|---|---|---|
| • Dollar-pegged stablecoins transform **US public debt** into a non-interest-bearing means of payment.<br><br>• Threat for an **independent monetary policy**, and loss of **seigniorage revenue.** | • Competition for **deposits**, to the detriment of commercial banks. Change in banks' funding structure<br><br>• Non-bank issuers **do not create money** and **cannot contribute to transmitting monetary policy impulses**. | • Expanding use of USD stablecoins may pose financial stability risks in the absence of proper regulation : **risks of fire sales on assets in reserve** (particularly US T-bills) ; |

# 2. FINANCIAL SYSTEM FACES NEW STRUCTURAL AND EXISTENTIAL THREATS

## Disruption on the asset side : Ongoing growth in NBFI and private credit

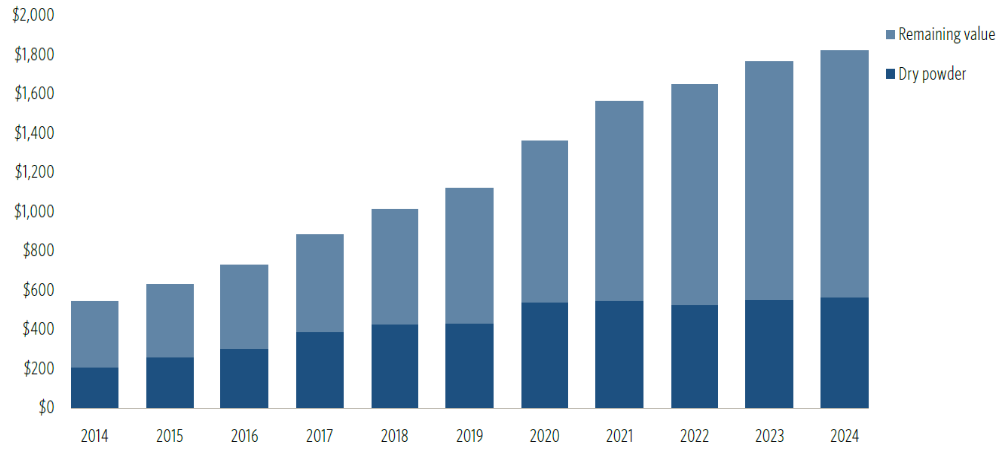
- **The NBFI sector has doubled in size since 2011, now accounting for 49% of total global financial assets**.
- **Vulnerabilities in the NBFI sector** can trigger disorderly market adjustments (e.g. Archegos, LDI funds…).
- **The private credit (PC) market has grown quickly**, reaching $1.8 trillion in assets under management in 2024, with Europe (including the UK) accounting for 25% of the total. Concerns related to high credit risk, opacity around valuations and rising interconnexions to the financial system.

### Total global financial assets and NBFI sector share




*Source : FSB*

### Private debt institutional funds AUM ($B)




*Source : Pitchbook, data as of June 30, 2024.*

# 2. FINANCIAL SYSTEM FACE NEW STRUCTURAL AND EXISTENTIAL THREATS

## The impact of climate change, a major challenge in Europe for all financial intermediaries, both on asset and liability sides

- **Climate-related risks are an immediate concern for financial stability and economic growth**

    - According to the **short-term scenarios of the NGFS:**

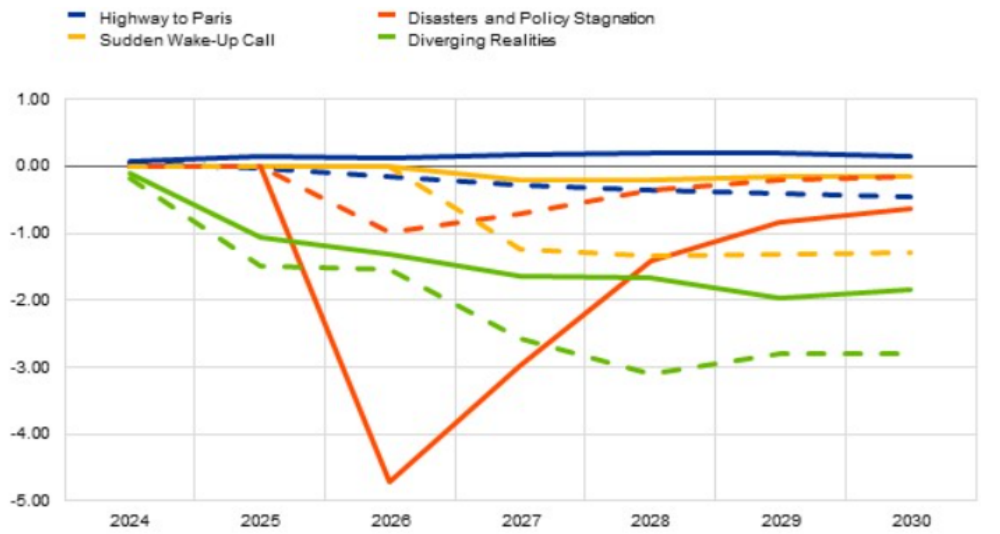
    **In the next 5 years**, extreme climate events could already put **up to 5% of the euro area's economic output at risk** (a downturn similar in magnitude to the economic impact of the Global Financial Crisis) (*The ECB Blog*, 9 July 2025)

- **The degradation of natural ecosystems slows growth and leads to financial instability**

    - ECB research shows that **72% of euro area firms** are critically dependent on ecosystem services
    - The same firms account for **3/4 of all corporate bank lending in the region**, which makes it an issue for financial stability
    - The lack of **surface water is the most significant** nature-related threat to economic activity in the euro area, with up to 15% of gross economic output at risk (*The ECB Blog*, 23 May 2025)

Annual GDP by scenario, euro area versus world

(percentage difference to baseline, solid lines = euro area, dashed lines = world)




Sources: ECB calculations based on NGFS data.



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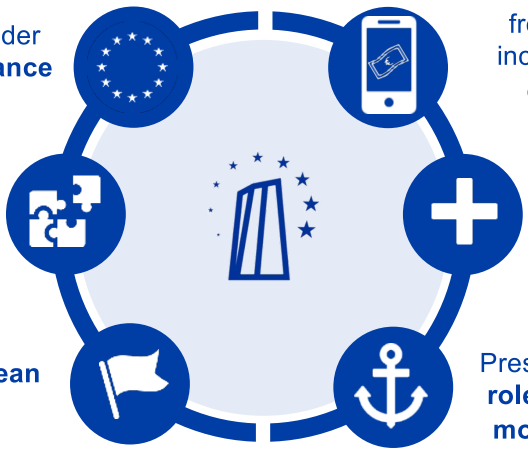
# 3. RETAIL AND WHOLESALE CBDC, AN EUROSYSTEM'S OPERATIONAL RESPONSE TO CRYPTO

## The digital euro promotes European monetary sovereignty and strategic autonomy in retail payments

A **pan-European payment infrastructure**, under **European governance**

**Synergies with private soluions**, through **open and harmonized standards**

Fosters **European strategic autonomy**



**A « digital banknote »:** privacy, free of charge, inclusive, usable everywhere

A **new form of central bank money** complementing cash

Preserves the **anchor role of central bank money** in the digital age

## Shaping the Wholesale Two-Tier Monetary System for tokenised economy: wCBDC and Tokenised CoBM

**Ensure singleness of money across legacy & tokenised infrastructures**

**Security** for **settlement processes**

**Anchor role**

**Pontes**

Offer a **Eurosystem DLT-based solution**, providing interoperability with market DLT platforms and TARGET for the settlement of transactions in CeBM

**Appia**

Prepare a **comprehensive solution** with stakeholders for a **European shared ledger** responding to Savings and Investments Union

**Tokenised Private Money (CoBM)**

**Tokenised CoBM could complement wCBDC in a two-tier model,** preserving the role of banks in credit intermediation and monetary policy transmission

## Adjusting the regulatory framework through the evolution of MiCA

1/ STRENGTHEN REGULATORY FRAMEWORK

2/ LIMIT THE PRESENCE AND USE OF STABLECOINS WITHIN THE RETAIL MARKET

3/ ESTABLISHING A CLEAR FRAMEWORK FOR RELEVANT WHOLESALE USE CASES

# 3. SIMPLIFY THE REGULATORY FRAMEWORK WITH BETTER INTEGRATION OF NBFI

## Simplify the regulatory framework, without deregulating

**Avoid 3 traps:** US-style deregulation, inertia, regulatory overload.

**Preserve core goals:** Stability & climate risk.

**Short-term actions:** Streamline supervision & ESG reporting.

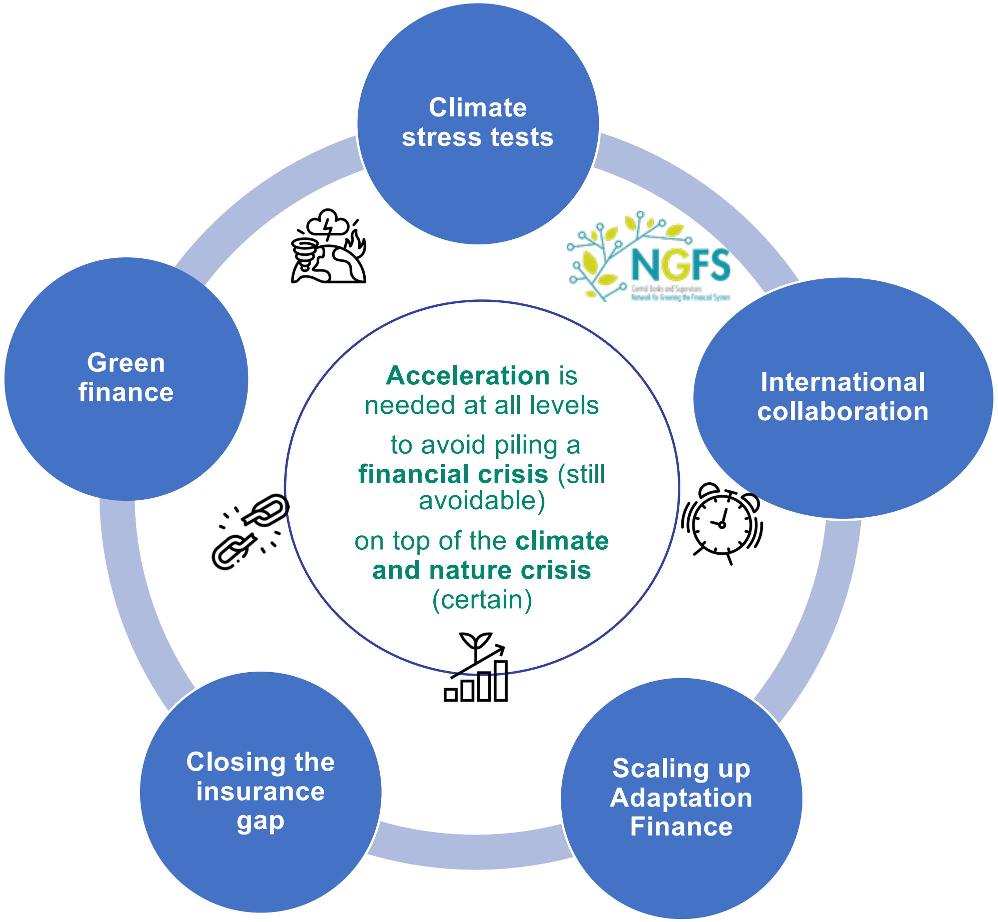
**Medium-term goals:** Simplify resolution rules, delay FRTB, review complexity of capital framework.

## A macroprudential perspective for NBFI

- Existing rules for NBFI concentrate mainly on investor protection and market integrity
- Vulnerabilities (excessive leverage, liquidity mismatch, interconnections with the rest of the financial system)
- **Need to incorporate a macroprudential perspective for building resilience ex ante**
- **System wide stress testing** to assess how different market participants react to adverse shocks and how their collective actions might affect system-wide risk:
    - ➢ **A French (BDF-ACPR-AMF) pilot SWST in 2025 :**
    - voluntary exercise with the private sector ; no prudential implications
    - Better understand market participants reaction function under stress ; improve risk management ; identify data gaps ; inform policy thinking

# 3. CLIMATE AND NATURE : GETTING PREPARED VIA STRESS TEST AND ADEQUATE REGULATORY RESPONSES

## Some additional forward-looking considerations…




### ○ … on the Omnibus directives

- Proposals made by the EC represent a key step to maintain **proportionate** and easy to implement climate transition objectives
- Simplification, however, **should not mean deregulation**:
  - ➢ maintain a **risk-based approach**,
  - ➢ promote the **development and implementation of transition plans**

### ○ … on the need to prepare beyond climate, through broader nature modelling

- Nature presents **specific characteristics** that climate-related models cannot fully take into account (NGFS, 2023)
- We need to **improve modelling tools** (more ecosystem services, different modelling assumptions…)

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