

# **Sabine Mauderer: The European financial industry of the future**

Speech by Dr Sabine Mauderer, First Deputy Governor of the Deutsche Bundesbank, at the 6th Frankfurt Digital Finance Conference and European Fintech Day, Frankfurt am Main, 12 February 2025.

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*Check against delivery*

Ladies and gentlemen,

I'm glad to join you today at the "Gesellschaftshaus Palmengarten". Its history goes back to the 19<sup>th</sup> century. It was the "Gründerzeit" or "founders' period"—an era of strong economic expansion in Germany—when this building was constructed. And when Germany was developed as an industrial location. Developed by people, men and women, lead by curiosity, innovation, and a desire to achieve.

We have to cast our minds back a few years to see times of growth, real innovation and increasing productivity in Europe.

## **1 The role of the financial industry**

In the 2010s Germany had a period of solid growth that some called "the golden decade".

Today, however, we see a need for growth and increasing productivity. Hence, our competitiveness is at stake. Not only in Germany, but also in other parts of Europe. And this comes at a time, when we are facing numerous major challenges:

Consider the significant geopolitical uncertainties of our time—which make a rethink necessary in many respects. Also consider the digitalisation of large parts of our economy, incl. disruptive AI. And think about the climate-related need for an ecological transformation.

Financing all of this requires a substantial amount of capital.

This is where the financial industry comes in: The financial industry can act as an enabler of growth in the real economy. Growth that is so much needed right now.

Looking forward, the financial industry could translate growth potential into real growth in many fields—digitalisation, AI, clean tech, pharma, biotech any many more.

In sum, there are huge business opportunities for Germany and the EU. And we need the Financial industry to take advantage of the business opportunities.

But let us not forget that innovation happens in many places—at start-ups but also at well established companies. We need to make sure that a variety of funding sources are available to support our real economies.

We need a specific financial ecosystem that enables young, innovative companies to flourish. Be it VC, PE, etc. We need established capital markets. Above all, we need a strong and healthy banking sector that supplies our economy with sufficient credit.

That means: We need both traditional loans and venture capital. In any case, all the pockets of the financial industry provide the basis for a growing economy. It's also the basis for the digital and ecological transformation.

The German Council of Experts on Climate Change published [a week ago] new figures on the investment needs estimated for the transition towards net-zero economic activity. Those investment needs range between 135 and 255 billion euro—each year for Germany alone.<sup>[1](#)</sup> That's a lot.

Let's now have a closer look at the digitalization including AI.

## **2 Artificial intelligence: innovation and competitiveness**

The term artificial intelligence (AI) was coined in the middle of the 20th century. But it was the release of ChatGPT in November 2022 that marked a breakthrough. For the first time it became possible to use an AI system without detailed technical knowledge.

Nowadays almost anyone can use AI. The importance of responsible AI practices on the increase—as highlighted in the latest Declaration by the G20.<sup>[2](#)</sup>

There are important questions—to which, to be honest, there are no simple answers:

Are the opportunities and risks of AI balanced?

Does AI lead to a global fragmentation, to a new barrier between those who use AI and those who don't?

Does AI, as a general-purpose technology, help us better manage economic challenges?<sup>[3](#)</sup>

One example of the latter point: Many societies are lacking skilled labour due to demographic change. Here, the use of AI could provide a solution by increasing efficiency or substituting human services. AI can also help drive innovation.

AI enables both incremental and disruptive innovation across all parts of society:

- by facilitating faster decision-making
- optimizing existing processes,
- or by collecting, processing and using huge amounts of data.

It fosters creativity, supports scientific breakthroughs, and unlocks opportunities for entirely new industries and business models—a potential, albeit disruptive, growth engine.

Nevertheless, human creativity is still a key driver of innovation. In 2023, individuals or SMEs filed almost one in four patent applications in Europe.<sup>[4](#)</sup>

Today, we are at a crucial stage: With international competition on the one side and technical and intellectual skills on the other. AI models from the United States are well-known and often considered state of the art. China in particular has recently come up with new and apparently very efficient language models. However, the discussion about the background is not yet complete.

In Europe, we have to do our utmost to keep up with the pace. An important initiative recently came from France: In Paris the "EU AI Champions Initiative", a high-level summit, was held at the beginning of this week.

President Macron mentioned a funding volume of roundabout € 109 billion for AI in France. This approach is very encouraging for other EU member states. By comparison: US-President Trump has mentioned USD 500 billion for his "Stargate" plan in the US.

Despite these substantial investments, there is no guarantee of success. On the other hand, we must not allow ourselves to be deterred by possible failures. One example is the French AI chatbot LUCIE, which has been taken offline after giving some weird answers. I am sure France will take this as a chance to try even harder.

The narrative with all kind of innovation is: Accept failure to grow. The pioneers of the "Gründerzeit"—which I mentioned earlier—knew this only too well.

We need this kind of courage to embrace a "culture of trial and error". It provides an important impetus to do things better. On the other hand, we have to ensure that new technology does not cause severe damage. Especially because AI is a relatively new technology with unknown potential and consequences for the entire society.

Risks can arise for the financial system, but much further afield as well. Imagine, risk management or investment advice would be provided mainly by AI. Would this mean that investment recommendations are becoming more and more similar? Would we have concentration of risks? And what consequences would this have for financial stability?<sup>[5](#)</sup>

Even more far-reaching questions concern our society.

The core question is: What does AI mean for our democracies, for our constitutions, for our fundamental rights? Specifically, we need to ask ourselves: Where is AI beneficial and where do we need clear rules.

In other words: What are the basic rules for using this technology?

It is therefore necessary to find a compromise between having the courage to innovate—and clear rules.

### **3 Strengthening the financial industry**

Regardless of how we deal with AI, we have to return to the issue of financing its development. As indicated earlier, the financial industry, as an enabler, has an important role to play.

Given the challenges of our time I mentioned earlier, it is vital to strengthen the European financial industry.

Let me highlight only two measures:

First, we need to get started on improving start-up funding. In 2024, more than 2,700 innovative start-ups were founded in Germany, the second-highest count after the record year of 2021. There is no shortage of innovative concepts and entrepreneurship per se, but implementation is lacking.

Further completing the European capital markets union (CMU) is essential in this respect—promoting the development of the VC and private equity market as well as exit options for start-ups. The European Commission's "Competitiveness Compass", published recently, 29 January 2025, is a good start.

Second, we need to leverage digital technologies to create efficient, integrated and resilient European financial markets. The digital CMU could be a game changer in this respect.

Let me make it perfectly clear: Europe is a leader in this field.

We at the Bundesbank are engaged in several initiatives. And we have a prominent role to play in the development of a central bank digital currency (wholesale CBDC).

## 4 Conclusion

Ladies and gentlemen, let me sum up: And I can be very brief, but still to the point.

The European Financial industry has to become an enabler of growth. Our Financial industry is key to ensure that the European economy stays competitive.

Thank you very much.

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<sup>1</sup> [Zweijahresgutachten 2024](#) pp. 144, 151. See FAZ: 6, February 2025, p. 15.

<sup>2</sup> [G20 Engagement Groups Issue Joint Declaration on Artificial Intelligence - Data Privacy Brasil Research](#)

<sup>3</sup> [ARTIFICIAL INTELLIGENCE AND ECONOMIC AND FINANCIAL POLICY MAKING A High-Level Panel of Experts' Report to the G7](#)

<sup>4</sup> [Innovation in digital and clean-energy technologies boosts demand for patents in Europe in 2023 | epo.org](#)

<sup>5</sup>[ARTIFICIAL INTELLIGENCE AND ECONOMIC AND FINANCIAL POLICY MAKING A High-Level Panel of Experts' Report to the G7](#), pp. 52 ff.