Klaas Knot: Presentation of the 2024 annual report

Introductory remarks by Mr Klaas Knot, President of De Nederlandsche Bank, at the presentation of the 2024 annual report, Amsterdam, 20 March 2025.

* * *

Good morning and welcome to our fully renovated headquarters building.

Here you see the result of five years of hard work. I am very happy that the building turned out so well and that the renovation project stayed within budget and was completed on schedule. And all that despite the pandemic. King Willem-Alexander will conduct the official opening next week, and visitors are already finding their way to *De Nieuwe Schatkamer*. Everyone is welcome to come visit us.

This is the fourteenth time I have had the honour of presenting the DNB annual report. And this is also my last time. For on 1 July, my second term as President will come to an end, and with a heavy heart I will say goodbye.

As this is my last annual report, my introductory chapter also looks back over the past 14 years, including at the monetary policy we have conducted. A lot has happened in those 14 years, with one constant: events outside the Netherlands have always had a huge impact on the Netherlands itself.

Today this is perhaps more true than ever. A war has been raging in Europe for several years, and it is unclear whether it can be brought to a lasting and just end. At the same time, the post-war Atlantic security situation seems to have been thrown out of balance due to tensions between the United States and Europe, leading to a need in Europe to invest heavily in defence to ensure our security.

Against this geopolitical backdrop, far-reaching trade conflicts between the major economic trading blocs are looming. And we are also faced with various long-standing vulnerabilities relating to domestic economic tightness, inflation and sluggish European growth. These vulnerabilities are being exposed and exacerbated by the situation in the world today.

Following the pandemic and the energy crisis, we are now witnessing the world being turned upside down for the third time. So much so, that, to quote Pope Francis, this no longer feels like an era of change, but a change of era.

So there are big challenges ahead. Perhaps the two most urgent are the looming trade tariffs and the ambition to rapidly ramp up our defence spending. Trade tariffs disrupt global trade flows and the production chains built up over decades, hitting an open economy like the Netherlands extra hard.

In addition, it seems inevitable that Europe will be compelled to redouble its efforts in the area of defence. This will be a challenge for the still somewhat overheated Dutch economy, but certainly also for some European countries with high public debt.

How should we deal with these two challenges?

To begin with, through European strength and European unity. In today's uncertain world, the best thing we can do is to seek more cooperation within Europe – without isolating ourselves from the rest of the world.

It is essential for Europe to cooperate on defence, which is a public good of singular significance: if it is there, it is there for everyone. By working together in Europe, we can coordinate procurement, rather than each Member State buying arms and equipment separately. Fortunately, Europe seems to be accepting this challenge with great vigour.

The plans do come with a hefty price tag. In view of this, there is a strong case for giving countries a *temporary* exemption from the budget rules for additional defence spending. These expenditures need to be done quickly and, until recently, were unforeseen. This exemption should, however, be temporary and limited because increased spending is largely structural and public debt in the EU is still too high. A temporary relaxation of the rules will allow countries to integrate additional defence spending into their budgets in the longer term. Because sustainable public finances may not be compromised.

A stronger Europe is important not only for defence, but also more generally for an open economy like the Netherlands. The European Union has a population of around 450 million. Seventy percent of Dutch exports remain within Europe, meaning we have a vested interest in making Europe stronger.

European economic strength is also essential for dealing with tensions on the international trade front. Unfortunately, there are still barriers to working, doing business and investing across borders in the EU. This is why we need to strengthen the European single market. In particular, it is crucial to integrate European capital markets so that start-ups, scale-ups and European technology firms can raise capital more easily and cheaply and thus compete with US and Chinese firms.

The much-discussed Draghi and Letta reports and the European Commission's Competitiveness Compass make important proposals to improve the single market and European competitiveness.

What exactly does the geopolitical situation mean for policy in the Netherlands? We in the Netherlands have little influence on many of the developments currently taking place in the world. But we can do one thing. And that is to work to mitigate the economic consequences and perhaps seize new opportunities. Hence the theme of our annual report: 'Robust policies in an uncertain world'.

What do we mean by 'robust policies'?

- Policies that strengthen Europe.
- Policies that anticipate future challenges.
- Policies that better enable us to absorb shocks.

What does this mean in concrete terms?

Let me start with ourselves. The best contribution central banks and supervisory authorities can make in uncertain times is to do what they were put on earth to do:

ensure financial and price stability. We are working hard to make sure the financial sector, payment systems and the economy as a whole remain resilient to shocks.

Robust policies, moreover, are not only European policies, but also future-proof policies. For the Netherlands, this means addressing our scarcity problem. We are facing shortages of housing, human resources, physical space and so on. This puts limits on our growth, both now and in the future.

Robust policies also mean: ensuring buffers to absorb unexpected shocks. This is especially vital in unstable times, for both the government and the financial sector.

Public finances may be in good shape now, but in the medium term, healthcare spending, interest costs and now defence spending are set to rise sharply. It is essential that the government can continue to absorb shocks going forward, without financial markets becoming unsettled by mounting debt.

Sensible fiscal policy must also be pursued because of inflation, which has been too high in the Netherlands for too long. This can be particularly difficult for people who do not have much money to spend. Because Dutch inflation is higher than the euro area average, we cannot look to Frankfurt. Getting Dutch inflation under control is a joint responsibility both for the social partners and the government. In this case, robust policies mean that the government continues to pursue a trend-based budget policy, does not throw more fuel on the inflationary fire and thus anticipates long-term developments in the Dutch economy.

In view of all the challenges ahead, the Dutch economy is in a good starting position. Maintaining our prosperity requires robust policies. Policies that strengthen Europe, anticipate the future and create shockproof buffers. The latter, of course, is also vital for the financial sector. I would now like to give the floor to Steven.

Steven Maijoor

In uncertain times, financial and economic stability are very important, as Klaas said. A healthy financial sector with sufficient buffers to absorb shocks is a key component of this stability.

Fortunately, we have seen that the financial sector has held up well during the shocks of recent years. Stronger regulations and the tightening of supervision after the financial crisis have clearly paid off. Banks are now in a much stronger position and are decidedly more robust.

However, we do see that the strengthening of regulations in recent years has created a confusing jungle of rules in a number of areas.

It would therefore be wise to simplify regulations and enhance harmonisation in Europe where possible. This might involve streamlining the vast quantities of technical standards and guidelines from European supervisory authorities.

And when it comes to minimising differences in the Banking Union and the Capital Markets Union, we favour regulations over directives.

Simplification should not be confused with deregulation, or the relaxation of rules, for example the Basel III capital requirements. We should not go down that path. Simplifying the rules does not mean lowering the bar. Especially in this uncertain world, it is important to stick to robust policies. For banks, this mainly means implementing the agreements made in Basel III.

Gita Salden

In uncertain times, it is important that financial institutions are not only financially sound, but also ethically sound. A number of banks in recent years have faced enforcement action from us, or from the public prosecution service, for failing to combat money laundering adequately. On a positive note, we see clear improvement in AML efforts across the board.

But unintended side effects may also crop up. For example, if banks do not differentiate sufficiently between high-risk and low-risk files, which can result in an undue burden on law-abiding citizens and entrepreneurs. They may find it difficult or impossible to open a bank account, they may be required to answer intrusive questions, or they may be offboarded without clear cause. There are also customers who experience discrimination.

Countering financial crime can be done more efficiently and effectively through a more risk-based approach, smarter use of data-driven technological innovations and more focused cooperation throughout the chain.

Naturally I must also address the pension transition. DNB fully supports the new Pensions Act and the transition to the new system. Our task is clear: implement the law and ensure a diligent and balanced transition.

And that is exactly what we are doing: the transition is in full swing. The first four funds have received a positive decision on their conversion notification. Also, some 40 partial assessments have already been completed, and at least 40 funds are intending to convert within a year. Together, we are drawing important lessons from the initial experiences, enabling us to refine our assessment process and make it more predictable. This will help us achieve our mutual objective: a pension system that is ready for the future.

Cindy van Oorschot

As global uncertainty increases, so does the frequency of cyberthreats. This is a matter of utmost urgency for everyone, but even more so for the financial sector. A quarter of all cyberattacks worldwide affect the financial sector. Traditionally, the sector has been an attractive target for cybercriminals with financial motives. But we now also face state-sponsored cyberattacks.

As a supervisory authority, the introduction of DORA gives us a powerful tool to boost the resilience of the financial sector and strengthen the robustness of the entire chain of ICT service providers.

This includes the mandatory advanced resilience tests for large financial institutions. In the Netherlands, we have been carrying out such tests on a voluntary basis for more than eight years - under the name TIBER - with good results. In addition, we have now developed a more flexible version, called ART, which can also be used in other vital sectors.

We also put our own organisation through such tests, because we too are an attractive target for hackers.

Geopolitical uncertainties, including cyberthreats, affect all our tasks. In response, we have launched an overarching project focusing on geopolitical fragmentation to link existing activities in both the central bank and supervision domains to ensure that we are ready to act across the full breadth of our responsibilities.

Olaf Sleijpen

Geopolitical uncertainty is also high on the agenda in the field of the payment system, which is often the target of the cyberattacks that Cindy just mentioned.

Another concern is that the infrastructure behind our digital payments at the checkout is largely non-European. Although the providers of this infrastructure are regulated under EU rules, the policies of foreign governments can still result in control over how and to whom we make payments. This is undesirable.

For this reason, we support European initiatives such as Wero, which provides a European digital payment solution. And DNB is actively contributing to the development of the digital euro. The business case for the digital euro is sometimes questioned for the Netherlands, which has an effective and efficient payment system. In view of global developments, we advocate the introduction of the digital euro. Specifically, the digital euro will provide us with a means of payment that is independent of non-European parties and that will also form a reliable backup in crisis situations. This will be an important addition to our payment infrastructure.

The last point I would like to mention is that we will also factor global tensions into our own investment policy.

Our mission is to contribute to sustainable prosperity in the Netherlands. For this reason, we are committed to integrating sustainability into our own-account investments. However, sustainable prosperity will benefit not only from an orderly energy transition, but also from a society that is resilient, secure and stable.

That is why this year we are exploring how our own – robust – investments can also contribute to a resilient society. In doing so, we are of course mindful of our role as a long-term investor, balancing different investment themes and asset classes.

In conclusion: Robust policies and European cooperation are the remedies we need in this uncertain world. There now seems to be momentum for both. This is positive and it should give us a glimmer of hope in these bleak times.