Denis Beau: How to make European financial integration a strategic strength in which European citizens play a key role

Keynote speech by Mr Denis Beau, First Deputy Governor of the Bank of France, at the 36th International Master Thesis Competition in Economics and Finance (CIMEF) Prize Ceremony, Paris, 7 May 2025.

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Ladies and gentlemen,

It is a pleasure to welcome you to the Banque de France for this award ceremony for the 36th international economics and finance dissertation competition. Before going on to highlight the best dissertations and the most original work selected by the jury this year, I would like to specifically address all the students.

As you start or prepare to start your professional life, I want to share with you a perspective and two certainties, which I hope could help you in the early years of your career and, maybe, beyond. (I) The perspective is that of a threshold between two eras. This eventually represents an opportunity and a responsibility. To make the most of the situation, I am convinced we need to change our mindset (II), first, to finally make financial integration a strategic strength for Europe, and second (III), to make Europeans masters of their own destiny rather than passive bystanders to a technocratic project.

I. Standing at the threshold of a new era: taking the challenges seriously and seizing the opportunities

I shall start with the analysis. It has become something of a cliché – but that does not make it any less true: we are on the verge of a new era.

Over the past 15 years, since the outbreak of the Great Financial Crisis, we have rediscovered the vital importance – as well as the fragility – of our financial systems, our economies, our democracies, of peace in Europe, of the climate and our ecosystems- the list goes on.

In a world that is changing before our very eyes, one thing is clear: Europe risks being left behind. Our economy is lagging in terms of growth, productivity and innovation. Between 1999 and 2024, GDP per capita grew by a cumulative 46% in the United States, compared with 30% in the euro area. As a share of GDP, European firms invest half as much in research and development (R&D) as their US counterparts.

Reversing this loss of speed and returning to growth, innovation and productivity is the first of three interdependent challenges we need to meet in the very near term. We also finally need to build our European sovereignty and strategic autonomy, and move forward on the climate, environmental, digital and demographic transitions – which we must anticipate and support if we are to avoid merely suffering the consequences.

The amount of investment needed to face up to the challenges is massive: if we add "ReArm Europe" to Draghi's famous figures, the EU will have to invest an additional EUR 900 billion per year up to 2030. That's over 5% of our GDP.

II. Changing our European mindset: placing the ends rather than the means at the heart of the European financial integration agenda

Meeting these challenges calls for huge efforts from each of us. From my perspective as a central banker, let me focus on the special role finance has to play in Europe's response: for the past 50 years, we have worked steadily to build a European single market, notably for financial services, helped by powerful catalysts such as the creation of the single currency and ESAs, the establishment of the Banking Union and the SSM, and the current Capital Markets Union project.

Each of these initiatives represents real progress. However, throughout these years, our mindset has remained primarily institutional, and basically bureaucratic.

For Europe to achieve full financial integration and reap all of its rewards – especially at a time the risk of a profound fracturing of the financial landscape has never been greater with the potential reconfiguration unleashed by the new US administration's policy change – it seems appropriate to adopt a more "substantial" approach, to make the European financial system not just something that needs to be regulated, but rather an asset for the European economy.

To achieve this, in his recent Letter to the *President of the French Republic*, the Governor of the Banque de France firmly underlined the need to take concrete steps, backed by sufficient EU consensus, in three main areas: reducing market fragmentation, investing better and innovating faster.

At the heart of these three priorities is the Savings and Investments Union: its aim is to create a single market for financing that will improve the allocation of savings by exploiting the complementarity between the Banking Union and Capital Markets Union – because it's clear that bank and market financing remain overly fragmented by national borders.

We also, I think, need to shift from an obligation of means to an obligation of results. The projects we need to carry out are nothing new, but the approach is very different. Up to now, the European agenda has primarily been conceived as a regulatory one, on the basis that this is sufficient to achieve a final result for which we are not accountable. But public action is more than simply drafting legislation. It must be based on a clearly stated intent, have an explicit ambition, and achieve concrete results for which it remains fully accountable.

Let me illustrate this with three examples:

The first concerns the regulatory framework for the financial system. It is vital that it be simplified. Over time, our institutional approach and the primacy given to regulation have led to an excess of red tape and inconsistencies. It is possible to revisit this regulatory framework to make it more efficient and agile, without undermining the objectives pursued, which, on the whole, have been met – and so without being dragged into a regulatory race to the bottom by the new US administration.

A prime example of this is the proposed ESG regulations recently submitted by the Commission with the Omnibus Directive project, and which the Banque de France largely supports.

Another obvious candidate for simplification is the entire bank prudential framework – its microprudential, macroprudential and resolution rules – where examples of overcomplexity, redundancy and overlapping international standards abound. The framework has become labyrinthine, and even the specialists get lost – to say nothing of the institutional challenges that make it impossible to take a holistic view of bank capital requirements and their appropriate level.

A second example is the equity financing of the European economy. We have all the instruments we need – from venture capital to equity markets – but none of them are on a sufficient scale. We particularly need to make better use of European long-term investors, who together are regarded as leading players in global financial markets, but struggle to make up sufficient mass. This can be achieved through the revision of the Solvency II Directive, and by using national and European public financial institutions more effectively to develop public-private partnerships.

My last example relates to market infrastructures. We need to adapt our European infrastructures to the wave of technological innovations currently being deployed, based on distributed ledger technology and asset tokenisation. Our first objective is to develop a wholesale central bank digital currency (wCBDC) for use by market participants, followed by a CBDC for everyday retail payments (digital euro). Then, in the medium term, we need to develop a European unified ledger to modernise securities transactions. The US authorities' recent announcements in support of crypto-assets and stablecoins make it even more vital we complete this project, to maintain our monetary and financial sovereignty in the new world we are entering. The goal now is to move as quickly as possible from experimentation to operationalisation. Rest assured that the Banque de France and other Eurosystem central banks are working very actively and resolutely to complete this project.

III. We should not neglect the human side: savers and financiers as stakeholders

One of the keys to deepening our European financial integration is to make things simpler and more strategic – scaling down to half a dozen objectives with clear purposes and impacts rather than having an action plan with 36 highly technocratic projects.

But there is another challenge that is often overlooked: the human aspect of the project, since nothing can be achieved without mobilising our fellow citizens. In this case, it means mobilising savers and financial professionals.

In France, and probably other European jurisdictions, things in this area are far from optimal. The regulations are well-meaning, but at the very least overly complex, and in some respects treat savers like children, while also encouraging intermediaries to take a by-the-book approach to customer interests rather than genuinely seeking to do what's best for them. More generally, they tend to treat the symptoms rather than looking for actual causes – one of the main ones being financial illiteracy, a phenomenon that has been well-documented and leads to sub-optimal outcomes in terms of household wealth management (reduced returns) and for the financing of the economy (a relatively risk-averse supply of financing).

To help resolve this situation, the Banque de France intends to fully play its role as the national steering body for financial education – a task entrusted to it by public authorities – and provide explanations, training and guidance. I would like to commend EDUCFI for its work providing accessible educational content for all audiences, to help them better understand money, savings, loans and the risk of scams. I encourage you to tell people about these resources and to use them as much as possible: they are an important lever for spreading economic knowledge.

But we must go further. Improving financial education means giving everyone the means to understand their choices, protect their savings and make a bigger contribution – indirectly but effectively – to the financing of the economy. This is a prerequisite for social justice, economic efficiency and citizenship.

To conclude, I would like to make a wish for you, as students about to embark on your careers. You will be the ones making tomorrow's European financial sector a vibrant and effective financial system. May you always remain committed to the interests of your clients and have a broad understanding of the challenges we collectively face. Behind your profession lies a mission that is essential to our society. The quality of your work will also make a difference to the future of Europe and Europeans.