Christine Lagarde: This time is never different - the importance of safeguarding financial stability

Welcome address by Ms Christine Lagarde, President of the European Central Bank, at the 10th European Central Bank Annual Research Conference "The next financial crisis?", jointly organised with Stanford's Hoover Institution, Frankfurt am Main, 17 September 2025.

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It is my pleasure to welcome you all to the ECB Annual Research Conference, a flagship event that brings together researchers from academia and central banks with policymakers.

This year's conference, organised jointly with the Hoover Institution, bears a provocative title, "The Next Financial Crisis?". The question mark, of course, is deliberate. It signals inquiry rather than prediction, and it frames our goal for the next two days, which is to examine how we can safeguard financial stability in an era of rapid transformation.

We must keep two points in mind when thinking about this topic. First, throughout the post-war era, the global financial system has been in constant transformation – and the pace has only accelerated with advances in technology. And second, what appears new often reflects old risks in a different form.

Here I am reminded of Carmen Reinhart and Kenneth Rogoff's history of financial crises, "This Time Is Different". The book's subtitle, tellingly, is "Eight Centuries of Financial Folly".[1] After eight centuries of experience, I think it is fair to say that this time is never different.

And that is why research plays such an important role in helping to safeguard financial stability. Through rigorous analysis and a solid understanding of the past, research helps us see how innovation advances and reshapes the economy, while also bringing potential risks into sharper focus so that policymakers can address them proactively.

Research is particularly vital in helping us to understand the implications of the profound transformations that have reshaped the financial system since the global financial crisis.

One of the major structural shifts in the financial system over the past two decades has been the growing footprint of non-bank financial institutions – the focus of today's first session.

In the euro area, non-banks – ranging from investment funds and insurance corporations to money market funds and securitisation vehicles – have expanded from about 140% of GDP in 1999 to close to 400% today.[2]

Accordingly, they play an increasingly important role in financing the real economy and in managing the savings of households and firms. Non-banks now account for over 60% of the euro area financial sector.[3]

The banking sector – the focus of today's second session – is also operating in a fast-changing landscape driven both by technological innovation and by the emergence of non-banks.

For starters, technology challenges banks' business models through the rise of fintechs[4] as well as new innovations like stablecoins if they gain substantial traction.[5]

On top of this, technology also amplifies both the speed and scale at which these risks can materialise.

The events of March 2023, when three US banks collapsed in five days, highlighted how social media can act as a powerful conduit for panic and contagion[6] – all the more so now that banking services are available on smartphones.[7]

The bank and non-bank sectors are not just changing rapidly, they are also highly interconnected. In the euro area, for example, banks' asset exposures to non-banks are considerable and, on average, account for around 10% of significant institutions' total assets.[8]

Given these transformations in the financial system, astute supervision and regulation – the focus of the third session, taking place tomorrow at the conference – remains critical.

Guided by the insights of cutting-edge research, it is incumbent on policymakers to remain alert to financial stability risks as and when they emerge. These risks may present themselves in new guises, arise in industries well versed in obscure terminology, and be cloaked in the language of innovation.

But in substance, the underlying types of risk are often the usual suspects. Non-banks face liquidity and leverage risks, banks face maturity transformation and run risk, and stablecoin issuers face redemption and reserve risks.

Europe is sometimes accused of overregulating. But the role of supervision and regulation is not to hold back innovation or structural transformation. On the contrary, it is to contain the risks that may accompany these changes. This helps to ensure that innovation can take root and thrive.

With this in mind, Europe is now implementing an ambitious simplification agenda under the direction of the European Commission.

Simplification does not necessarily mean deregulation. It means maintaining resilience with a more effective and efficient supervisory and regulatory framework.[9] And the discussions over the next two days will add insights to the debate on the efficient design of supervision.

But before our sessions begin, the conference opens with a much-anticipated keynote by Raghuram Rajan. Raghu's experience combines a distinguished academic career with public service as Chief Economist of the International Monetary Fund and as the 23rd Governor of the Reserve Bank of India. His keynote will reflect on the relationship between monetary policy and financial stability.

We will not have all the answers on ensuring financial stability at the close of this conference. But by testing ideas, comparing evidence and engaging in rigorous debate, we can make policy more robust in the face of an uncertain future.

At a time of rapid transformation in the financial system, some may think the old risks no longer apply. But research and experience demonstrate otherwise. As the French critic Jean-Baptiste Alphonse Karr observed, "*Plus ça change, plus c'est la même chose* " – the more things change, the more they stay the same.

In other words, this time is never different. I wish you an engaging and productive conference.

Thank you.

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[1] Reinhart, C.M. and Rogoff, K.S. (2009), *This Time Is Different: Eight Centuries of Financial Folly*, Princeton University Press.

[2] In terms of assets. See Pelizzon, L. et al. (2025), "Growth of non-bank financial intermediaries, monetary policy, and financial stability", ECB Forum on Central Banking, 30 June – 2 July.

[3] Pelizzon, L. et al. (2025), op. cit.

[4] Garcia, T. et al. (2025), "Digital banking: how new bank business models are disrupting traditional banks", *Financial Stability Review*, ECB, May.

[5] Flannery, M.J. (2023), "How the Rise of Stablecoins Could Threaten Traditional Banks' Lending Capacity", 10 January; see also Lannquist, A. (2025), "Stablecoins are trending, but what frictions and risks are getting overlooked?", Atlantic Council, 8 July.

[6] Board of Governors of the Federal Reserve System (2023), "Review of the Federal Reserve's Supervision and Regulation of Silicon Valley Bank", 28 April; see also Dosumu, O.E. et al. (2023), "Panic bank runs, global market contagion and the financial consequences of social media", *Economics Letters*, Vol. 228, July.

[7] Garcia, T. et al. (2025), "Digital banking: how new bank business models are disrupting traditional banks", *Financial Stability Review*, ECB, May.

[8] Franceschi, E. et al. (2023), "Key linkages between banks and the non-bank financial sector", *Financial Stability Review*, ECB, May.

[9] Buch, C. (2025), "Simplification without deregulation: European supervision, regulation and reporting in a changing environment", speech at the Goldman Sachs European Financials Conference 2025, 11 June.