

Steven Maijor: Unlocking Europe's financial potential - innovation, regulation, and trust

Speech by Mr Steven Maijor, Executive Board Member and Chair of Supervision of De Nederlandsche Bank, at the OPTIC event of the Association for Financial Markets in Europe (AFME), Amsterdam, 7 October 2025.

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Thank you. Recently, we hosted Paul Krugman at the Dutch central bank for a discussion on the US, Europe, and financial markets. He was fairly upbeat about the outlook for Europe, especially as compared to what's happening on his side of the Atlantic. But he was pretty clear about one thing in particular: Europe is lagging behind when it comes to the level of depth and integration of its financial markets. Europe's financial markets are fragmented, in all kinds of ways. And because of that, we are missing out on generating venture capital, we are missing out on financing solutions for businesses, we are missing out on innovation. And because of that, economic growth in Europe is lower than it could be. It's all in the Draghi report. But of course this is nothing new. We have known it for years.

Removing barriers to the integration of our financial markets is top of mind for European policymakers, central banks, and supervisors. And I think the initiatives by the European Commission to promote a Savings and Investment Union are a great help. The economics are simple. But as you know, the political process is complicated and takes time. National habits, national traditions, vested interests, you name it.

So it is worthwhile to look at other ways to make European markets more efficient. New technologies offer a lot of potential here. Technological advancement is a key driver in financial markets. We see this, for example, in the efforts to shorten the settlement cycle to T+1, planned for October 2027. At DNB we support this joint effort by all entities in the settlement chain. And we hope it will be a trigger to further streamline inefficiencies in the settlement cycle.

This is only one example where we can make progress. More generally, we as central banks and supervisors support the use of new technologies to make markets more efficient. We do so in two ways: by providing the necessary infrastructure, and by conducting supervision so that users can be assured that the new technology is safe.

Let me first say something about infrastructure. DLT is of course the buzzword here. And the times when regulators thought this was some new kind of sandwich are long gone. Distributed-ledger technology can play an important role in harmonising European market infrastructures. As it matures, DLT could provide a way to overcome persisting inefficiencies in the post-trade market. We recognise that. We fully support it.

However, this comes with a little disclaimer. By inviting a regulator to give the opening keynote, I'm sure you knew what you were in for. DLT would mean a radical shift in record-keeping in finance. It cannot be introduced overnight. Important questions still need to be answered on how to safely adapt policy and regulation to support it. Also, existing systems would have to be updated, while the change agendas are full of other

priorities, such as ISO20022 migration. Most importantly, it is vital for public and private parties to work together to create a manageable path forward.

Last year, DNB and five Dutch market parties participated in the ECB Trials in DLT-based securities settlement in central bank money. This year, the Eurosystem is keeping up the momentum by launching two projects, Pontes and Appia. With Pontes, the ECB has committed to providing a link between eligible DLT-based platforms and TARGET Services in the short term. This would mean that as soon as Q4 of next year, DLT-based settlement of digital assets will be possible in the Pontes project. And a couple of years later, it will become part of TARGET Services. With Appia, the Eurosystem, in cooperation with market stakeholders, will deliver a blueprint for a future-proof financial infrastructure, where central bank money continues to serve a key role as a settlement asset.

DNB continues to fully support these projects, with the aim of extracting maximum benefit from public-private collaboration. We are also looking at whether and how to adjust the collateral management frameworks for Eurosystem credit operations. This includes investigating the potential for mobilising collateral in DLT arrangements for this purpose.

With these efforts, we are doing what we can as central banks to facilitate adoption of new technology. It is up to you in the private sector to demonstrate where it will be used. In financial infrastructure, successful adoption depends on network effects. If we all pull the cart in different directions, it won't move. So today I would also like to encourage you to think about the use cases together. Industry organisations like AFME may be able to provide help to get different institutions aligned. And if you have any doubts or questions about the regulatory fit of use cases, we are here to discuss them with you in our Innovation Hub.

Next to supporting the infrastructure, using innovation for the common financial good requires something else from central banks and regulators.

To illustrate, let's go back to 17th century Amsterdam, which became a staging ground for financial innovation. One of the developments that proved instrumental to the Dutch economic and financial success of that period was the emergence of a stablecoin *avant la lettre*. My colleagues from the Bank for International Settlements and the Dutch Central Bank have written a very thoughtful piece on the Bank of Amsterdam and its proto-stablecoin, the Guilder. Allow me to quickly summarise.

Four centuries ago, many different metal coins circulated in the Netherlands. Exchanging one coin for another happened in the streets. You can imagine how cumbersome trading was.

But then, in 1609, the Bank of Amsterdam was founded. Its services were simple. The Bank of Amsterdam allowed merchants to deposit their metal coins – any coins that were in circulation – into a deposit account. It would then value these coins against each other and credit merchants with Bank Guilders. And this would allow for easy transactions between deposit accounts.

This is a great example of innovation. Just as the entire financial system is indeed proof of our immense human creativity.

The reason that we still have a well-functioning financial system today, after so many centuries, is because, sooner or later, the litmus test for any financial innovation is the public's trust. That trust is the true bedrock of our financial system. That trust allows for innovations to be incorporated into the financial system and further advanced. Or it allows innovations to be identified as flawed and cast aside. And in order to build that trust and to make sure that financial markets function well, we long ago found out that we need public regulation and supervision.

And it is to a lack of trust that the Bank of Amsterdam ultimately fell victim. That happened once the bank started doing more than its charter allowed. Under political pressure, it moved away from full reserve banking to issuing loans.

Eventually, it was the combination of flawed governance and a lack of transparency that led to the downfall of the Bank of Amsterdam. These factors allowed the bank's management to operate in violation of its founding principles. Despite this opacity, it did not take the general public long to figure out the bank's vaults were emptying out rapidly. A revelation that led to several severe runs on the bank. The institution never really recovered from this breakdown of public trust and it was ultimately dismantled in 1820.

Since then, the public's trust in the financial system has been reinforced by rules and regulations – and, of course, the supervision and enforcement of those rules and regulations. Whether they deal with governance, transparency or other aspects of trustworthiness. Today we know that good regulation is the backbone of trust in the financial system.

Let me take the example of stablecoins. Despite their name, these assets are not always stable and pose additional risks to the core of the financial system due to the way their reserves are managed. A report by Moody's suggest that the largest 25 fiat-backed stablecoins de-pegged more than 600 times in 2023. Moreover, as many stablecoins have strong links with the crypto-sector, stablecoins could become a key channel through which risks spill over from the crypto-sector.

In order for the market to be able to grow sustainably, we need to have proper rules, regulation and supervision. The Financial Stability Board has set guidelines for the contours of these rules. In the EU we have now fully implemented the FSB's guidelines in MiCAR. It is concerning that so many other jurisdictions have not yet done so. Especially given the inherently cross-border nature of stablecoins and the fact that they continue to rise sharply – especially USD-dollar-denominated stablecoins.

If we do not have proper legislation and supervision, future scandals will happen. With every scandal, trust in the system will be eroded. This may mean, for example, that people active in trading in particular will not reap the benefits of DLT in the near future.

I am thinking back to the discussion we had with Professor Krugman. It made me realise that sometimes we Europeans are too pessimistic about our future. We have

tremendous potential. We are the world's third largest economy. In a world where everything seems uncertain and money seems to be able to buy anything, we have strong institutions governed by the rule of law. This is a force not to be underestimated. Because strong institutions and regulations ensure that new techniques and products are not a highway to the next crisis, but pass the test of time. These are strengths we can build on as Europeans.

But we can do better than we are doing now. And now is the time to tap into that unfulfilled potential. By making our financial markets more efficient. Lawmakers, central banks, supervisors and market participants must all contribute, all in their respective roles. In the SIU. By building a solid infrastructure. By developing use cases. And by designing and enforcing regulation that fosters stability and trust.

I trust you are with me on this.