



EUROPEAN CENTRAL BANK

EUROSYSTEM

# Resisting deregulation: safeguarding bank resilience in an evolving financial landscape

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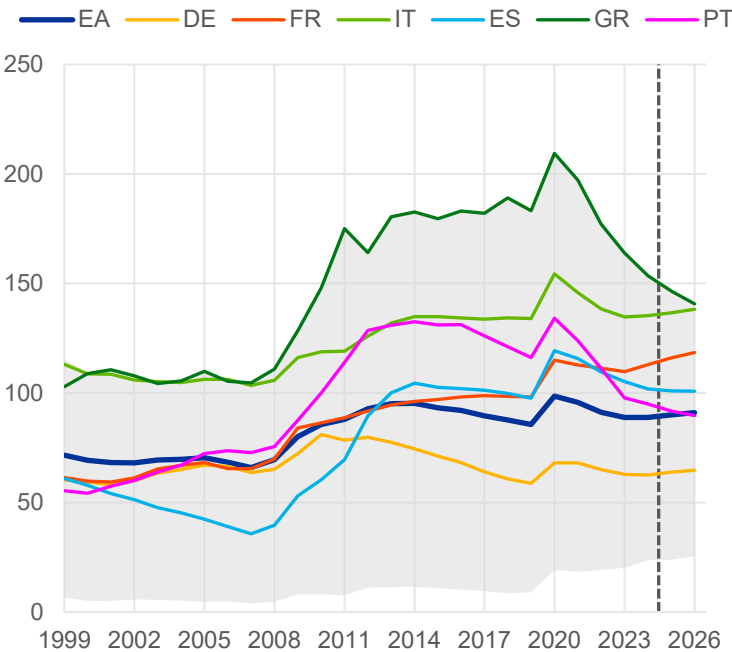


Farewell symposium in honour of Klaas Knot  
De Nederlandsche Bank, Amsterdam, 3 October 2025

# Global financial crisis led to a surge in public debt and lowered potential growth

## Government debt in the euro area

(percent of GDP)



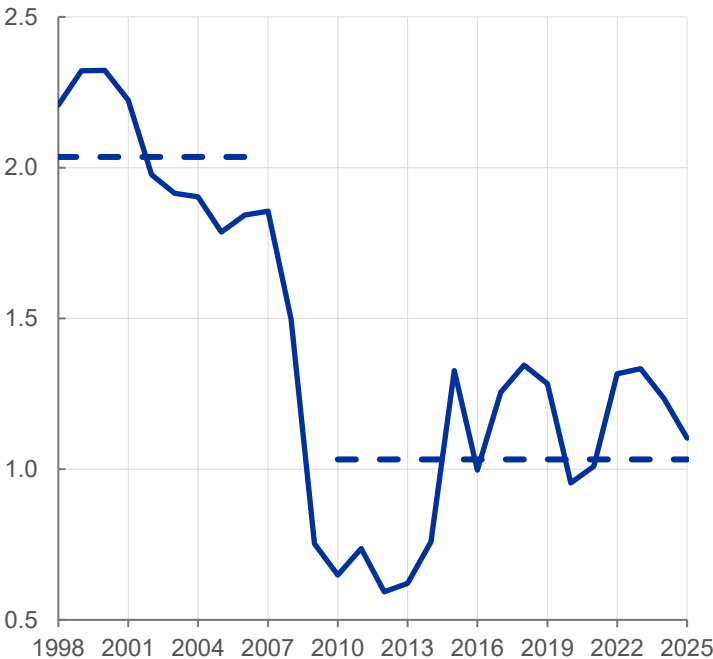
Source: European Commission.

Notes: The range shows the minimum and maximum of all euro area countries. The dashed line indicates the beginning of the projection horizon, projections are based on the European Commission 2025 Spring forecast. Government debt is defined as in ESA 2010. The borrowing on the markets to finance the RRF grants and loans is considered as debt of the EU. The RRF loans to Member States are recorded as Member States' debt towards the EU.

Latest observation: 2026 (projection).

## Potential GDP growth in the euro area

(annual percentage change)



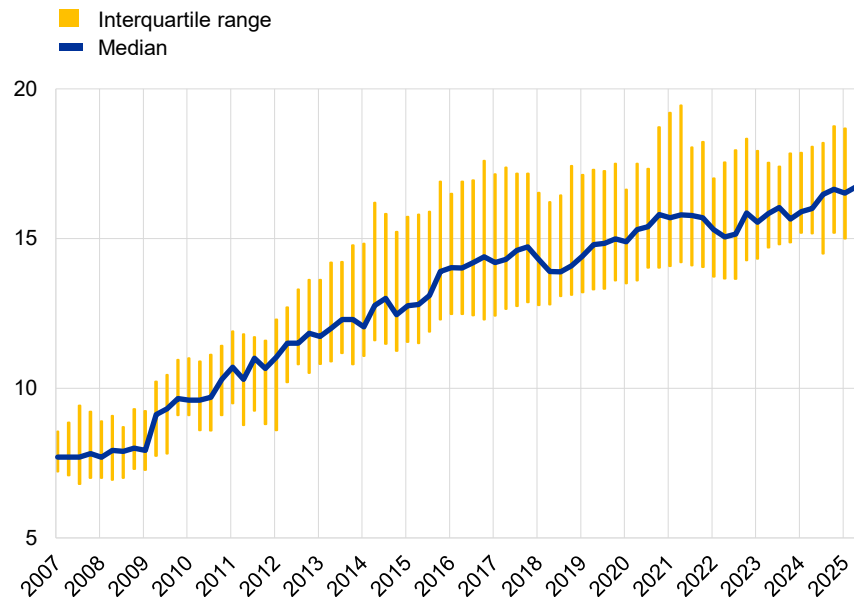
Source: European Commission's Spring Forecast (May 2025).

Notes: This euro area series excludes Croatia. The solid line represents the annual percentage change, the first dashed line represents the average annual growth from 1998 to 2007, and the second dashed line represents the average annual growth from 2010 to 2025. Latest observation: 2025.

# Capital and liquidity ratios of euro area banks were boosted by Basel reforms

## Capital ratios of banks

(percent)



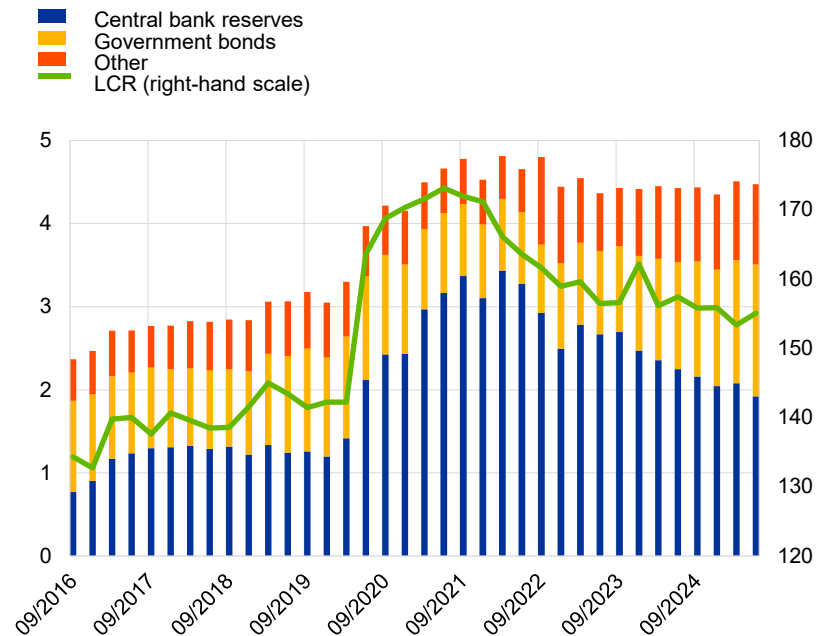
Source: Bloomberg L.P. and ECB calculations.

Notes: Tier 1 capital ratio as a percentage of risk-weighted assets, based on an unbalanced sample of up to 76 euro area banks.

Latest observation: Q2 2025.

## Liquidity of banks

(lhs: EUR trillions, rhs: percent)



Source: ECB Supervisory Banking Statistics.

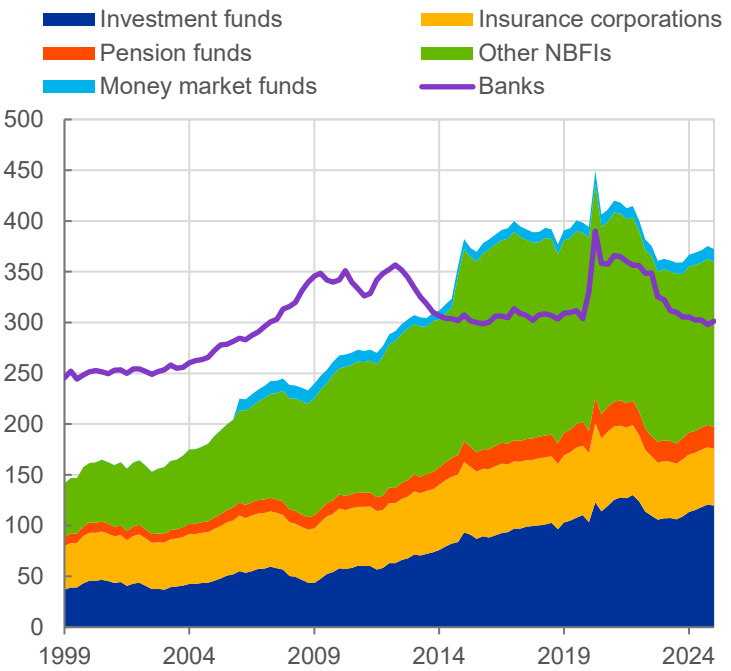
Notes: Based on a sample of 84 significant institutions.

Latest observation: Q2 2025.

# Financial system has shifted from banks to NBFIs with rising share of non-bank credit

## Total financial assets of euro area banks and non-banks

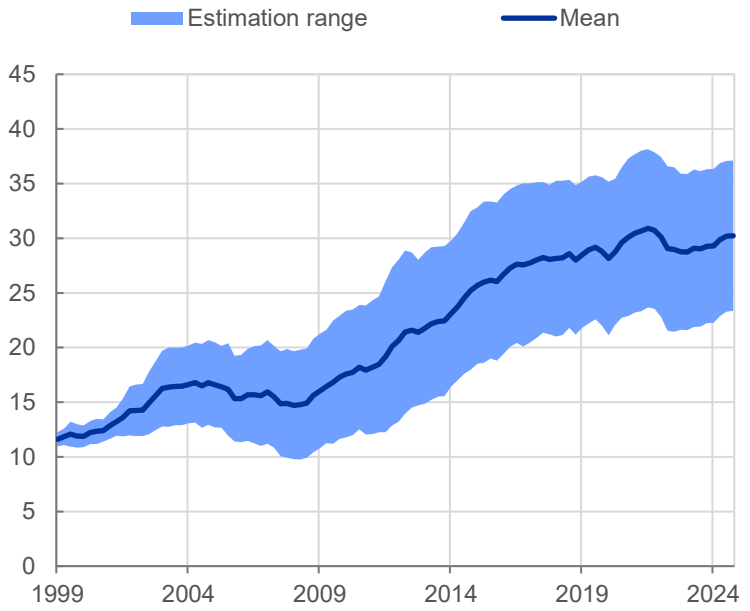
(percent of euro area GDP)



Sources: ECB (BSI, QSA), Eurostat and ECB calculations.  
Notes: Euro area other non-bank financial institutions are derived residually by subtracting the assets of banks and the identified non-bank sectors shown in the chart from the total assets of all financial institutions. This category comprises, among others, sectors such as financial vehicle corporations, central clearing counterparties, financial auxiliaries, captive financial institutions and money lenders. Euro area aggregates are based on the current euro area country composition due to data availability over the entire sample period. Euro area GDP annualised from seasonally adjusted quarterly data. Latest observation: Q1 2025.

## Share of non-banks' credit to non-financial corporations

(in percent of total credit granted by financial institutions)

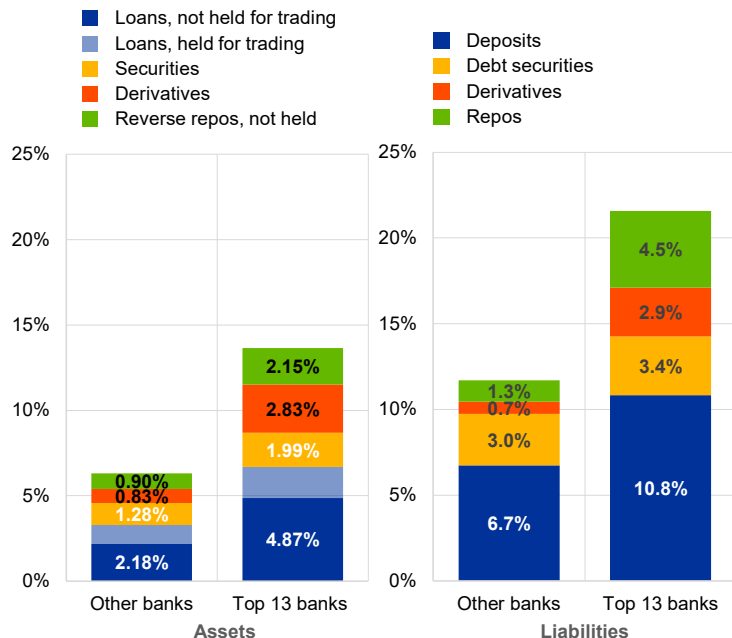


Sources: ECB (BSI, FVC, QSA) and ECB calculations.  
Notes: The measure captures NBF credit, which is the share of credit provided by the NBF sector to euro area NFCs relative to bank and NBF credit, irrespective of whether that financing is provided through loans or purchases of debt securities. Upper bound estimates include a residual of OFIs, while lower bound estimates exclude this. For more details, see Box 2, Financial Integration and Structure in the Euro Area, ECB, 2022. Latest observation: Q1 2025.

# Close interlinkages between non-banks and banks, especially systemic ones

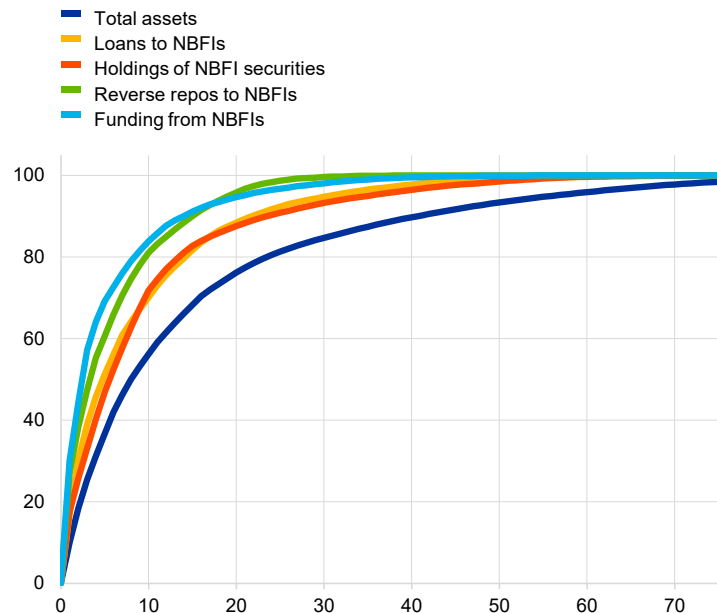
## Euro area banks' asset and liability exposures to NBFIs

(percentage of total assets; percentage of total liabilities)



## Concentration of exposures of euro area banks to NBFIs

(x-axis: number of banks, y-axis: cumulative share of exposure, percentages)



Sources: ECB and ECB calculations.

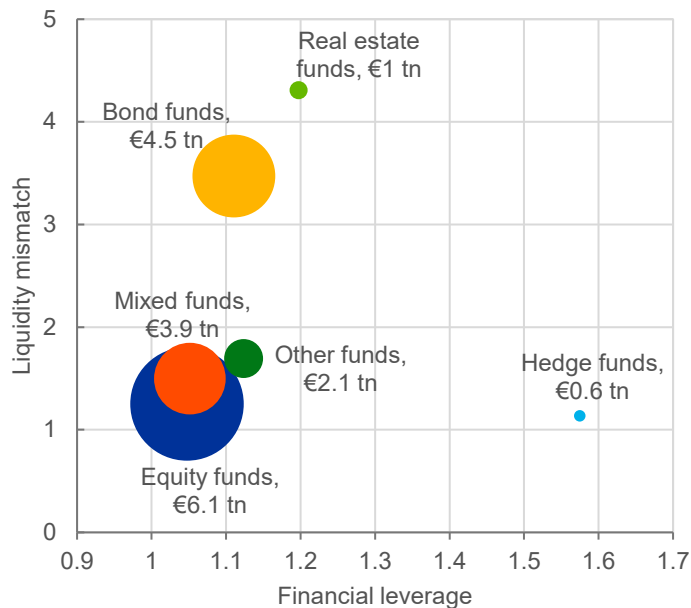
Notes: The analysis is based on samples of 98 banks (left-hand chart) and 80 banks (right-hand chart). Top banks include the 13 euro area banks that are among the ten banks most exposed to NBFIs entities in terms of either loan or securities exposure. The value of derivatives is reported using carrying amounts. Loans and reverse repos classified as "held for trading" are presented together due to the scope limitations of supervisory reporting. More granular data indicate that reverse repos account for a large share of this item.

Latest observation: Q2 2025.

# Risks from liquidity mismatch and leverage may spill over to banks through fire sales

## Liquidity mismatch and financial leverage in euro area open-ended investment funds

(ratios; bubble size: total assets)



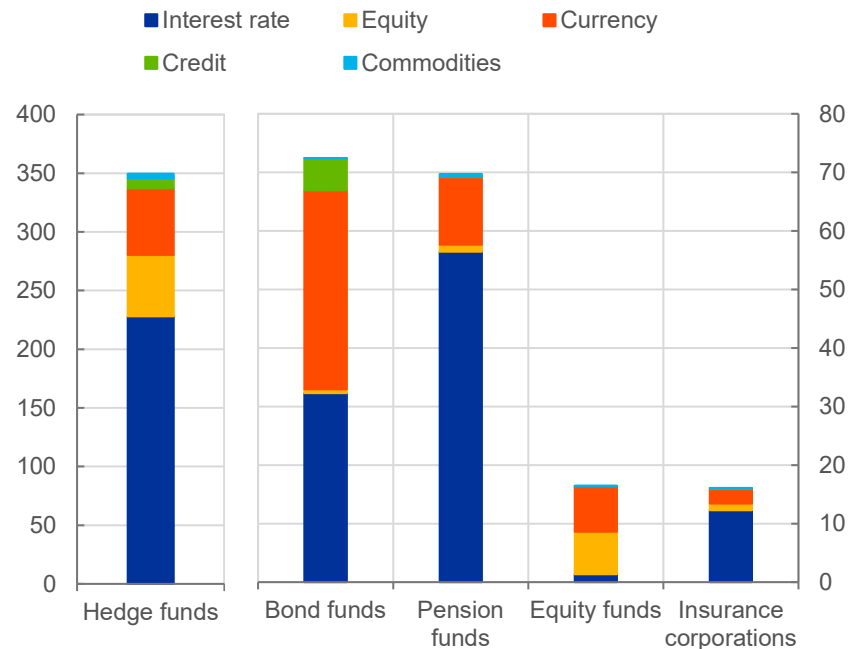
Sources: ECB (IVF) and ECB calculations.

Notes: Includes open-ended investment funds only. Liquidity mismatch is defined as the ratio of investment fund shares issued to liquid assets (deposits and debt securities with a maturity of less than one year, euro area sovereign bonds, investment and money market fund shares, and advanced economy listed shares). Financial leverage is defined as total assets divided by shares issued. Bubble size indicates sector total assets as given in the data labels.

Latest observation: Q2 2025.

## Derivative exposures across euro area NBFFI sectors

(Gross notional outstanding in percent of total assets)



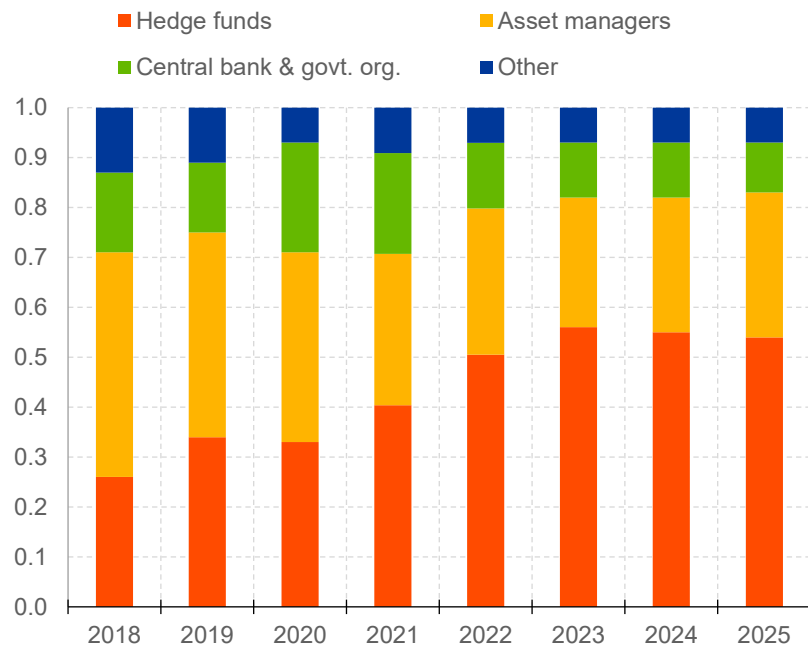
Sources: ECB (IVF, QSA), EMIR and ECB calculations.

Notes: Gross notional outstanding as of August 2025.

Latest observation: Q2 2025.

# Increased hedge fund trading of sovereign bonds could affect banks through repo markets

## Electronic trading volumes by investor sector (ratio)

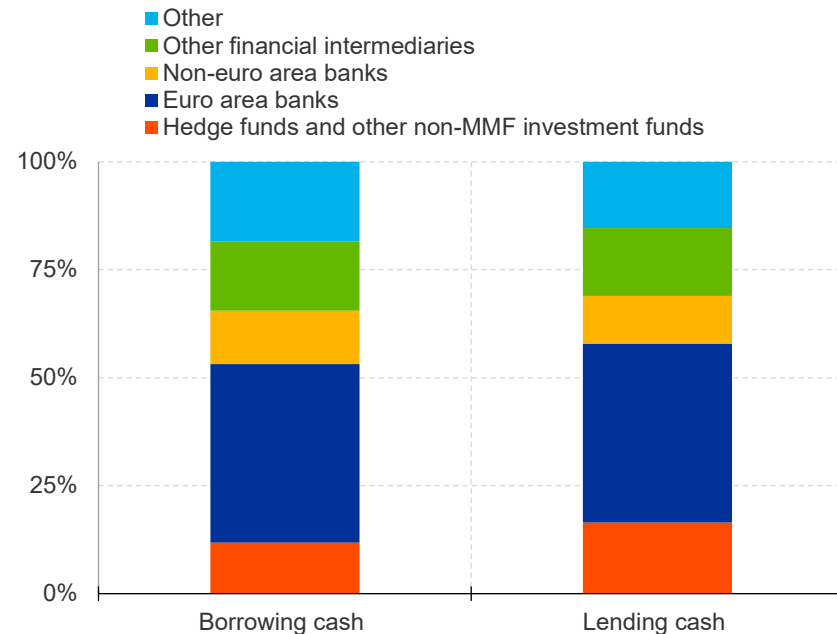


Source: Tradeweb.

Notes: Tradeweb is a dealer-to-customer platform that covers a large proportion of trading in European government bond markets, although representativeness across time and countries may vary. The category "Other" includes everything that is not shown in the chart.

Latest observation: 31 August 2025.

## Share of repo outstanding amounts of EA banks by sector (percent)



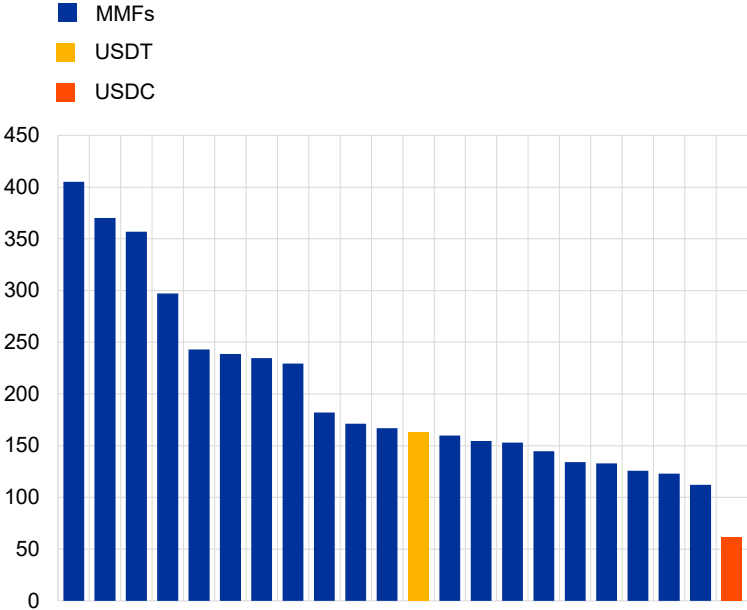
Source: SFTDS.

Notes: The figure shows shares of counterparty sectors based on outstanding amounts of EA banks borrowing/lending cash in the repo market for 2025. Open repos are excluded. Underlying collateral includes central government bonds from DE, FR, IT, ES. 'Hedge funds and other non-MMF investment funds' include, in addition to hedge funds, mutual funds, investment funds, private equity funds (S124). 'Other financial intermediaries' include, among others, investment banks, traders, brokers and clearing houses (S125). 'Other' contains the rest including insurance corporations and pension funds.

Last observation: 20 September 2025.

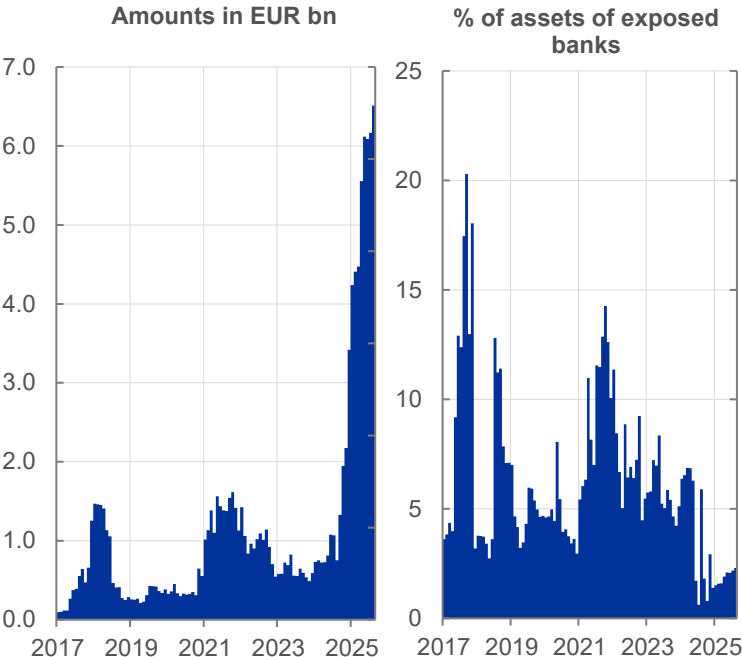
# Stablecoins are growing rapidly, with rising connections to euro area banks

## USDT and USDC reserve assets and assets under management of the 20 largest MMFs (USD billions)



Sources: US Department of the Treasury, independent auditors'/accountants' reports on Tether (USDT) and USD Coin (USDC) reserves, Tether blockchain and ECB staff calculations.  
Notes: Reserve assets for USDT and USDC consist predominantly of US Treasuries, reverse repos, shares in MMFs, cash and bank deposits.  
Latest observation: 30 June 2025.

## Large deposits received by euro area banks from crypto exchanges and stablecoin issuers (lhs panel: EUR billions, rhs panel: percentage of total assets)

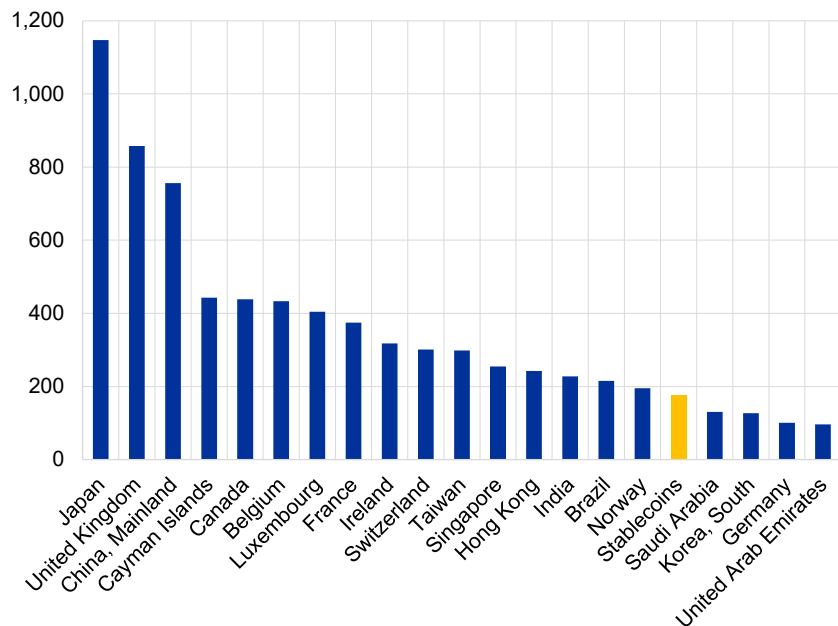


Sources: ECB Supervisory Reporting and ECB calculations.  
Notes: Based on banks reporting crypto-related counterparties among their top ten largest counterparties in COREP and/or among the top 10 largest depositors in the weekly liquidity templates, thus the data is not complete. The share in total exposed assets changes due to the number of banks, notably in July and September 2024, respectively, as new relatively larger banks entered.  
Latest observation: August 2025.

# Stablecoins are important holders of US Treasuries, which may amplify financial instability

## Major foreign country holders of US Treasury securities

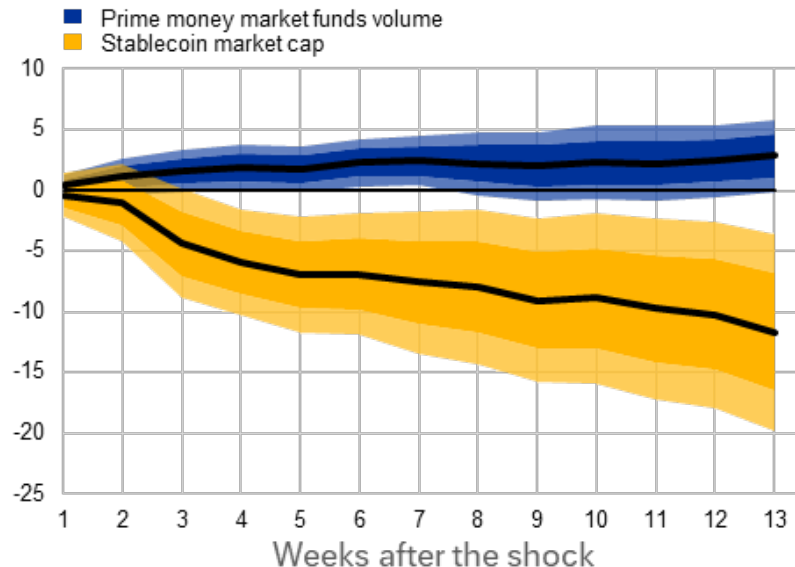
(USD billions)



Sources: US Department of the Treasury, independent auditors'/accountants' reports on Tether (USDT) and USD Coin (USDC) reserves, Tether blockchain and ECB staff calculations.  
Notes: Stablecoins include the holdings of US Treasury securities and repos in Tether (USDT) and Coin (USDC) reserves.  
Latest observation: 30 June 2025.

## Impulse responses to a contractionary monetary policy shock

(percentage change)

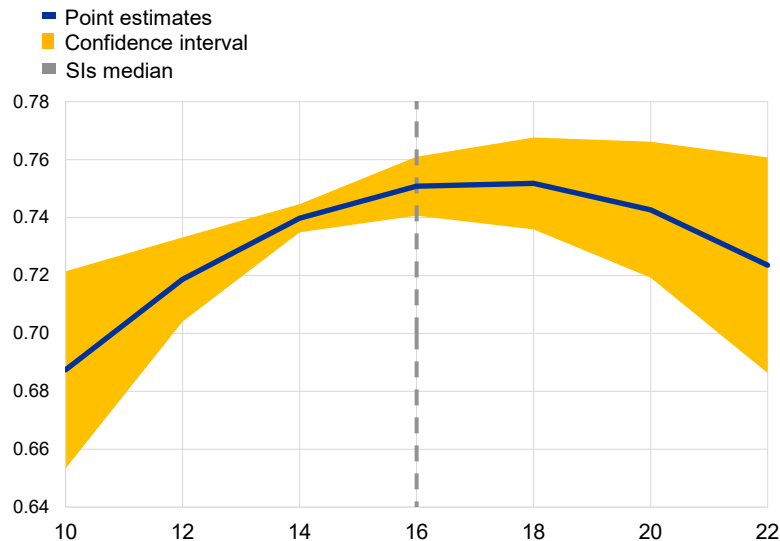


Source: Aldasoro et al. (2025).  
Notes: Impulse responses to a US monetary policy shock scaled to contract the price of Bitcoin by 10% (i.e. about a standard deviation). Shaded areas report the 68% and 90% confidence intervals. Prime MMF volumes corresponds to assets under management. Stablecoin circulating market capitalisation data are for Tether, USDC and Dai.  
Latest observation: June 2024.

# Regulation does not make EA banks less competitive, refuting requests for deregulation

## Estimated association of bank capital ratio and profit efficiency

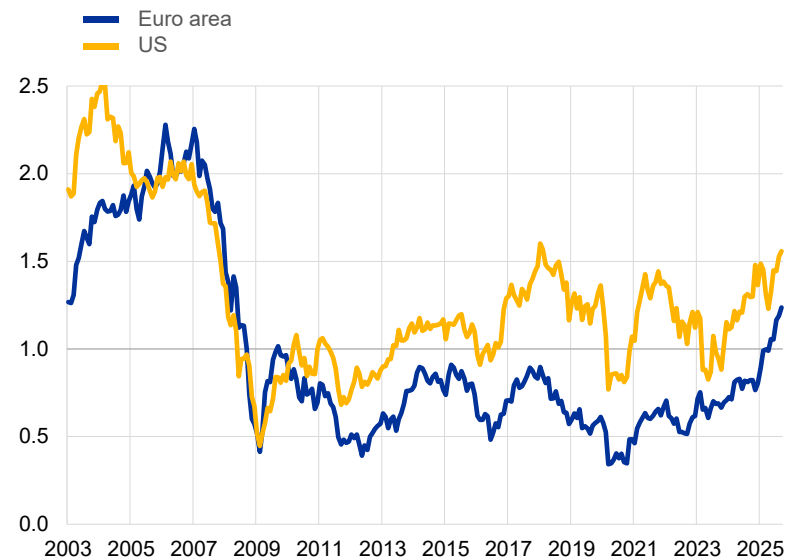
(y-axis: estimated profit efficiency index, x-axis: CET1 ratio in %)



Sources: Supervisory data; SDW data. Based on Behn, M., Reghezza, A. 2025. Capital requirements: A pillar or a burden for bank competitiveness? *ECB Occasional Paper* (forthcoming).

Notes: The chart plots the estimated profit efficiency scores (blue solid line) and a 95% confidence interval (yellow shaded area) at different bank CET1 ratio levels. The inverted U-shaped relationship is constructed by including a quadratic interaction term for the CET1 ratio variable in the econometric specification. The regressions control for a large set of bank- and country-specific characteristics and include bank and quarter fixed effects. The dashed grey line indicates the median CET1 ratio for SSM supervised banks in the sample as of Q4-2024. The estimation sample is Q4 2019 – Q4 2024.

## Price-to-book ratio of euro area and US bank index (multiples)



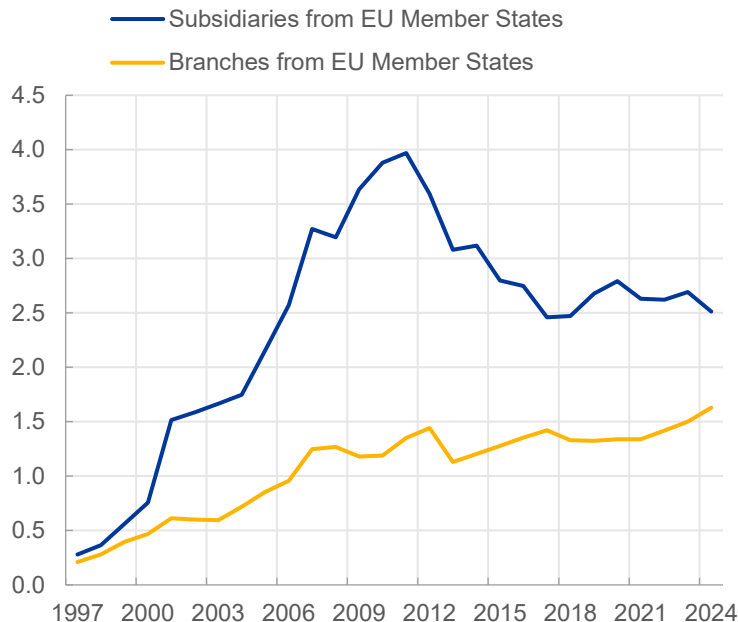
Source: Bloomberg.

Notes: Euro area: Euro Stoxx Banks. US: KBW Nasdaq Bank Index. Latest observation: 30 September 2025.

# Greater financial integration and a completion of Banking Union would strengthen banks

## Euro area total banking assets held by foreign EU-controlled entities

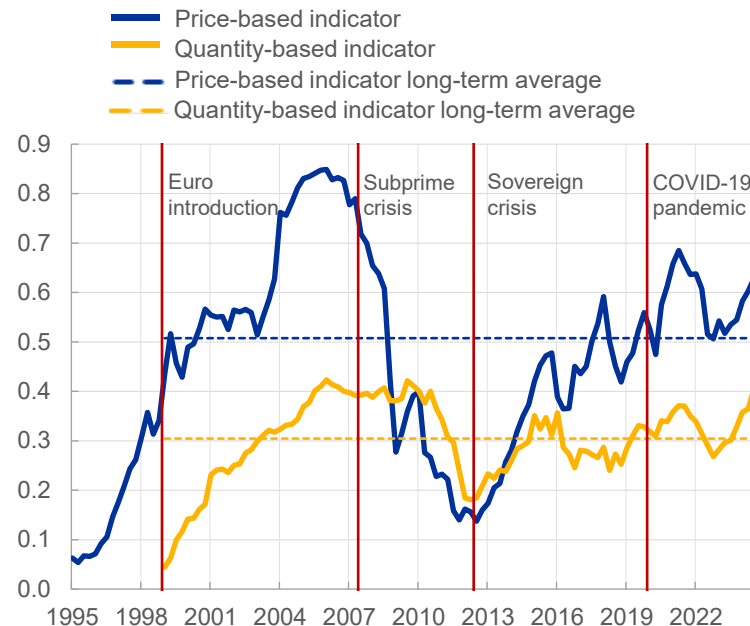
(total assets, EUR trillions)



Source: ECB Structural Financial Indicators.  
Latest observation: 2024.

## Price- and quantity-based indicators of financial integration in the euro area

(index)



Source: ECB and ECB staff calculations.

Notes: The price-based composite indicator aggregates ten indicators for money, bond, equity and retail banking markets; the quantity-based composite indicator aggregates five indicators for the same market segments except retail banking. The indicators are bounded between zero (full fragmentation) and one (full integration). Increases in the indicators signal greater financial integration.

Latest observation: December 2024.

**Thank you very much for your attention!**