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Gala Dinner Keynote Speech

First of all I would like to welcome you in Budapest, and also let me thank the organisers of EUROFI. The large number of esteemed guests shows the importance of this conference, which enables the consultation between stakeholders and regulators.

Personally I believe in consultation with the industry, which sometimes can even lead to self-regulation, and - in my view - can be more effective than a regulation.

In order to foster an efficient industry, it is essential to minimise the administrative burden and to approach regulations in a pragmatic manner.

The EU faces challenges in global competitiveness, the pandemic and the Russian-Ukrainian war have amplified the long standing competitiveness struggles of Europe. This we can see in EU's share in global GDP, the limited numbers of EU companies in the list of big global corporations, and EU has only 3 significant financial centres.

The competitiveness issues can be identified in the financial sector too. This is evidenced by the disparate trends in market capitalisation observed between US and EU banks. Furthermore, EU banks demonstrate a proclivity for allocating funds in a more costly and less efficient manner.

Consequently, one of the main priorities of the Hungarian Presidency is to encourage competitiveness. We are working on the new competitiveness

deal, which will be presented in October. We would like to emphasise holistic facilitation of sustainable and inclusive growth, supporting small and medium sized companies, while promoting green and digital transition.

At our last ministerial meeting in July I have already presented some issues linked to the need to speed up the spread of electromobility and the use of artificial intelligence.

Concerning AI we just had our usual annual summit in the beginning of this week. Clearly, AI is one of the keys to competitiveness. It is an important element of digital transition, which improves effectiveness. In the EU the AI act has just entered into force, and Hungary will soon adopt a new AI strategy.

All of our above-mentioned ambitions are certainly reflected in Mr. Mario Draghi's report on the future of European competitiveness, which has been published this Monday. The report urges to significantly cut administrative burden in the EU, to support key industry sectors such as the automotive, to have the European Industry Strategy reviewed by the Commission with regard to the needs of the European Industry, and to have a horizontal and sectoral approach on how European competitiveness should be boosted. These are all part of the Hungarian Presidency's agenda too.

Our overall aim is to relaunch economic growth, in a sustainable

and inclusive way, with a focus on SMEs, which are the engines of the economy.

You all know how important catalyst is the financial sector in this. The sector has demonstrated resilience in the context of the COVID pandemic, with Member States able to implement measures to protect their citizens from significant economic impacts, but presently it is high time to relaunch our economies.

The single financial market of the EU is a valuable asset, which ensures resilience and can address strategic dependencies, but we should provide clear responses to the present challenges.

The competitiveness aspects should apply holistically to all policies, taking into account the different characteristics of Member States, respecting national competencies.

We have identified five priorities to move forward the single financial market:

1. To determine the future of Capital Markets Union.
2. To improve the resilience of the financial sector.
3. To address the challenges and opportunities of digitalization.
4. To promote sustainable finance.
5. To increase consumer protection.

In the implementation of these priorities we should span the

regulatory gaps that often hinders consistent application across the Member States. A harmonized approach can effectively support innovation and address the changing demands, while respecting national practices.

To keep up with our global competitors, we need to integrate these considerations into adaptive regulatory frameworks that requires the openness and cooperation of Member States and the European Institutions as well.

The implementation of the Strategic Agenda 2024–2029 should lay a sustainable foundation for future growth and stability, addressing immediate challenges to reinforce the EU's position in the global economic area.

Hungary has always supported Banking Union and Capital Market Union. We believe that the EU has to make progress in both sectors for a well-functioning single market, as these are complementary aspects of more resilience and competitiveness. Clearly the 2 sectors need different approaches, but there are synergies, for example in the market confidence.

The way forward on the Banking union and Capital Market Union could be to focus on the common issues which are less controversial, and deal with the challenges that Member States face. Therefore we welcome that the EU institutions work on identifying national and regional practices, and weight the needed steps and possible impacts.

As an example financial literacy can boost confidence, and in this respect fight against fraud is also an important aspect of consumer protection.

Concerning digital transition one aspect is retail payment, where we need safe and efficient payment solutions for the users.

Electronic retail payments are increasingly being transformed from bank-based payment services, to commercialised payment solutions. The rise in the use of digital payments has also been spurred by the COVID pandemic, with the continuing shift to cashless payments.

While the European payments market's openness to global competition is crucial for fostering efficiency and innovation, an overdependence on a small number of non-European payment solutions and technologies is undesirable.

We believe the focus of the next legislative cycle should be to strengthen the competitiveness, and to find ways how this financial sector can help further the real economy.

The key to this is to put less burden on companies, with smart regulations, which focuses on the results, and on the goals of sustainable and inclusive growth, to serve well our citizens.

We should also monitor the impacts of the regulations and as I said, consultation is vital.

The recently published Draghi report explored a number of new

and long-standing ideas. Many of these elements are supportable, such as transparent securitisation, but we advise to be cautious about the reduction of prudential rules for banks, which is a stability issue and would have a cumulative negative impact on systemically important institutions.

In this vein I would once again thank you for the EUROFI conference, which is one of the most important forums dedicated to the consultation between regulators and industry.