



DIRECTORATE GENERAL MACROPRUDENTIAL POLICY AND FINANCIAL STABILITY

FINANCIAL STABILITY CONTACT GROUP

FRANKFURT AM MAIN, THURSDAY, 13 MARCH 2025

MEETING SUMMARY

1) Immediate threats from a transatlantic divergence

Financial Stability Contact Group (FSCG) members noted a deterioration in financial stability conditions in the euro area since the publication of the ECB's November 2024 Financial Stability Review, attributing this deterioration to elevated geopolitical tensions, the threat of tariffs and continued trade policy uncertainty. In particular, they expressed concern regarding US-EU relations and the implications of transatlantic divergence for growth, inflation and sovereign debt sustainability. For the majority of FSCG members, risks and vulnerabilities outside the euro area represented the greatest threat to euro area financial stability. On the other hand, the announcement of the EU defence package and German fiscal plan was seen as positive for financial stability, given an expected boost to growth and the prospect of a further push towards consolidation of strategic sectors and of EU integration. There was some scepticism among members about the ultimate size and speed of German defence spending. Members noted considerable uncertainty about the size of the defence expenditure multiplier in the absence of detail on its' destination and funding.

2) A new era of digitalisation

Some FSCG members saw the euro area banking sector as behind the curve on the adoption of new technologies. Artificial intelligence, at the current juncture, was seen as boosting the efficiency of current bank business models rather than disrupting them. Some members believed complex EU and national regulations were dissuading fintech firms from operating in Europe and called for a simplification of regulations. Members also discussed cryptocurrencies, noting the scale of the global cryptocurrency market (currently at \$3 trillion) and its' growth, the high market share of Bitcoin (60%), the exponential growth of Stablecoins and the concentration of ownership (top 10% own holding over 70% of all crypto assets). One member observed trends towards mainstreaming being underway, including options for Bitcoin exposure via Exchange Traded Funds, government ownership, and certain asset managers allowing US investors to include these assets in 401(k) (retirement savings plan) accounts. However, two-thirds of FSCG members did not believe Bitcoin was on course to become a mainstream financial asset.