Dear Reza, dear IMF colleagues,

Dear fellow central bankers,

Dear guests,

I welcome you all here, in Sinaia, for the Annual Regional Seminar on Financial Stability.

First of all, I want to say a few words about Sinaia. The name of the town originates from the biblical Mount Sinai. Following a visit of Prince Mihai Cantacuzino there, the monks who had accompanied him built a monastery. The first building was completed by the end of the 17th century. The monastery has a library that is a repository for the earliest Romanian translation of the Bible, dated 1668. Sinaia ranked among most sought after European touristic villages during the 19th century. King Charles I Hohenzollern fell in love with the place and built Peles castle which became the royal summer residence.

When the skies are clear, one can see the cross on top of Caraiman Mountain from this building. It is not only a monument built in the memory of heroes who died during the war, but also the tallest cross in the world situated at an altitude higher than two thousands meter – as recognized by the Guinness World of Records Book, in 2014.

About the Regional Seminar of Financial Stability

This is the tenth edition of the Sinaia seminar organized together with the International Monetary Fund. The aim of this seminar is to bring together experts from the region to discuss current financial stability challenges and to exchange knowledge in dealing with such challenges. I would like to convey my gratitude to our IMF partners for their full support delivered in all these years in shaping this platform of debate. I want to thank Mr. Baqir for his successful efforts to secure the continuity of this seminar in its current form, and to Mr. Poul Thomsen, the Director of IMF's European Department, for endorsing these efforts. The tradition of such regional meetings has consolidated and today I welcome representatives of 12 central banks from the region, along with colleagues from the European Central Bank, European Banking Authority, World Bank and academia. This is an endeavour that deserves to go on.

About topics

Now, about the topics proposed for this year's edition of the Seminar on financial stability, let me draw an arch over time by taking a look at themes discussed here a decade ago. I see several similar issues that currently lay on top of the policy makers' agenda. For example, during the seminars held in 2006 or in 2007, our colleagues from the central bank of France, Austria or Belarus highlighted the need for more emphasis on stress testing exercises in monitoring financial stability. Learning from past banking crises was the topic touched by the IMF and Albanian colleagues, while management of non-performing loans was considered an important issue by some central banks, mainly from the Balkan countries.

You are going to discuss today and tomorrow about similar topics, like NPL resolution, crisis resilience and about new instruments to manage risks. This is evidence that the list of recurrent topics for financial stability starts to build up. We also have new challenges to debate during this meeting, like low interest rate environment or asset quality review. I wonder if in ten years' time these topics will still be present on the agenda of policy makers.

During discussions with other central bankers from the region, I acknowledged a lot of diversity on their financial stability agendas. In Romania, Hungary, Poland or Croatia, there are legislative initiatives related mainly to FX loans that might put pressure on the financial stability. Paul Hilbers, one of our keynote speakers last year, who is a member of the Basel Committee and co-chair of the Task Force on Impact & Accountability of Banking Supervision and Sovereign Exposures, raised the hot issue of sovereign exposures. Overbanking is a topic in Austria, while in many European emerging countries the dialogue is about humble financial intermediation. Euro area countries confront with low inflation problem, while in Belarus or Ukraine there is still a double digit inflation environment. For some countries, regulating sectors outside banking is a top priority - as outlined last year by the head of ESRB Secretariat, Mr. Mazzaferro - while for the majority of countries, this topic is residual. Geopolitical risks, migration, Brexit, over-indebtedness, weak governance, lack of structural reforms, etc. are other challenges that manifest in the region with different degrees of intensity. However, when we study the European economic history from the last few centuries, we understand that the greatest enemy for both price and financial stability is war. Therefore, shared and inclusive economic growth among countries and groups of households, together with higher financial inclusion, is critical to preserve stability in Europe and worldwide.

The future

Central bank mandates have considerably expanded after the financial crisis that started in 2008, and the objective of preserving financial stability regained top positions. Currently, many central banks in Europe fight not only on the inflation front, but also for maintaining financial stability, for ensuring rebound of economic growth, etc. This multiple tasking that a central bank is supposed to perform in the society might put pressure on the independence of the institutions. There are voices stating that macro prudential decisions affect households and companies to a higher extent than monetary policy ones. Therefore, pressure from political side might increase as central banks become more active on the financial stability field.

Ladies and gentlemen, let me conclude. The agenda for this seminar is very ambitious, and financial stability topics ask for an open-minded and innovative approach. Let me share with you what I have learnt in more than one decade of dealing with such issues. Back in 2003, when debt service-to-income and loan-to-value caps were introduced, everybody encouraged us to get rid of them, because they were administrative instruments. After the crisis, exactly the same tools were considered worldwide as macro prudential instruments, and everybody was encouraged to use them. There was an almost two-year period when we got rid of these explicit caps for DSTI and LTV, following international advice. The bulk of non-performing loans we deal with now comes exactly from this period.

I wish you fruitful discussions and a pleasant stay in Sinaia.