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Transcript

Good afternoon, the Vice-President and I welcome you to our press conference. I would like to thank Governor Panetta for his kind hospitality and express our special gratitude to his staff for the excellent organisation of today's meeting of the Governing Council.

The Governing Council today decided to keep the three key ECB interest rates unchanged. Inflation remains close to our two per cent medium-term target and our assessment of the inflation outlook is broadly unchanged. The economy has continued to grow despite the challenging global environment. The robust labour market, solid private sector balance sheets and our past interest rate cuts remain important sources of resilience. However, the outlook is still uncertain, owing particularly to ongoing global trade disputes and geopolitical tensions.

We are determined to ensure that inflation stabilises at our two per cent target in the medium term. We will follow a data-dependent and meeting-by-meeting approach to determining the appropriate monetary policy stance. In particular, our interest rate decisions will be based on our assessment of the inflation outlook and the risks surrounding it, in light of the incoming economic and financial data, as well as the dynamics of underlying inflation and the strength of monetary policy transmission. We are not pre-committing to a particular rate path.

The decisions taken today are set out in a press release available on our website.

I will now outline in more detail how we see the economy and inflation developing and will then explain our assessment of financial and monetary conditions.



Economic activity

The economy grew by 0.2 per cent in the third quarter of the year, according to Eurostat's preliminary flash estimate published today. The services sector continued to grow, boosted by strong tourism and, especially, by a pick-up in digital services. According to surveys, the pick-up reflects the fact that many firms have stepped up efforts to modernise their IT infrastructures and integrate artificial intelligence into their operations. Meanwhile, manufacturing was held back by higher tariffs, still-heightened uncertainty and a stronger euro.

The divergence between domestic and external demand is likely to persist in the near term. The economy should benefit from consumers spending more as real incomes rise. Unemployment, at 6.3 per cent in September, remains close to its historical low, even though demand for labour has cooled. Households continue to save an unusually large proportion of their incomes, which should give them greater margin to increase spending further. Substantial government expenditure on infrastructure and defence, as well as our past interest rate cuts, should underpin investment.

By contrast, the global environment is likely to remain a drag. Goods exports declined from March to August, reversing the earlier frontloading of international trade ahead of recent tariff increases. New export orders in manufacturing point to further declines. The full impact of higher tariffs on euro area exports and manufacturing investment will only become visible over time.

The Governing Council stresses the urgent need to strengthen the euro area and its economy in the present geopolitical environment, and we welcome EU leaders reaffirming this ambition at last week's Euro Summit. Fiscal and structural policies should boost productivity, competitiveness and resilience. It is essential to implement the European Commission's competitiveness roadmap swiftly. Governments should prioritise growth-enhancing structural reforms and strategic investment, while ensuring sustainable public finances. It is also vital to foster further capital market integration by completing the savings and investments union and the banking union to an ambitious timetable, and to rapidly adopt the regulation on the establishment of a digital euro.

The Governing Council is committed to making retail and wholesale central bank money fit for the digital age. In this vein, the Governing Council today decided to move to the next stage of the digital euro project. This will ensure technical readiness for potential issuance and support Europe's digital sovereignty once the legislation has been adopted. The details of this decision are available in a separate press release.



Inflation

Annual inflation increased to 2.2 per cent in September, from 2.0 per cent in August. This was mainly because energy prices fell by less than before. Energy price inflation was -0.4 per cent in September, up from -2.0 per cent in August. Meanwhile, food price inflation eased to 3.0 per cent in September, from 3.2 per cent in August. Inflation excluding energy and food rose to 2.4 per cent, from 2.3 per cent in August, as services inflation ticked up from 3.1 per cent to 3.2 per cent, while goods inflation was again unchanged at 0.8 per cent.

Indicators of underlying inflation remain consistent with our two per cent medium-term target. While firms' profits are recovering, labour costs are set to moderate further owing to rising productivity and an easing in wage growth. Forward-looking indicators, such as the ECB's wage tracker and surveys on wage expectations, point to slower wage growth over the remainder of the year and the first half of 2026.

Most measures of longer-term inflation expectations continue to stand at around 2 per cent, supporting the stabilisation of inflation around our target.

Risk assessment

The EU-US trade deal reached over the summer, the recently announced ceasefire in the Middle East and today's announcement of progress in the US-China trade negotiations have mitigated some of the downside risks to economic growth. At the same time, the still volatile global trade environment could disrupt supply chains, further dampen exports, and weigh on consumption and investment. A deterioration in financial market sentiment could lead to tighter financing conditions, greater risk aversion and weaker growth. Geopolitical tensions, in particular Russia's unjustified war against Ukraine, remain a major source of uncertainty. By contrast, higher than expected defence and infrastructure spending, together with productivity-enhancing reforms, would add to growth. An improvement in business confidence could stimulate private investment. Sentiment could also be lifted and activity spurred if the remaining geopolitical tensions diminished, or if the remaining trade disputes were resolved faster than expected.

The outlook for inflation continues to be more uncertain than usual on account of the still volatile global trade policy environment. A stronger euro could bring inflation down further than expected. Moreover, inflation could turn out to be lower if higher tariffs lead to lower demand for euro area exports and induce countries with overcapacity to further increase their exports to the euro area. An increase in volatility and risk aversion in financial markets could weigh on domestic demand and thereby also lower inflation. By contrast, inflation could turn out to be higher if a fragmentation of global supply chains pushed up import prices, curtailed the supply of critical raw materials and added to capacity constraints in the domestic economy. A boost in defence and infrastructure spending could also raise inflation over the



medium term. Extreme weather events, and the unfolding climate and nature crisis more broadly, could drive up food prices by more than expected.

Financial and monetary conditions

Since our last meeting, market rates have remained broadly unchanged. Our past interest rate cuts have continued to reduce bank lending rates for firms, which averaged 3.5 per cent in August. Meanwhile, the cost of issuing market-based debt remained at 3.5 per cent in August, as the longer-term yields on which such debt is priced have been relatively stable.

The annual growth rate of bank lending to firms edged down to 2.9 per cent in September, from 3.0 per cent in August. At the same time, corporate bond issuance slowed to 3.3 per cent on a yearly basis. According to our latest bank lending survey for the euro area, credit standards for business loans tightened moderately in the third quarter, as banks became more concerned about the risks faced by their customers. Firms' demand for credit picked up slightly.

The average interest rate on new mortgages has barely changed since the start of the year and stood at 3.3 per cent in August. Growth in mortgage lending ticked up to 2.6 per cent in September, from 2.5 per cent in August, on the back of a further increase in demand and unchanged credit standards in the third quarter.

Growth in broad money – as measured by M3 – slowed to 2.8 per cent in September, down from 2.9 per cent in August and an average of 3.8 per cent over the first half of the year.

Conclusion

The Governing Council today decided to keep the three key ECB interest rates unchanged. We are determined to ensure that inflation stabilises at our two per cent target in the medium term. We will follow a data-dependent and meeting-by-meeting approach to determining the appropriate monetary policy stance. Our interest rate decisions will be based on our assessment of the inflation outlook and the risks surrounding it, in light of the incoming economic and financial data, as well as the dynamics of underlying inflation and the strength of monetary policy transmission. We are not pre-committing to a particular rate path.

In any case, we stand ready to adjust all of our instruments within our mandate to ensure that inflation stabilises sustainably at our medium-term target and to preserve the smooth functioning of monetary policy transmission.

We are now ready to take your questions.



* * *

President Lagarde, thank you very much for taking my questions. The first question would be, of course, on your famous mantra that you're in a good place right now when it comes to the policy stance. So given that private economic activity in the euro area is not really great, I mean if you deduct what comes from the fiscal space, then the economic picture doesn't look so great. So would you say that your policy stance is in the right space if that private economic activity is not picking up?

The second question would be on AI and the ramifications for the labour market. We've heard from the Fed President Jerome Powell that he looks very carefully at what AI does to the US labour market. It probably takes a while until this hits here as well in the euro area. But what do you think, and do you have discussion on that topic?

Thank you very much for your two questions.

Your first question: Are we in a good place? I would observe that thanks to the hospitality of Banca d'Italia, we are in a magnificent place. From a monetary policy point of view, we are in a good place. Is it a fixed good place? No. But we will do whatever is needed to make sure that we stay in a good place.

And I would observe that with growth of 0.2% for Q3, which is a tad more than what was expected by the consensus – and including Ireland a little more than what we had expected, not by much – I would not complain too much about growth at this point in time.

We can do better, we hope it's better. I observe that there is quite a bit of investment underlying this number, certainly in respect of France, which publishes breakdown.

So turning to your other question, which has to do with artificial intelligence: what we are hearing from the corporate telephone survey in particular that we conduct on a regular basis, is that corporates are really moving ahead with investment, and the transition to a more digital world is obviously on their mind, and it's also drawing on the investment that they are committing now.

So this is a process, and the impact it will have on labour will probably take time. And we will be very attentive to those developments. There will be job creation, there will be job destruction. How exactly that will impact our economies, depending on the sectors, depending on the classes of age, depending on the training, depending on the educational background of workforce in Europe, which which tends to be quite high, I think is to be seen. But we will be attentive to those developments.



I have a question following up on your comment that we are in a good but not fixed place on policy. You have held rates three times now, and I am wondering if you would be confident to say that a rate cut is as likely as a rate hike sometime in the future.

And my second question is about risks. You listed quite a few upside and downside risks for both growth and inflation, but I noticed that you didn't speak about a balance. So I'm very interested in hearing your thoughts on whether at least the risks for growth are broadly balanced or more balanced than they used to be, and on inflation as well, of course.

Thank you very much for these two questions.

You know, I have said that we are in a good place. I continue to say that we are in a good place. And I repeat that we will take the necessary measures and steps on the basis of data, meeting by meeting, to make sure that we stay in a good place.

And I also want to remind you that we have very clearly defined our objective. And that objective, because you asked me the question about symmetry, our target is symmetric 2% medium term. And we will abide by that objective that we have discussed extensively in 2021, reiterated in our 2021 strategy review, and reiterated again in 2025 when we took stock of our strategy implementation and the stocktaking exercise.

On the risks, you are right, because when you go to the section of our monetary policy statement, we list as exhaustively – and yet as principally as is possible – the number of risks on the downside and on the upside.

But what is a little bit different this time around is that our paragraph on risk assessment begins with indicating some of the risks which have faded or have been alleviated in the last few weeks, and the impact that it has had in particular. So we start with the EU-US trade deal reached over the summer. We follow with the recently announced ceasefire in the Middle East. And we continue with the announcement today, this morning actually, of progress in the US-China trade negotiations. And we continue with: these components have mitigated some of the downside risks to economic growth. So if you remember last time in September, I said that the risk to growth was more balanced, and the range had narrowed. I think this time around we acknowledged that some of the downside risks to growth have abated, and we specifically mentioned these three.

I would not necessarily draw the same conclusion for inflation. I think on that front, it's a more balanced picture that we paint, and we go through the upside and the downside risks to inflation. And I would suggest that we remain attentive to the occurrence, or the risk of occurrence, of any of these risks that can weigh on our inflation.



What you just said about downside risks to growth abating would suggest that perhaps there was a discussion about changing the balance of risk to say that the risks have perhaps turned to the upside. Was there any such discussion, and why did you not follow through on what you just said in terms of the downside risks to growth abating, or some of them at least?

The second question, perhaps to Governor Panetta, about Italian banks: Italian banks are making great use of state guarantees when they extend loans. This has also helped them make relatively large profits, and the government sometimes decides to take some of those profits with one-off levies. So what are the implications for financial stability and for public finances of this merry-go-round sort of scheme, where the government guarantees loans, but then it takes a stake in the profits?

President Lagarde: I'll address your first question. You remember that last time we referred neither to downside nor to upside, but we said that the balance of risks, or the range of risks, had narrowed. And once you've said that, and you said that it is more balanced than it was, you cannot repeat ad nauseum that it is more balanced and more balanced, each and every time – which is the reason why we chose to list specifically risks to the downside, risks to the upside, and we acknowledge in the first part of that risk section concerning activity that some of the downside risks that we had with us for quite a while had abated. And I think there was some discussion as always – you know, on the one hand, on the other hand, some see a little bit more of this, little bit more of that – but I think we were all in agreement on that identification of risk with a specific listing of those risks.

You know, we are in a period of still great uncertainty. And many of those risks are resulting from policies and implementation of policies. So I think that's the best that I can give you in terms of explaining to you why we do not draw a line on it being one way or the other, and prefer to list those risks carefully.

Governor Panetta: Thank you for your questions. You are absolutely right. Italian banks are highly profitable. Their profitability conditions have improved significantly in the last few years, and this was due to many factors. I would say that the main one is the restructuring of the banking system which took place over the last 10 years after the financial crisis. You know that Italy went through a complicated period in the mid-2010s, but the banks that resulted from that phase are highly profitable, much more capitalized and much more efficient. So their improvement is due to many factors, not just to the support that they got from the government as many other banks in Europe.

On the impact, no, it will not have any financial stability implications. We will not have financial instability because of the tax. The banks are highly profitable, and the tax is a limited percentage of their profits. On the specific characteristics of the tax, I will comment when I will see the final text of the legislation.



I have two questions on the digital euro. The first to President Lagarde. One of the objections of the criticism towards the project, which by the way was raised also by the rapporteur of the regulation in the European Parliament, is that the digital euro is a solution in search of a problem. And its objective might be better realized through a market-led solution and maybe helped by a smarter regulation. How do you respond to that criticism?

And the second one to Governor Panetta: banks around Europe, including Italian banks, have warned about the costs of adopting the digital euro, even suggesting that their costs could be higher than ECB estimates, as is sometimes the case with public infrastructures. Is the Eurosystem considering an option to lower those costs, and are you afraid banks might pass down those costs to the consumers?

President Lagarde: Thank you very much for your question. For me, as president of the ECB, I regard money as a public good. Money is a public good, full stop. And that public good, for many, many decades, has been built around central bank money, which is the anchor on which commercial money, which is created by banks, prospers and develops. But the anchor is critically important in order to make sure that money remains a public good.

So in our mind, and certainly in my mind, central bank money has to remain an active part of the system that people can actually trust. If you think of digital euro, it's the digital form of a banknote. People want, need, to have their banknotes. Maybe in 10 years' time there will be fewer of those banknotes in circulation, but they will still need to have the certainty that a euro is a euro is a euro, just like a rose is a rose is a rose. And for me it is our mission to make sure that money remains that public good that is available to our compatriots. And we are working for the Europeans in that respect.

You know, when I hear that it's a project in search of a cause, I think of money as a public good, the sovereignty of the European authorities at large over their currency, and the way in which money stands: this is not a project in search of a cause. It embodies the capacity of Europe to defend itself and to transact with a currency that is its own.

There are many other reasons why the digital euro is perfectly legitimate, valid, and will be cheaper, user-friendly, good for transactions throughout Europe and not just in various countries on a national basis. But the key points for me is: money is a public good; central banks are the custodian of that public good; and central money issued by central banks has to have its digital form, because we're moving into a different era where not everybody will want necessarily to have banknotes.

Governor Panetta: Well, you did not ask me but, before I answer your question, I want to say that I strongly agree with what the President just said. We need public money for the stability of the financial system. So the President is, as always, absolutely right.



On the costs, I think it would be unwise to discuss costs before discussing the benefits. Currently, euro area banks only represent one third of total activity on digital payments in the euro area. Two thirds of digital payments in the euro area are intermediated by non-European companies, both for digital payments at the point of sale and digital payments online.

Now the reason why this is so is that European banks did not agree until now on ways to provide their services to the entire euro area. They don't have what is called in technical terms a rail, the infrastructure to provide, to offer their digital payment services to all European citizens.

One of the main benefits for banks – there are many benefits for consumers, there are benefits for the stability of the financial system – but one of the main benefits for the banks in the euro area is that once the digital euro infrastructure will be built, they will be able, by using this so-called open standard infrastructure, to use that rail and compete at a European level, thus generating additional business, additional revenues, and there will be many implications in terms of sovereignty for the euro area, in terms of control of the information that travels with your payments.

This is the first part of my comment. Second: the costs.

Now, there are estimates on the cost of adoption, because the construction of the digital euro will be paid by the Eurosystem. The costs, I don't know if the estimates which are available are correct, discuss numbers of about 6 billion euros for four years. Now if you think that we have 2,000 banks in the euro area, for four years, this means that the cost of adoption is a few hundred thousand euros per year per bank. Now even forgetting the benefits I just mentioned, the costs of adoption are not so high. They represent overall about 3% of total yearly IT costs for the banks.

So then who will pay those costs? Well, it depends on the competition on the payment market. If the digital euro would be introduced, competition would be higher, and the banks would not be able to transfer those costs to consumers. So it would be limited, there would be additional revenues, and then the cost would be allocated depending on competition, and competition will improve.

President Lagarde: Let me say that I agree with my colleague and friend Mr Panetta who by the way, for those of you who don't know, has been one of the architects of this project, and I pay tribute to him.



Transmission of monetary policy is usually six, nine months, something like that. Your last cut was roughly four months ago, and yet monetary conditions did tighten a little bit. Are you worried that transmission is hindered somehow? And therefore, you're maybe not in such a good place? Or can you just describe what do you think of the transmission?

And I just wanted to come back on growth and uncertainty. There's been a few good news. But does it really justify the kind of positive comments you've made about prospects for growth?

It's always more fashionable to make negative comments whenever you have good news, that I understand. But when we have some good news, we have to also acknowledge and draw the consequences and see what impact it has. Because as I said repeatedly we are determined, we are driven by data, we take into account all data, and we measure the impact that it has in terms of outlook, underlying inflation.

And I come to you, the first part of your question, because as you know, we maintain this three-pronged approach that we have had to take into account inflation outlook, underlying inflation, and transmission of monetary policy. And I would add to that, you know, since our strategy review, in addition to pure inflation outlook and the identification of our baseline, we also try to identify and measure risks to the baseline, risk to the upside, risk to the downside, and we use different tools in order to do so, including scenario analysis.

Everything that we see in terms of transmission leads us to believe that transmission is effective, is very much on time, and the numbers that we see in terms of interest rates charged to corporates, interest rates charged to mortgages, lead us to believe that that transmission is not impaired at all, but is functioning well.

We have seen two things in the bank lending survey. One is that there has been a slight tightening of the credit terms by the banks, which was unexpected, and that is in our view and on the basis of their response to our survey caused by the more attentive measurement of risk of their customers, particularly in the corporate sector. And the second, which is twofold, but it's in relation to households, that interest rate has not budged. It stays at 3.3%. And on the other hand, the volume of loan to households has itself increased.

But again, we observe on the part of the banks, based on the bank lending survey, a more cautious attitude probably in order to better measure the risks that they have.

My first question is for President Lagarde. Could you elaborate a little bit more about the discussion in the Governing Council about inflation risks? Because in recent days some members seemed more concerned about upside risk and other members seemed more concerned about downside risk, so what are the positions now?



My second question is for Governor Panetta. What is your assessment on the Italian economy and public finances after the GDP data this morning that showed a stagnation in the third quarter?

President Lagarde: So on our Governing Council discussion concerning risk to inflation: I'm happy to say that we discuss actively, very courteously, in a very friendly manner. And there are different positions and different views and different analyses. And it's often related to where you stand and your perception. So you have a distinction between those who have a more upbeat view and those who have a more downbeat view. You may categorise them as the hawks and the doves, and those categories do exist.

But I'm happy to say that on the occasion of this meeting in Firenze, there was absolute unanimity on the part of all members of the Governing Council to arrive at the decision that I have mentioned earlier.

Now, let me mention a few elements that we discussed or that we are attentive to.

One risk that we have not yet seen materialise and could be a risk to the upside, so we will continue to be attentive to that, is the risk that would result from potential bottlenecks and disruption in the supply chain. We are still to understand exactly what the outcome of the discussions between the US authorities and the Chinese authorities will deliver in terms of rare earth in particular – which is, as you know, a very material segment of the supply chains in quite a few sectors, including the automotive sector, but the energy sector as well. It's not a big amount in terms of actual value, but it's critical at the juncture where it is situated in the production chain. But that risk has not yet materialized. So we shall see. We are in this sort of wait-and-watch or wait-and-see mode in relation to that specific risk.

There are two other areas that we are attentive to, and that is the composition of inflation. And in that respect, the way in which the labour market evolves, the way in which wages evolve and the impact that it will have to service inflation are elements that we are also monitoring to understand the impact that it will have going forward. I wouldn't call it a risk, so to speak, you don't find it in the risk section. But I just want to mention these two because they are ingredients that feed into services inflation, which in September has picked up by 0.1%. And they of course also have an impact on underlying inflation, particularly domestic.

Governor Panetta: Thank you for your question.

Well, the numbers which we got today on GDP – GDP was flat – are largely expected and they do not materially change the projections we have just published. In order to have a better assessment, we need more information on the composition, because the composition matters. Was the deceleration in GDP growth due to investment, consumption, inventories



or foreign demand? Investment and foreign demand have performed very well in the past so it is important to understand what is the source.

But I think we should broaden the horizon and look at the conditions of the Italian economy from a broader perspective.

In recent years, the Italian economy continued to grow, although at a moderate pace, in spite of a number of shocks that have hit, like many other economies, the Italian economy and others. The geopolitical tensions, the tightening cycle of the ECB, tariffs, appreciation of the euro, the weakening of the traditional export markets of Italy, the weakening of the German economy is a big headwind for the Italian economy.

But overall, the economy has been much more resilient than many would have predicted only two, three years ago. And I think we should look at the structural underlying conditions of the Italian economy, which have improved significantly. If you look at public finance, the deficit shot up to above 9% during the pandemic crisis. Now it is at 3%, we'll go even lower than that. The primary deficit became a primary surplus. The debt-to-GDP ratio, which increased significantly during the pandemic phase, now is back to the pre-pandemic level.

And what went largely unnoticed in recent years is the change which took place in Italy's net financial international position. We had, in current account, deficit. We have now a persistent surplus of the balance of payments. And if only 10 years ago the net financial international position of Italy was negative for more than 20 percentage points of GDP, today we have a positive international financial net position. So from minus 20 plus percent to around 8, 9 percentage points of GDP. And this happened – a very rare case – without a crisis. Without a forced restructuring due to an enormous shock which then evolves into a crisis. This has gone largely unnoticed, but just to emphasize this concept, now Italy is a net creditor country. Every year we give some of our savings, unfortunately, to foreign countries and our position is positive vis-a-vis the rest of the world.

I have one question, President Lagarde, on something you said earlier in this press conference. This line that the ECB will do whatever is needed to stay in a good place. I think this is new, if I'm not completely mistaken. You haven't said it like that previously. And I wonder, I think you said it twice already, what do you have in mind? Why do you think it's necessary to make this point now, and what shall we learn from this?

And the second question refers to the European emissions trading system, which the next stage is supposed to be phased in in 2027. And I think the ECB expects an uptick, or kind of a one-off effect of 0.3 percentage points on the inflation forecast. There are talks about potential delays. How do you see this from a monetary policy point of view? Could this justify or force you to do a rate cut if it's delayed and then you end up with a significant undershooting of 2027 inflation?



Well, thank you so much for asking these two questions and thank you for helping me to clarify what I mean. I did not repeat that sentence on purpose or to convey any particular message. If you read carefully our statement, which I know you do, you will see that in the second paragraph of our monetary policy statement, we say we are determined to ensure that inflation stabilises at our 2% target in the medium term. So this is all there is to be read about it, and it's a determination of the Governing Council. We continue to be in a good place, and we are determined to ensure that inflation stabilises at that 2% medium-term target, which is the result of our strategy review. There is nothing else or nothing more to read about me having repeated two sentences. I think you should not overread.

Now, more technical, your second question. So the EU Emissions Trading System 2 (ETS2), first of all, has been in our projection since it was on the table, and has been in there since 2024. I don't think I would read too much, again, into an expected delay of the implementation of ETS2. And when I speak to colleagues at the European Commission, they are still strongly of the view that ETS2, which is committed, must proceed, and the deadline for implementation is still 2027.

What, on the other hand, is being discussed and has been put on the table by Commissioner Wopke Hoekstra, is a slight smoothing in the implementation of ETS2, which means that the impact might be spread a little bit more over time, possibly a bit less in 2027 and a bit more in 2028.

So overall, you know, as with many other data, we will be attentive. And the December projection exercise will certainly take that into account, that smoothing over a slightly longer period in order to make sure that ETS2, which is so important for climate change purposes, will actually be implemented.

My question goes back to money and payments, basically. We in Europe are in an environment in which public money, as you said, and public cash, actually digital cash, is going to be a key feature of the future of payments. In the United States, at the same time, we are witnessing a strong push towards stablecoins, towards crypto, and actually what is a ban on central bank digital money. So it is paramount, as I understand it, we at some point reach an agreement that there is some kind of harmonisation at the global level.

Now, since you're back from the IMF meetings in Washington, my question is, at what stage is this process? At what stage are negotiations towards some kind of coordination with the US administration?

First of all, I would like to insist on the fact that we at the ECB, in the Eurosystem, are very attentive to innovation, and we are very supportive of innovation. The digital euro, the different options that we're exploring, the way in which we reach out to suppliers, merchants,



banks, which stand to benefit from this system, is a clear indication that we want innovation into money and into this public good for which we are responsible.

So for those who would like to argue that we are trying to stifle innovation, terribly sorry, but no. You're knocking at the wrong door. Innovation is definitely part of us and part of the DNA of central bankers in Europe.

Second, we are also attentive to the regulatory framework in which private forms of money, certain financial instruments that I would not call currencies, and I'm here referring to cryptos, equivalent of currencies as they present themselves, but which are private form of money such as stablecoins, are launched, are reserved against, are made secure. And that was under the MiCAR, which was the European regulation that was issued in order to establish the protection of consumers, enough financial stability, and rules by which some of those issuers were supervised.

I observed, by the way, that in spite of the executive decision that was made back in January, the GENIUS Act, which was issued by Congress in the United States is also attempting to put together a framework which has a lot of overlap with MiCAR. There are some discrepancies and there are areas for which we have to be attentive not to create financial stability risk or arbitrage risks that would be detrimental to Europe. This is our job and we will continue to do that job and to have a dialogue with the Commission which is in charge of establishing the rules of the game, if you will.

But as I said earlier, what we are doing, putting money as a public good on the map and making sure that the anchor is alive and digital as well as cash, is our duty. But it does not stop private issuers from doing what they think is their business. They're into market share. They're into penetration of certain spheres of either payment or transactions. But our job is to secure the anchor. Our job is to secure the settlement functions. And we are going to continue doing that, notwithstanding initiatives that some of those issuers will take. And it certainly does not preclude European-based issuance that would be in compliance with the regulatory framework that we have.

So it's a vibrant domain, but one where we have to make sure that we do not expose our compatriots or our economy to financial instability risk that would certainly be a recurrence of what we observed back in 1890 in the United States, for instance.