Members of the NBR Board, Mr President, Ladies and Gentlemen,

This evening, I have the great pleasure to welcome our distinguished colleagues, representatives of the European banking industry, here, in the National Bank of Romania!

Tonight, we are gathered in this great edifice in which a part of our financial history has been written, not only for Romania but for Europe as a whole as well. Perhaps some of you may know, the National Bank of Romania is one of the first central banks of Europe and, chronologically, the 16th worldwide.

We are here tonight in this grand assembly hall named after one of the first governors of the National Bank of Romania, Anton Carp. During his various mandates spanning 17 years between 1882 and 1914, he directly contributed to the development of the country's nascent banking, commercial, and agricultural sectors, via the NBR's newly created discount window.

As Romania takes centre stage in Europe in 2019, we pay tribute to our forerunners who have built, together with the most prominent Europeans of the age, what we call today the 'European Union'.

Nicolae Titulescu, former Romanian minister for foreign affairs, predecessor and advocate of a United Europe and one of the founding figures of today's European Union, said before the Second World War about a European Union project that,**" it is the only solution to maintain peace among peoples. As regards the future, if we honestly serve this purpose mentioned above, it could become the kernel of a new international life so beneficial that our current mind –*so influenced by* the outcome of fighting and suffering – cannot grasp it yet."** As time went by, we witnessed the outlining of a European framework needed for states to associate, via the setting up of the Economic and Monetary Union in 1969, which evolved into a more integrated financial framework, the European Banking Union of today.

During these recent months, we have witnessed a historical period for us, for the Romanian Association of Banks, as well as for our entire country. Romania is now at the heart of Europe as it holds the rotating Presidency of the Council of the European Union; and for one evening, our association is at financial core of Europe, since you, distinguished guests, represent the European banking market in its entirety. And right now, in Sibiu, 276 km away from here, the elite of European institutions is debating on the major issues of our continent.

Romania has experienced substantial progress since we joined the European Union in 2007. During the 12 years under the EU umbrella, our nominal Gross Domestic Product has advanced by 160%, to about €200 billion. GDP/capita (Salary PPP) reached 63% of the EU average in 2017 compared to 44% in 2007. Meanwhile, the Romanian banking sector's assets have grown by 80%. Nonetheless, Romania has still a long way to go in the journey towards convergence.

And for this to actually happen, we have to advance at a faster cruising speed for a sustained period so that our macro-indicators can really converge with a continuously rising average.

An important premise for accelerated convergence is that the banking sector in Romania carries out its mandate of financial intermediation efficiently and responsibly. That is to say, to allocate capital—under low-risk conditions—between those who save and those who seek capital for either developing or entering into new businesses or for improving their living standards through consumption or personal investments. The goal is to enhance the level of financial intermediation from 25.7% toward the average level of the European Union, i.e. 83%.

At this point, we must identify the opportunities that we have at hand, which, paradoxically, may come from the very areas where, today at least, we could say we are at a disadvantage or falling behind.

And I'd like to mention in this respect three such opportunities: **financial inclusion (merely 60% in Romania compared to over 90% at European level); digital agenda (ranking last in Europe based on DESI but ranking second as regards connectivity, namely the digital market infrastructure); and financial literacy where we rank last in Europe, 28**, and where, with not too much effort, we could have considerable traction for the sustainable enhancement of financial intermediation.The priorities of the Romanian banking industry overlap, to a great extent, with the most pressing European issues: **lending, digitalization, education, and, last but not least, banking culture and conduct**.

These days, Europe has been debating—right here in Bucharest—on the legal and regulatory challenges that we will face as we aim to strengthen the evolving framework under which European banks will deploy their business on both the medium and long term. Among the main concepts on the table for the Basel IV Capital Accord, we mention liquidity in resolution, sustainable finance, the fight against financial crime and payments.
We are aware that the consolidation action across the banking sector should not be seen as a shortcut for solving some problems. There is still need for real reform ahead.
But, mind you from physics, if we put additional pressure on certain points we face the risk of the "waterbed" effect, whereby downward pressure on one point directly results in upward pressure elsewhere. For instance, this may explain the shrinking of financial intermediation, where, in Romania it dropped by one third compared to its pre-crisis level. To complicate matters further, non-bank financial institutions, the Fintechs, are not the object of regulations, which are sometimes cumbersome and often restrictive.

Implementing common standards across the EU can play a fundamental role in harmonizing regulations and in mitigating the negative effects brought about by market fragmentation. The significant regulatory differences among states generate adverse consequences on the capability of investors to support sustainable growth in lending.

One of the lessons of past crises was that the problems of one bank is in fact, trouble for the whole banking system. Taking this one step further, we could infer **that trouble in the financial sector of an emerging country at periphery is, by extension, trouble for the entire banking sector at the core.**

In the context in which the European banking industry went through a rather **stormy** phase, three major topics caught our attention: **trust, financial literacy, and populism**. The first two being, we believe, strong antidotes for the third, and more dangerous, one. We have been facing this very threat here in Romania where, starting with 2014, the Romanian Association of Banks had to take firm stands against almost 50 legislative initiatives putting creditors at a damaging disadvantage. ***And I take a moment here to thank EBF for joining its voice with us on a number of cases.***

Amy Cuddy, an American social psychologist at Harvard Business School, has studied for more than a decade now **the notion of "the first impression".** According to her research, between 80% and 90% of the first impression relies on two questions: **'Can I trust this person?'** and **'Can I trust this person's abilities?'** Her research demonstrates **that trust, and not competence,** is the main driver when it comes to the first impression. "A warm and confident person induces power and generates admiration; but, only after having earned a person's trust, is your power considered a gift and not a threat". And, as we are not infrequently reminded, bankers are perceived as being cold, distant. Applying Cuddy's theory, even if we are perceived as being competent, **this quality is considered a threat when trust is absent.**

Therefore, esteemed guests, it is high time we make all joint efforts to boost our equity of trust.

We all have ideas and priorities, some of which are convergent, while others are not. Financial literacy is a convergent priority for us all because it can lead to additional trust in the banking industry. It follows, then, that we should turn financial literacy into a key priority for the European Project.

More often than not, financial literacy is inversely correlated with lending and economic growth. A solution for better financial integration is monitoring and fostering a European program to address financial literacy, adapted to the specific conditions of all member states. To this end, in our opinion, the cornerstone for Union harmonisation should be the introduction in school curricula of a mandatory course in financial literacy, for all European Union citizens.

Implementing a level playing field is a necessary condition for a viable future within the European Union and for the sustainability of the European Projects as a whole. Even before the first steps towards building the European Union of today were taken, Titulescu stated that "**it is absurd to believe that the individual could be saved when the collective is under threat to fall apart**". And this belief is even truer now, when populism attacks the core values of the European Union.

Coming towards the end of my short intervention, allow me to express our gratitude to the hosts of today's meeting for the on-going support in the development of a sound economic environment and for the trust in the common European future of one single market.

To conclude, Ladies and gentlemen, if we functionally integrate our deep understanding of the three topics (**trust, financial literacy and populism**) into our strategies, we have the chance **to reclaim the voices of banking experts and professionals as the true voices of a flourishing European economy**. And so, in line with Cuddy's reasoning, **we will be perceived as being not only competent but also reliable and trustworthy**. (Let's get back our trust!)

Strength stands in unity and a united Europe is a strong and beneficial ground for all stakeholders.
Thank you!