Banc Ceannais na hÉireann
Central Bank of Ireland

Eurosystem

Trust and Innovation – The Future of Finance

Muinín agus Nuálaíocht – Todhchaí an Airgeadais

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Speeches from the Conference

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Trust and Innovation – the Future of Finance
Remarks by Governor Makhlouf

Good morning, and welcome to our conference on "Trust and Innovation: The Future of Finance".

This morning's event takes place on the sidelines of the Informal ECOFIN – an occasion that brings together many of Europe's most experienced economic policy makers to discuss pressing questions. And payments, I would argue, is exactly the right topic for this moment.

Payments are the circulatory system of the economy. When that system works – as it usually does, quietly and invisibly – money moves between people, firms and governments, enabling commerce, sustaining trade, and underpinning the welfare of societies. In short, the payments ecosystem allows money to play that most fundamental role: a medium of exchange.

But payments are changing, and fast. New forms of payment instruments built around new technologies raise questions around settlement and redemption, interoperability, and the implications for the structure of the broader financial system. Digital payments have grown rapidly, but as we hear repeatedly from consumers, cash remains a valued payment option, even if it is being used less.

New entrants are emerging throughout the payment ecosystem – from digital banks to non-bank fintechs – now operating alongside traditional institutions at every stage of the transaction chain. Interlinkages between the traditional financial system and tokenised finance are increasing, while the future role of stablecoins within the payments system remains uncertain; there are

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questions around monetary stability and financial resilience that need to be answered.

At the Central Bank of Ireland, our work on the payments system is an important part of our economic, policy and regulatory work. And we approach it from a clear starting point: *trust*.
Money has always been built on trust – a social, political and technocratic construct. A monetary system works best when there is no fragmentation across issuers or platforms – when exchange can occur on a "no questions asked" basis. That trust has been earned over decades, if not centuries, through careful monetary and regulatory stewardship. The challenge before us is to anticipate and respond to rapid change in a way that preserves what makes the system trustworthy, while enabling it to serve the economy of the future.

This challenge is best understood through the lens of the two-tier architecture of money – an architecture that has served the public interest well, and that must continue to do so.

In the first tier, public money must continue to play the anchoring role. Central bank money provides the unit of account and the settlement asset upon which the entire system rests. Private money operates effectively precisely because it is ultimately linked to, and convertible into, central bank money. By facilitating riskless settlement, enabling effective policy implementation, and acting as a tangible payment instrument for the public – one in which privacy is guaranteed – central bank money must remain at the heart of an inclusive and resilient modern economy.

To ensure that this continues, our Eurosystem infrastructure and policy environment needs to be fit for the emerging digital age.

Projects PontesOpens in new window and AppiaOpens in new window represent important steps: developing a DLT-based settlement capability that links distributed ledger platforms with TARGETOpens

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in new window Services, and building an innovative, integrated European ecosystem that facilitates safe and efficient operations at the global level.
That's the wholesale side. On the retail side, public money in the form of cash, and soon its digital equivalent, the digital euro, must remain available across the economy to underpin the public's trust that money is safe and references a common value.

In the second tier, the contribution of private money is equally essential. A monetary system that provides seamless payments, innovative services, and credit for productive investment – through good times and bad – is essential for long-term prosperity.

Private providers of payment services, including banks and the range of new entities that have emerged and continue to emerge, must be operationally and financially resilient to guarantee provision of core services. Within a clear regulatory framework that prioritises safety and soundness, the private sector is positioned to innovate responsibly. Competition is to be welcomed when it provides greater choice, better quality service, or lower prices for consumers. This balance between safety and innovation is at the heart of our entire approach to regulation and supervision.

But resilience alone is not enough. Fragmentation – incompatible systems and competing standards – are risks that competition alone may not address. That is why the Central Bank's role extends beyond regulation. Through our role as operators of core payments infrastructure, we have a responsibility to actively shape the conditions under which the payments ecosystem as a whole can move forward together and best support a productive economy.

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These are not merely abstract policy positions. They are questions that our own evidence is now helping to answer – and today, we are publishing new research that I want to draw your attention to.[1]
To deepen our understanding of the evolving payments ecosystem, we have assessed its impact through four lenses: consumers, merchants, the financial sector, and the broader macroeconomic picture.

Our household survey reveals a fast-changing payments landscape.

- Close to half of all respondents under 35 now use mobile wallets as their primary payment method.
- Three in five Irish adults now use a digital or "neobank" alongside a longer-established bank, with a smaller younger cohort using digital banks exclusively.
- Where both types are used, digital banks are still predominantly used for payment functions rather than full banking services.

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[1] [1] "The three papers we are publishing today are:

- The Economics of the Evolving Payments System (PDF 1.54MB): **Implications for Policymaking, by Gillian Phelan and Fergal McCann, with contributions from Maria Elena Filippin, Alexis Ladasic, Michele Pelli and Anne Marie McKiernan.** This *Signed Article* asks how innovations in payments – from contactless cards and digital banks to stablecoins and central bank digital currency – could reshape the economy, drawing on original Central Bank survey evidence on household payment preferences and new estimates of the cost of retail payments to Irish businesses.

- How Ireland Pays: Mapping the Payment Ecosystem (PDF 1.21MB), **by Brian Gallagher**. This *Signed Article* provides a baseline description of Ireland's retail payments landscape, charting the roles of traditional banks, digital banks, and non-bank fintechs, and identifying three structural shifts likely to reshape the ecosystem in the years ahead: (i) the continued unbundling of payment services from credit provision; (ii) the adoption of technology-enabled innovative services by Irish-domiciled payment firms; and (iii) the emergence of new payment instruments such as account-to-account (A2A) payments, stablecoins and the digital euro

- Changing Payment Patterns in Ireland: National and County-level Trends, by Patrik Gorše. This *Behind the Data* analyses how Irish payment behaviour has changed since 2022. It compares national trends with the euro area, examines how online spending is catching up with in-store payments, and finds that digital payment adoption is progressing at similar speed across Irish counties.

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But the finding I want to pause on is this: when we ask consumers what matters *most* to them in choosing a payment instrument, the answer is not speed, convenience, or cost. It is security, reliability, trust, and fraud safeguards. That hierarchy of preferences is a clear message to everyone in this room and private sector firms introducing new products and services. Innovation that fails to honour that hierarchy will not earn durable public trust, however frictionless it may be.
At the same time, trust in digital banks is notably lower among respondents than trust in high-street banks – although these differentials are less pronounced among younger consumers, suggestive of the direction in which the market may gradually evolve.

For merchants, the picture is equally instructive. We have estimated the private cost borne by Irish businesses in processing retail payments to be at least €1 billion annually, around 0.3 per cent of GNI* or at least 1 per cent of underlying economic activity in the consumer-facing sectors of the economy. That is a meaningful cost, and the distribution matters as much as its level: smaller businesses face disproportionately higher per-transaction costs than larger ones, with the burden ultimately passed through to the prices consumers pay.

Efficiencies in the payments system also have broader macroeconomic implications – for how firms manage their liquidity, for how new markets open, and for international trade. There are costs to standing still. Recent ECB research finds that the potential gains from a faster, more integrated European payments ecosystem are large. In a similar vein, the G20 work on its Cross Border Roadmap seeks to identify and remove frictions in cross-border payment flows.

To conclude, the future of the payments has not yet been written, but central banks and regulators will shape its evolution. We will do so in partnership with the private sector, enabling the innovation the economy needs, while safeguarding trust and stability on which the system depends.

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We have always had public and private money that co-existed, complemented and reinforced each other. The monetary system of the future need not be a departure from this, but rather an expanded framework in which both established and new forms of payment instruments can settle, be redeemed, be interoperable and be trusted.

The intertwined technical and strategic questions being discussed at this conference – about the role of central bank money, its settlement infrastructure and the digital euro, about tokenisation and stablecoins, about what European autonomy in payments requires – are among the most consequential questions in economic policy today.

I look forward to hearing more throughout the morning.

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Innovation and payments Remarks by Pablo Hernández de Cos, General Manager, Bank for International Settlements

I would like to start by thanking the Central Bank of Ireland for organising this event and inviting me to join this panel.

In my remarks, I would like to briefly comment on the rapid progress of digital innovation in finance. New digital technologies are transforming how consumers pay, save, borrow, invest and insure. Equally, firms are also evolving, changing how they access capital, manage risks and reach new markets.

Around the world, a significant part of this progress, particularly where it concerns payments, can be attributed to innovation led by the public sector. Fast payment systems (FPS) are a leading example of such innovation. Over 120 jurisdictions now have access to FPS, and many of these are operated by central banks. FPS have boosted household incomes, business activity and economic output, while also expanding retail participation in financial markets by enabling interoperability. The rise of fintech has also played its part. For example, the entry of fintech companies in cross-border payment markets has reduced the cost of remittances, much more than more recent inventions like stablecoins.

Well-designed innovation in payments, based on close coordination between the public and private sectors, can also boost regional financial integration. It can enhance resilience by providing regional alternatives, particularly for critical cross-border payments infrastructure. In this regard, several central banks are taking the lead on interlinking FPS across borders.

Similarly, Project Agorá, a BIS initiative, has brought together eight central banks and a large group of private sector financial institutions, and demonstrated the potential of atomic settlement for wholesale cross-border transactions. In the euro area, the work on the digital euro, as well as on Pontes and Appia, holds significant promise and serves as an example for other economies.

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Several of these initiatives already rest on tokenisation, which is reshaping financial infrastructure more broadly. Let me now turn to that.

Tokenisation is the digital representation of claims on programmable ledgers. This holds the promise to address some of the limitations of the current system and the public and private sectors are experimenting with it across a range of use cases. Modern-day financial transactions rest on a sequence of actions including messaging, reconciliation and settlement.

Tokenisation allows these actions to be integrated in a single, seamless operation thereby reducing frictions and enhancing efficiency. It allows for composability, whereby assets and money exist as executable tokens on a shared ledger. It also allows for programmability, which refers to the ability to execute transactions automatically and conditionally through smart contracts. Together, these capabilities can reduce settlement delays, lower counterparty and operational risk, reduce pre-funding needs and streamline transactions. For households and businesses, this can translate into cheaper and faster financial transactions and wider access to financial markets.

In this new era of financial innovation, central banks continue to play a key role in preserving monetary and financial stability. In modern economies, central banks sit at the base of the two-tier monetary system, issuing the economy's unit of account and providing reserves as the ultimate means of settlement for commercial banks. On top of this foundation, commercial banks create deposits that individuals and firms use day to day and compete to provide credit and services that support economic activity.

This foundational role does not diminish in a tokenised world. Every financial transaction has two legs: the asset changes hands and at the same time, money also changes hands to settle the transfer of assets. Tokenisation can be applied to both legs, but its benefits can only be safely realised if the money used to settle is beyond doubt, accepted at par and final. This is precisely what settlement in central bank money, using tokenised reserves, provides.

The enduring role of the public sector in spurring financial innovation is a useful lens to think about the design of the financial system of the future. The public sector has provided repeatedly provided the foundation on which private sector innovation has been built. This is particularly evident in payments. The task before policymakers and regulators is therefore to build on the strengths of the current financial system while being cognisant of the gaps that persist. Throughout, the yardstick for financial innovation should be whether it improves outcomes for individuals, households and businesses.

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Transition and adjustment in changing times Remarks by Erik Thedéen, Governor of the Riksbank

It is a pleasure to be here to speak about these important issues – and a pleasure to be part of a panel with such knowledgeable people.

We are here to discuss how new technology and new business models can transform our financial system and the way we make payments. It is, to say the least, a hot topic that is being discussed both in the media and amongst decision makers in public authorities and companies around the world.

However, I would like to begin today by focusing on the past. By 'the past', I mean here the established organisations and structures that make up our financial system – us central banks and what we call the traditional banking sector. When new innovations emerge, it's easy to get the impression that we are the dinosaurs of the modern age: large, but ill-equipped to cope with the new challenges awaiting round the corner.

But let's think back a little. My own central bank, the Riksbank, was established in 1668; the Bank of England was established in 1694; and over the centuries that followed, central banks were established in one country after another. There are also private banks that are roughly the same age.

Just think about everything that has changed in society since then, and all the new technology that has been introduced. This provides a sense of how successfully the old has actually adapted to new circumstances, embraced new technology and updated its working methods. Computers began to be used more and more widely by central banks and commercial banks during the 1950s. Back then, data and programmes were stored on punch cards and fed into large, cumbersome terminals that took up entire rooms. Nowadays, the payment system is almost entirely digital, and payments and banking transactions are increasingly carried out on mobile phones that fit in your pocket.

Today's central banks operate high-tech payment systems that settle central bank money in real time – but they also continue to supply society with cash, as they have done for centuries.

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So – we are embracing new technology and new ways of working, whilst at the same time carrying with us the past, the established ways. My examples show how well the system has so far been able to adapt to and survive such changes.

That is why I also believe that the system will adapt to the wave of change we are currently experiencing. Some aspects of the new technology are already being implemented in the financial system. In Europe, several established banks have joined forces in a consortium to issue euro-denominated stablecoins. At the same time, there is growing discussion of the idea of tokenising one of the very oldest forms of money – bank deposits. It is too early to say how any of these initiatives will develop – but in any case, they demonstrate the adaptability of our financial system.

Since we are in Ireland, let me give an Irish example of the sort of process I am talking about. When Ryanair entered the European aviation market, there were fears that low-cost carriers would drive traditional airlines out of business and take over the market. That's not what happened. Whilst Ryanair did gain market shares and change the competitive landscape, established airlines were also forced to streamline their operations, develop new services and become more customer focused. With the benefit of hindsight, one could argue that competition contributed to innovation and renewal across the entire sector.

Stablecoins and other innovations could play a similar role in the payments market. They are unlikely to replace traditional bank money or central bank money, but they may challenge existing players by offering payments that are faster, cheaper or easier to send between countries. That competition can, in turn, drive innovation, modernisation and greater efficiency within the financial system. The question, therefore, is perhaps not whether stablecoins will take over the market, but how they will shape the entire payment system.

Let's look at a few examples. SWIFT was established in 1973 and is in itself an example of how well the financial system adapted to an increasingly globalised world. Last summer, it was announced that SWIFT is leading a blockchain-based initiative to enable cross-border payments in tokenised deposits. Seventeen banks across six different continents are taking part in the project.

At the same time, central banks are preparing to be able to settle critical functions using risk-free central bank money. The ECB's Pontes and Appia projects are probably the most prominent of the initiatives it has launched.

But this does not mean that we can simply sit back and wait. On the contrary. The financial system and our payment systems must function

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properly. Every banking crisis clearly demonstrates the scale of what is at stake and why we must be cautious. If the changes happen too quickly, so that we lose the ability to identify the risks associated with these developments and to address them – then we also run the risk of ending up with a system that, at best, functions less effectively than it could and, at worst, not at all. In the latter case, the consequences could be serious.

We can also look at the issue of how payments have been digitalised. Digital payments are a good thing, but in Sweden, where most payments are now made digitally, we are also seeing new problems as cash payments decline. For example, certain groups may find it more difficult to make payments, and the payments system becomes more vulnerable because digital payments rely on electricity and telecommunications. These shortcomings have prompted us to start working on ensuring access to cash through regulation, taking on greater operational responsibilities as a central bank, and improving the offline capacity for digital payments.

If we'd been able to recognise these risks as far back as fifteen years ago, I think we would have taken much more significant action then than we did. Let's learn from this and strive to 'stay ahead of the curve'.

We are now facing a new payment system with *decentralised ledgers* that is based on principles entirely different from those we are used to. At present, our system is based entirely on *centralised ledgers* – where the banks are responsible for holding information about who owns what and how people transfer their assets to one another as they make payments.

A system comprising *decentralised registers* may well offer significant advantages. However, it also carries the risk that it will no longer be as easy for us to determine who is actually responsible for ensuring that a transaction is recorded correctly. *If* – with the emphasis on *if* – we are also facing a systemic shift from centralised to decentralised registers, we must be involved to ensure that it does not happen too quickly and that we get it right in the end. It must not become a question of who is actually responsible.

I therefore believe that the adaptability which 'the old' has demonstrated throughout the ages has not happened automatically. On the contrary, it has required decision-makers to make sound decisions in order to balance the risks and benefits as new innovations emerge.

This means that we, as central banks, need to understand the pressures for change that we are seeing and take action. I see a number of key issues which we will have the opportunity to discuss

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today and on which I hope to have the opportunity to give my views. I would like to mention three of them in particular.

Firstly, we must, of course, ensure that new means of payment and payment solutions are subject to appropriate regulation. Secondly, we need to ensure that the public and private sectors are pulling in the same direction and are prepared to work together. Thirdly, in these times of geopolitical uncertainty, we need to ensure that our payments system is robust enough to cope with both external and internal disruptions. I will expand on this in the discussion that follows and give some examples of how we have tried to address this in Sweden in recent years.

So, to summarise: Those of us who, to some extent, represent 'the old' should welcome the new and recognise the opportunities it offers. But we should not rest on our laurels – adaptation doesn't happen automatically.

Economics of Innovation Remarks by Professor Joachim Nagel, President of the Deutsche Bundesbank

Ladies and gentlemen,

It's a pleasure to participate in this conference.

Innovation is undoubtedly a crucial issue for Europe at this juncture. As the Draghi report has laid bare, Europe is struggling to generate and scale productivity-boosting innovation. This is an important factor behind its weak productivity and growth performance. The report talks about a "…static industrial structure which produces a vicious circle of low investment and low innovation". I therefore highly welcome our discussion on how Europe can accelerate innovation to foster growth.

Why do I consider this to be an important topic as a central banker? First, productivity-boosting innovation affects economic growth and inflation. Second, some of the barriers to innovation lie in areas where central banks have substantial expertise. And third, through our actions, we central bankers can help strengthen trust in the financial system and in the broader economic environment.

Single Market and capital markets

What levers do we have to stimulate innovation and drive growth in Europe? I will name three.

Before I do so, let me clearly state: I do not believe that the main obstacles are a shortage of talent or a lack of innovative ideas. Europe has many strengths it can build upon: talent, innovative ideas, a high degree of political stability and a strong, reliable legal framework, providing the predictability and security needed for long-term investment, innovation, and economic growth. But Europe is struggling to help innovative firms scale up and grow into globally competitive companies. How then can scaling-up become simpler in Europe?

My first lever is Europe's Single Market. Regulatory and administrative barriers should be identified and lowered where necessary.

My second lever is access to funding. In order to mobilise investment in innovative firms, we need to make further progress towards a savings and investments union. Recently, the AI model maker Mistral raised a record 3 billion euro in funds. Great! Yet, Anthropic in the United

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States raised 100 billion USD this year. Compared with the United States, Europe has a less developed venture-capital market, which puts innovative European firms at a disadvantage.

Infrastructure

The third and final lever is to improve Europe's infrastructure. Infrastructure has many facets. In times of AI, cloud and quantum computing, sufficient, reliable and sustainable energy grids are increasingly proving to be critical infrastructure. It has also been emphasised from various sides that information and communication infrastructure is needed to connect all this. Here we're talking about storage, computing power and fibre optic cables in particular. Mario Draghi wrote an important opinion article on this topic that was recently published in the Financial Times.[2] And Christine Lagarde just emphasised the importance of closing Europe's "data centre gap".[3]

Last, but not least, a strong education system and successful basic research are essential parts of our European infrastructure. These build human capital, expand the foundations of knowledge and enable future innovation. Investing in both is therefore crucial for long-term economic competitiveness, technological progress and societal resilience.

Conclusion

My takeaway from the history of innovations since the steam engine: Personal initiative and the ideas of individuals are the driving force. Sustained and broad-based innovation is most likely to flourish where personal initiative, entrepreneurial dynamism and competitive markets can thrive. The public sector's key role is to provide reliable framework conditions and to act as an enabler where market failures are clearly identified.

Europe's innovation challenge is not a shortage of ideas. It is above all a challenge of scaling, financing and providing common European infrastructure. Policy can make an important contribution by providing a stable, predictable and innovation-friendly environment. An environment where people can trust that innovation can and will happen – to the benefit of all citizens in Europe.

[2] Financial Times (2026), Europe's difficult choices on AI, opinion article by Mario Draghi, 11 September 2026.
[3] Christine Lagarde, A new age of capital: growth, sovereignty and AI, speech at "Hofburg im Dialog – Economy, Europe, Resilience" in Vienna, Austria.

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Economics of Innovation Remarks by Dr Orlaigh Quinn, Interim Director General of the Institute of International and European Affairs

Good morning and thank you for the invitation to participate in this important discussion on the economics of innovation.

I want to begin with a simple proposition: Ireland and Europe do not suffer from a lack of innovation.

We have talented entrepreneurs, strong universities, sophisticated financial institutions and internationally competitive technology clusters. Ireland is among Europe's leading startup and scale-up economies. It has become a significant centre for international finance, payments, digital assets, regulatory technology and artificial intelligence.

Our central challenge is not generating ideas. It is creating the conditions that allow innovative firms to start, scale and remain in Europe.

Three priorities to address this are particularly important:

- First, deepening the Single Market.
- Second, mobilising investment and risk capital, and;
- Third, using the power of the State strategically to enable innovation and growth.

Deepening the Single Market

The Single Market is Europe's greatest economic asset. It connects approximately 450 million consumers and 26 million businesses.[4] But for many innovative companies, it remains incomplete in practice.

A company may be able to sell goods across borders, while still encountering different regulatory requirements, tax systems, administrative procedures and restrictions on services and capital.

[4] European Commission (2025) The Single Market: our European home market in an uncertain world

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Some 62% of EU firms report difficulties exporting within the Union because of fragmented rules and regulations.[5]

For a small company, these barriers are not minor inconveniences. They can determine whether it expands into another European market, relocates abroad or abandons its growth plans entirely.

This fragmentation helps explain why European firms often struggle to reach the scale of their American counterparts. European scale-ups raise substantially less capital than comparable firms in Silicon Valley during their first decade. Between 2008 and 2020, approximately 30% of European unicorns relocated abroad, mainly to the United States.[6]

When successful companies leave, Europe loses more than headquarters. It can lose intellectual property, skilled employment, tax revenue and future centres of innovation.

Completing the Single Market must, therefore, mean more than removing tariffs. It must make selling a service in Paris or Berlin as straightforward as selling it in Dublin. That requires more consistent implementation of EU rules, fewer administrative barriers and greater freedom for services and capital to move across borders.

The proposed 28th Regime, or EU Inc., should make an important contribution by creating a genuinely European company structure. It may be particularly valuable for firms at the establishment and early-growth stages. However, it will not, by itself, solve the financing difficulties facing companies that are ready to scale. It should be understood as one part of a wider reform programme.

Mobilising investment

Europe's innovation challenge is increasingly a financing challenge.

In Europe, around 70% of business financing comes from banks. In the United States, the equivalent share is closer to 30%, with capital markets and institutional investors playing a much larger role.[7]

Banks are essential to the European economy, but bank lending is not always suited to young, innovative businesses. These companies may have few tangible assets, uncertain short-term revenues and

[5] European Investment Bank (2026) Investment Report 2025/26: Capitalising on Europe's Strengths
[6] Testa, G. et al. (2022) In search of EU unicorns – What do we know about them
[7] Ford, S. (2026) The Savings and Investments Union as the catalyst for Europe's capital markets revolution

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substantial investment requirements. Equity and venture capital are often more appropriate because investors share both the risks and potential returns.

Ireland's funding gaps are particularly acute in growth-stage rounds. Companies seeking between €5 million and €25 million can find it difficult to secure the capital required to expand.[8] Ireland's overall scale-up financing gap has been estimated at approximately €1.1 billion.[9]

This means that promising firms may establish themselves successfully in Ireland but need to look abroad when they reach the next stage of development. External investment should, of course, remain welcome. Ireland's success has always depended on openness to international capital, talent and markets. But firms should not be forced to relocate simply because adequate growth capital is unavailable at home.

The EU's Savings and Investment Union provides an important opportunity to address this problem. European households hold approximately €33 trillion in wealth, with a significant share kept in deposits.[10] Irish households also maintain substantial deposit holdings. During the pandemic, Ireland's household saving rate rose to approximately 25% of disposable income. It has since returned to around 13.8%, but household deposits and aggregate wealth remain historically high.[11]

Obviously, cash savings remain appropriate for emergency funds and short-term needs. The objective should not be to push households into investments they do not understand or risks they cannot afford. It should be to provide people with better opportunities to build long-term wealth through diversified investments while directing a larger share of European savings towards productive activity.

Ireland's proposed Personal Investment Account is therefore welcome. The IIEA has examined this subject extensively, including through work with Brown Brothers Harriman, Vanguard and BNY.

Our research emphasises the importance of simplicity, portability, proportionate taxation and straightforward administration. It is

[8] SQW (2025) Market Demand for and Supply of Scaling Finance in Ireland
[9] SQW (2025) Market Demand for and Supply of Scaling Finance in Ireland
[10] Ford, S. (2026) The Savings and Investments Union as the catalyst for Europe's capital markets revolution
[11] Central Statistics Office (2025) Household Saving Q4 2024

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encouraging that the Government's initial proposals reflect several of these recommendations, including removing deemed disposal, allowing portability and assigning tax-reporting responsibilities to account providers. The remaining design decisions, to be announced next month, will be critical. Contribution limits, eligible assets, tax rates and account thresholds must be calibrated carefully to ensure success.

Public communication will be equally important. Citizens must understand both the potential benefits and the risks of investing. Investment values can fall as well as rise, and a Personal Investment Account cannot be presented as a substitute for emergency savings or appropriate pension provision.

A successful account will therefore require:

- Simple products and transparent charges, so consumers can understand what they are buying.
- Diversification, to prevent excessive exposure to individual firms, sectors or domestic assets.
- Accessible financial education, provided at the point where people make decisions.
- Strong consumer protection, without making participation unnecessarily complex.
- Long-term incentives, rather than measures that encourage short-term speculation.

Personal Investment Accounts should be viewed as the beginning of a broader effort to build an investment culture, not as a complete solution to Europe's capital-market weaknesses.

Pension capital and patient investment

Pension funds can also play a much greater role.

Occupational and private pensions in Ireland are worth approximately €148 billion, yet only a small proportion of Irish pension assets is invested domestically.[12] At EU level, pension funds represent about 10% of the investor base, compared with approximately 36% in the United States.[13]

[12] Central Bank of Ireland (2026) Pension Fund Statistics: Key Points – Q1 2026
[13] Banu, E. et al. (2026) Exploring the investor landscape for venture capital

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The answer is not to require pension funds to favour domestic investments, regardless of quality. Trustees must continue to act in members' interests, maintain diversification and manage risk responsibly.

However, government can create well-designed vehicles through which pension funds can invest in diversified portfolios of Irish and European growth companies. These vehicles should have professional management, appropriate scale, transparent governance and a sufficiently long investment horizon.

That would allow pension funds to support productive investment without exposing savers to an excessive concentration of risk.

The planned reform of the European Venture Capital Funds Regulation is also welcome. Europe needs larger venture funds, lower barriers to cross-border investment and a regulatory framework that allows successful funds to operate at European scale.

Innovation in pensions - *MyFutureFund*

A new national innovation, and one of the most fundamental reforms in the history of the Irish pensions landscape, has been the introduction of Automatic Enrolment in January this year - known under the brand name *MyFutureFund*. This followed on from many years of development, stakeholder engagement, and collaboration. Indeed, I led on this earlier in my career.

Prior to the introduction of *MyFutureFund*, about 66% of private sector workers in Ireland lacked a pension outside of the State Pension. This created a long-term adequacy and coverage challenge, particularly given long-term demographic trends, which, if not addressed, would damage economic growth and undermine State finances.

The new scheme is quasi-mandatory and operates on an ‘opt-out’ basis. It is based on a tri-partite relationship of the employee, the employer and the State. Contributions are collected and invested, on behalf of participants, by three investment management companies. Participants will be able to drawdown the savings that have accumulated through the contributions they have made and the investment returns that have resulted to supplement their income in retirement.

The system is fully automated and is entirely unconnected to any individual employer. Therefore, participants can stay in it as they change jobs. This “pot-follows-member” approach makes this unique in

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the implementation of auto-enrolment systems in other Member States and other international approaches. Another noticeable fact is that members can choose to opt out after six months. This first opt-out window has recently closed, and it is striking that there was such a low opt-out rate of just under 4%. This is below the opt-out rates experienced in comparable jurisdictions, including approximately 10% in the UK and 12% in New Zealand.

The scheme is managed by a new statutory body, the National Automatic Enrolment Retirement Savings Authority (NAERSA). I should mention that I am a member of the Board.

Finally, it is worth noting that the overall design of the system is about simplicity and trust. Simplicity for the participants and employers in every aspect from the collection of contributions to the investment choices. Trust by the establishment of a stand-alone public agency to act as a custodian for each individually owned fund.

Finally, to note the operational success of the project to date, as demonstrated by the significant, measurable outcomes achieved by *MyFutureFund* since the launch with over 825,000 workers now enrolled and over half a billion euro in contributions invested to date.

The strategic role of the State

Apart from pensions, the State has another important role, but it should be clearly defined. Its purpose should be to enable and crowd in private investment, not attempt to replace it.

Market failures are especially evident in later-stage venture financing, where investment requirements are large, returns may take years to materialise, and individual investors may be reluctant to bear the risk alone.

The Irish government's enterprise development agency, Enterprise Ireland's latest Seed and Venture Capital Scheme commits €250 million over five years, an increase from €186 million under the previous programme.[14] This is a positive development.

But the scale-up gap suggests there is a case for expanding and more precisely targeting public investment programmes towards later-stage companies. The UK's British Patient Capital offers one useful model of

[14] Department of Enterprise, Trade and Employment (2024) Minister Burke announces new €250 million Seed and Venture Capital Scheme

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how public capital can attract private investors and support firm growth and employment.

Public procurement is another underused instrument. For an innovative company, securing its first major customer can be as important as raising finance. Government departments and public bodies can support innovation by becoming intelligent early customers, provided procurement remains competitive, transparent and focused on genuine public needs.

The State must also support research, skills and infrastructure. EU research and development expenditure remains at approximately 2.2% of GDP, compared with around 3.5% in the United States and 4.9% in South Korea.[15] Closing this gap will require both public and private investment.

Artificial intelligence, productivity and employment

No discussion of innovation is complete without considering artificial intelligence.

AI is already reshaping Ireland's economy. By April 2026, AI-related terms appeared in more than 13% of Irish job advertisements on Indeed, compared with approximately 3% two years earlier. Around 63% of Irish jobs are estimated to have some exposure to AI.[16]

Exposure, however, does not automatically mean displacement.

For many workers, AI will complement rather than replace their work. It can automate repetitive tasks, analyse large volumes of information and allow employees to concentrate on judgement, communication, creativity and problem-solving.

In financial services, the benefits are already visible. AI can strengthen fraud detection, improve cybersecurity, identify suspicious transactions, support regulatory compliance and accelerate customer service. Mastercard's development in Dublin of a generative AI model for its global network demonstrates how innovation undertaken in Ireland can be deployed internationally.

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[15] Richard-Romei, V. & Ploeger, An (2026) European Parliament Fact Sheet – Innovation Policy
[16] Williamson, H. et al. (2024) Artificial Intelligence: Friend or Foe? – A Review of How AI Could Impact Ireland's Economy

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AI can also help smaller firms access capabilities that were previously available only to large organisations. It can reduce the cost of market research, translation, software development, administration and customer support. This could help Irish businesses export earlier and compete in more markets.

The long-term economic potential is substantial. Department of Finance analysis suggests that high digital adoption could leave Ireland's modified national income approximately 10% above its baseline level by 2065. Low adoption could leave it around 8% below baseline.[17]

The size of that difference shows why diffusion matters. It is not enough for a small number of multinational companies to use advanced technology. Productivity gains must spread to domestic firms, public services and small and medium-sized enterprises.

Managing employment risks

The opportunities of AI are significant, but so too are the risks.

Employment growth has been weaker since 2023 in sectors with greater AI exposure, particularly for younger workers. Administrative, secretarial, sales and customer-service roles may be especially vulnerable because many of their tasks can be automated. Financial services and information and communications are among the most exposed sectors.[18]

Women are also more likely than men to work in AI-exposed occupations. This means that poorly managed technological change could deepen existing labour-market inequalities.[19]

There are at least three employment risks that policy must address:

- First, task displacement. Some roles may disappear, while others may require substantially fewer workers.[20]

[17] Department of Finance (2025) Future Forty: A Fiscal and Economic Outlook to 2065
[18] Williamson, H. et al. (2024) Artificial Intelligence: Friend or Foe? – A Review of How AI Could Impact Ireland's Economy
[19] Williamson, H. et al. (2024) Artificial Intelligence: Friend or Foe? – A Review of How AI Could Impact Ireland's Economy
[20] Department of Finance (2026) Economic Insights – Volume 1 2026

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- Second, entry-level disruption. If AI performs tasks traditionally allocated to junior employees, young people may find it harder to gain the practical experience needed to progress.[21]
- Third, uneven adoption. Large firms may capture productivity gains while smaller firms fall behind, widening the gap between multinationals and the domestic economy.[22]

The appropriate response is not to prevent technological change. It is to manage the transition. Government, employers and education providers should develop rapid and flexible reskilling programmes linked to actual labour-market demand. Training should be accessible throughout a person's career, not concentrated only at the beginning of working life.

Employers should also involve workers in the introduction of AI systems. This can help identify where technology genuinely improves productivity, where human oversight remains essential and where jobs can be redesigned rather than eliminated.

Particular attention should be given to entry-level career pathways. Firms benefiting from AI should continue to create structured opportunities for graduates and younger workers to learn, exercise judgement and develop professional expertise.

Social protection and employment services will also need to become more responsive. Workers facing displacement should be able to access income support, career guidance and accredited training quickly, rather than after prolonged unemployment.

Regulation, trust and innovation

This brings us to the central theme of this conference: trust and innovation.

The choice is not between innovation and regulation. Well-designed regulation creates the trust that allows innovation to scale.

That is particularly true in finance, where customers entrust institutions with their savings, personal information and economic security.

[21] Department of Finance (2026) Economic Insights – Volume 1 2026
[22] Department of Finance (2026) Economic Insights – Volume 1 2026

Ireland's reputation for rigorous, independent financial regulation is an economic asset. Authorisation in Ireland also gives firms access to the wider European market through passporting arrangements.

MiCAR illustrates the importance of combining innovation with clear rules. Digital assets are developing rapidly, from crypto-assets and stablecoins to tokenised funds and blockchain-based settlement. Firms need regulatory certainty, and consumers need confidence that appropriate safeguards are in place.

The critical question is therefore not whether regulation helps or hinders innovation. It is whether regulation is proportionate, consistent across borders and practical to comply with.

Poorly designed regulation can entrench established firms, increase costs and prevent smaller competitors from entering the market. Good regulation provides clarity, supports competition and protects the public.

Europe should aim for regulation that is rigorous in its objectives but simpler and more consistent in its implementation.

Innovation and resilience

Innovation is also central to economic resilience.

It can diversify supply chains, create alternative technologies, improve energy efficiency and reduce dependence on individual suppliers. But resilience must not become a justification for isolation.

Irish and European firms will continue to depend on international investors, global talent and access to overseas markets. The appropriate objective is strategic capability: ensuring that Europe can develop, finance and retain important technologies while remaining open to trade and investment.

Ireland's experience demonstrates the value of this openness. Its strengths in technology and international financial services have developed side by side. The proximity of global financial institutions, technology companies, universities and regulators has created a deep pool of specialist expertise in areas such as payments, cybersecurity, financial-crime analytics and regulatory technology.

The next step is to connect that expertise more effectively with Irish startups and scale-ups. Financial institutions can contribute not only

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capital but also technical knowledge, commercial partnerships and access to international markets.

Conclusion

Ireland and Europe are not facing a shortage of ideas. We are facing a shortage of scale, integration and patient capital.

No single measure will resolve that challenge.

We need to deepen the Single Market so that innovative companies can grow across Europe without encountering a new obstacle at every border.

We need to mobilise more private capital through the Savings and Investment Union, Personal Investment Accounts, pension reform and stronger European venture funds.

We need a State that invests where markets under-provide, uses procurement strategically, develops skills and infrastructure, and attracts rather than displaces private investment.

We must also manage the transition created by AI - capturing its productivity benefits while protecting opportunity, supporting workers and ensuring that smaller firms are not left behind.

Above all, we must maintain public trust. Innovation will succeed only when citizens believe that the financial system works for them, that regulation protects them and that technological progress will lead to broadly shared prosperity.

Finally, Europe's challenge is not inventing the next breakthrough. It is creating the conditions that allow innovative firms to start, scale and stay in Europe. Achieving that requires a deeper Single Market, stronger investment channels and a State that acts as an effective enabler of growth.

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