

Frankfurt Finance Summit 2020 **“Europe´s new reality - Managing the crisis”**

- *The Corona crisis and its impact on the financial system*
- *Completing the banking and capital market union under new circumstances*
- *The KfW Coronavirus aid: loans to companies – a first assessment*
- *EU climate goals: staying on track in times of recession?*

22nd June 2020

Farewell Remarks

Ladies and gentlemen,

it is a pleasure for me to give the farewell address. First of all please let me thank

- All of you for participating in this hybrid conference –probably THE future conference format,
- all the speakers and the panel participants,
- the team of Frankfurt Main Finance managed by Hubertus Väth and Andreas Glänzel,
- the organization team of dfv Euro Finance Group lead by Andreas Scholz and
- all the partners, supporters and international media partner you see behind me on the wall, which made the event financially possible.

Finally I would like to thank the person who lead us through this whole conference today: Ms Annette Weisbach.

I was also asked to invite all of you to the dinner-reception here in this hotel afterwards. Oliver Schwebel, head of the Wirtschaftsförderung Frankfurt GmbH, is going to render some words to us.

Today's presentations and discussions stimulate many thoughts for the next hours, days and weeks.

1) The current crisis reveals how well or badly companies are prepared for unexpected risks. It shows that the best way to get through hard times is to build up financial reserves in normal times and to anticipate tough times by considering gloomy scenarios - and not be afraid to consider your own doom as a possibility.

Some statements characterize the current situation as another "Black Swan" – the metaphorical term of predictive risk analysis for unexpected and unlikely future events with enormous effects. Others say – to the contrary – this is a grey rhino. A "grey rhino" is a highly probable, yet neglected threat with high impact. Grey rhinos do not occur as random surprises, but after a series of warnings and visible evidence.

Regardless which animal you prefer, a crisis generally marks a climax or turning point in a dangerous conflict development, which was preceded by a massive dysfunction over a certain period of time. The necessary decisions to be taken at the turning point usually offer both the chance to resolve the conflicts, usually at a substantial cost, and the risk of aggravating the problems.

To avoid a catastrophe, we should undertake necessary actions taking into account not only short-term consequences but also grasp the opportunities for desirable long-term restructurings of the economy.

2) Anyway, this crisis not only focuses on well-known financial risks, but also on non-financial risks, including operational risk, and business continuity management. There are many questions posed by the crisis. Instead of the strictly rational and mathematical approach prevailing in

the financial industry, answers to these questions should rather be based on psychological or behavioral science analysis.

3) The discussions today illustrated another observation: politics, finance and society do not act independently of each other. The crisis has shown that society is the all-encompassing term. Society has to guide politics and finance, but politics also play a major role in guiding individual behavior.

The crisis raises many questions: Addressing these successfully requires close co-operation between practice and academia/university. This is the only way that researchers can understand the unusual questions associated with the management of risks so that they can use scientific analysis to develop appropriate corporate governance and risk management systems.

This co-operation is the business mission of FIRM - the Frankfurt Institute for Risk Management and Regulation. FIRM is supported by the Association for Risk Management and Regulation, in which banks, financial services companies, consulting and audit firms, the Federal Financial Supervisory Authority and the State of Hessen are involved. Founded in June 2009 the purpose of the Association is to conduct and promote teaching and research in the fields of risk management and regulation including compliance and governance issues. Moreover, FIRM promotes the discussion between practitioners and academics on new challenges for the financial and the insurance industry, but also for the “real sector” companies so as to help them to improve their corporate governance and risk management.

The motto of this year’s summit was “Europe’s new reality - Managing the crisis”. In order to properly manage this crisis, a clean, honest inventory of the so-called "new reality" is required. Appropriate steps can only be determined after a clean diagnosis – even issues like the

banking–sovereign bond-nexus or the promotion of the Capital Market Union or the allocation of the financial burdens of the crisis. But these issues should be manageable. Because we have been in the mode of "new realities", "challenges" etc. for years, many of them remain largely the same over time: Geopolitical Risks (key word China), demographic development, public and private debt, ecological issues.

There have also been many initiatives to push forward the Frankfurt Financial Centre in recent years. Some have been successful, others not. Responsibilities need to be allocated visibly and clearly to various players. How many crises are needed in addition to finally move forward together?

Regardless of how the final diagnosis turns out, this can best be achieved by a joint effort of all of those involved here in the Frankfurt Financial Centre.

In his most famous book "The open society and its enemies" Karl Popper once wrote that world history has no meaning in itself. It is mankind – you and me - who gives history a meaning in one or another way.

We at FIRM are definitely ready to participate and take over an active role in giving history a meaning, i.e. to strengthen the Frankfurt Financial Centre based in a solid and strong Europe.

After the dinner-reception I wish you a safe trip home and I hope to see you again at the 11th Frankfurt Finance Summit next year.

Stay healthy, thank you and good bye.