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Presentation of the latest issue of *Papeles de Economía Española**
Funcas
Madrid
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Deputy Governor

* English translation from the original in Spanish.

Good morning,

It's a great pleasure to introduce this edition of *Papeles de Economía Española*, published by Funcas, which this time takes a close look at the new challenges facing the banking sector. *Papeles* is one of Spain's most prestigious and influential economic journals. Since 1979, every quarterly issue has provided us with a rigorous assessment of current affairs and the most pressing economic questions.

We're living in an age in which the global economy and international relations are in constant flux. In this context, the role of banks takes on particular significance. This new issue, which we present today, offers an essential guide to understanding and anticipating the challenges facing financial institutions in this time of profound transformation.

Journals such as *Papeles* are indispensable for promoting economic understanding. Their in-depth analyses inspire rigorous reflection and provide a sound basis for both debate and decision-making in the public and private spheres. They also make economic research and analysis more accessible to the wider public, encouraging dialogue and transparency.

In this issue, leading experts examine key matters, mostly relating to the digital transformation, artificial intelligence (AI) and the impact of new technologies in the banking sector. These questions are central to the reshaping of the foundations of modern banking and are essential for understanding what lies ahead for the financial system.

I'd like to highlight in particular the emergence of new technologies, including AI, which will undoubtedly chart the future course of the financial sector.

As several authors point out, although the use of AI in banking is still at a relatively early stage, it already offers many opportunities to boost efficiency and enhance the customer experience. At the same time, however, it also poses quite considerable challenges that must be tackled head-on. One of these concerns the ability of banks to explain and interpret AI-generated output.

A recent article published by the European Central Bank[1] notes that most banks already use specific tools to monitor the output of AI models. Combined with human validation and limits on "self-learning" models, these tools help mitigate some of this risk. It's also vital to ensure that any data fed into such systems are properly validated, supported by robust governance and subject to rigorous quality standards. Although at present AI seems to be mainly used in credit scoring and fraud detection, it's very likely that applications will expand into other areas. This is why it's so important to establish clear foundations to ensure that AI is used in a safe, trustworthy and ethical fashion.

Another factor linked to transparency in AI models and digital technologies in general is their reliance on external providers. This is an issue that must be carefully considered when making strategic decisions on digitalisation, since while it does bring cost and efficiency advantages, it can also create vulnerabilities and risks that need to be identified and managed.

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[1] https://www.bankingsupervision.europa.eu/press/supervisory-newsletters/newsletter/2025/html/ssm.nl251120_1.en.html

Digitalisation, of course, goes far beyond AI. As one of the articles in this latest issue explores, the future of financial markets will be digital and much more decentralised and programmable. New actors, new products, new ways of attracting investment (such as equity crowdfunding, which is also discussed in this issue) and the growth of non-bank financial intermediation are no longer emerging trends, but established features of today's financial landscape. It's crucial that all the technologies underpinning these developments are embedded in solid institutional frameworks that ensure investor protection, ethical finance and overall financial stability. Operational resilience, oversight of critical service providers and robust governance of data and core processes are critical if digitalisation is to bring success and enhance financial activity while safeguarding security and stability. The digital transformation must leave no one behind – this is key. Change is happening rapidly and the financial sector, together with governments, has a responsibility to ensure that all members of the public have access to high-quality financial services on equal terms.

Although this issue of the journal focuses on digital matters and financial innovation, I'd also like to mention two further structural challenges facing the banking sector.

The first is geopolitical risk. This is by no means unique to finance; it affects the entire global economy. In such an unstable and unpredictable environment, banks must strengthen their ability to monitor, adapt to and manage geopolitical risk, integrating it into their usual models so they can anticipate disruptive scenarios. This will allow them to respond in a timely manner, bolstering their resilience to potential financial and macroeconomic shocks. Up to now, the major shocks we've experienced in recent years haven't had a significant impact on our financial system. This is largely thanks to the extraordinary measures taken by different tiers of government, particularly the European Union through the Next Generation EU funds, and national governments through a wide range of measures. However, the ability of governments to respond to another large, extraordinary shock may be limited, in some countries, by their fiscal position.

The second challenge is sustainability. This is not merely a regulatory or ethical matter; it's a prerequisite for long-term financial stability which should not be left at the mercy of changing political winds or passing trends. Scientific evidence, which is not swayed by such debates, is very clear: inaction or delayed action will have negative consequences for global growth. Accordingly, our economies must adapt to climate change and to other environmental challenges. The financial sector, which has a leading role to play in this transition, faces major difficulties, including the lack of high-quality data needed to draw up reliable and measurable transition plans. And yet this transition of the economy and the financial system should also be seen as an opportunity. Moving towards sustainability means more business and greater resilience. We must therefore support this transformation and encourage the financial sector to act as a driver of change for the rest of the productive economy.

In conclusion, I'm confident that this issue of *Papeles de Economía Española* will serve as a source of inspiration and a guide to navigate the challenges ahead. I'd like to thank Funcas for its ongoing commitment to economic thought, and all the authors for their valuable contributions.

Thank you.