Jean-Claude Trichet: The process of European financial integration

Text of the 24th Mais Lecture by Mr Jean-Claude Trichet, President of the European Central Bank, at Cass Business School, London, 11 May 2006.

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Introduction

Ladies and gentlemen,

First of all, let me thank very warmly the Cass Business School for inviting me to give this year's Mais Lecture. Held in honour of Lord Mais, it is the 24th lecture of its kind, which is in itself an impressive achievement. Keeping with the School's practice of exploring major economic policy issues, I have decided for today's Mais Lecture to address "The process of European financial integration".

It is certainly a topic that is of interest to many: market participants, policy-makers and academics alike. In this respect, it is my hope that this lecture will attract attention of the audience under these multiple angles of vision.

Let me stress from the very beginning that the ECB has the utmost interest in furthering European financial integration. In this respect, I should like to draw your attention to the May edition of our Monthly Bulletin, which was published this morning, and which contains an article on European financial integration and the ECB's role in fostering this process.[1]

I will structure my remarks as follows, covering three main parts.

First, I will give an overview of the ECB's basic conceptual framework that underlies our work on this matter. Second, I will explain why we are very deeply interested in making progress with European financial integration. And third, I will elaborate on the current state of financial integration in the euro area, based on the measurement via quantitative indicators that the ECB published for the first time last year. I will also mention specific ECB and Eurosystem activities that aim to foster financial integration.

Conceptual elements of the ECB's monitoring framework for financial integration

To start with, let me explain how the ECB defines the concept of European financial integration. An obvious measure of financial integration is to check the validity of the law of one price within the euro area. The law of one price states that assets with identical risks and returns characteristics should be priced identically regardless of where in the euro area they are transacted. If all agents face the same rules, have equal access and are treated equally, any price difference between two identical assets will be immediately arbitraged away.

This brings me to the definition of financial integration that the ECB has adopted: the ECB considers a market for a given set of financial instruments or services to be fully integrated when all potential market participants in that market (i) are subject to a single set of rules when they decide to deal with those financial instruments or services, (ii) have equal access to this set of financial instruments or services, and (iii) are treated equally when they operate in the market.

Let me now explain our definition of financial integration in more detail.

One can say that a financial system consists of three principal components, namely the financial markets, the related financial infrastructure and the financial institutions.

The ECB's definition of financial integration uses the term "market" in a broad sense, covering all possible exchanges of financial instruments or services, be it on an organised market, such as a stock exchange, or an over-the-counter market created by a financial institution's supply of a financial instrument or service. Furthermore, a financial market can never be fully integrated without the integration of the related market infrastructure, in particular the payment and securities clearing and

[1] See the article entitled "The contribution of the ECB and the Eurosystem to European financial integration" in the May 2006 issue of the ECB's Monthly Bulletin.

settlement systems. In this sense, you should also note that the term “rules” as contained in the ECB's definition is used in a broad sense, and includes features such as laws and regulations, supervisory arrangements, market conventions and self-regulation, and standards and practices related to financial infrastructures. Finally, financial integration can also be fostered by financial institutions establishing branches and subsidiaries in other euro area countries or by two institutions merging across borders.

The wide coverage of the ECB's definition of financial integration is attributable to the fact that if only the first condition is fulfilled, i.e. the existence of a single set of rules for a given market, potential participants might still be discriminated against in terms of access to the market. Consequently, the ECB's definition includes a second condition whereby participants should not be discriminated against in their access to a market. The third condition for full financial integration is that once all potential market participants have accessed the market, they should be treated equally in their operations within that market.

These latter two conditions in particular should also be seen within the general Treaty provision that the Eurosystem acts “in accordance with the principle of an open market economy with free competition, favouring an efficient allocation of resources”.[2] This general provision was also one of the guiding principles applied when we established our definition.

To conclude these conceptual remarks, I would like to point out that we are facing a complex process of progressive financial integration whilst the ECB's definition describes a final state of full, or perfect, integration. By providing a benchmark against which we can assess the state of financial integration, this definition underpins our analytical, empirical and policy analysis. Let me now explain the various reasons that motivate our interest in making progress with European financial integration and consequently also our analytical and empirical work on this matter.

The reasons for the ECB's interest in progress towards financial integration in Europe

The ECB's interest arises from four main reasons:

First, the integration of the financial system plays an important role in the transmission and implementation of the single monetary policy for the euro area.

Second, in more general terms, the Treaty establishing the European Community requires us to support the general economic policies in the European Community, among which European financial integration is a priority policy objective.

Third, financial integration is important for the Eurosystem's task under the Treaty to monitor and safeguard financial stability.

Fourth, finally financial integration is important for our tasks in the area of payments and securities settlement infrastructures.

Accordingly, the ECB's Governing Council included the promotion of European financial integration as one aim in the Eurosystem's mission statement, which reads: “[…] We in the Eurosystem have as our primary objective the maintenance of price stability for the common good. Acting also as a leading financial authority, we aim to safeguard financial stability and promote European financial integration.”[3]

Let me elaborate in more detail on two of the reasons just mentioned, namely the general implications of financial integration to increase the potential for stronger non-inflationary economic growth and the implications of financial integration for the conduct of the single monetary policy in the euro area, which is of utmost interest to the ECB.

Financial integration is a key factor in the development and modernisation of the financial system, which, in turn, increases the potential for greater and more sustainable non-inflationary economic growth. By making markets deeper and more liquid, financial integration creates economies of scale and increases the supply of funds for investment opportunities. The integration process fosters

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[2] See Article 105(1) of the Treaty establishing the European Community.

[3] See the ECB's website at http://www.ecb.int/ecb/orga/escb/html/mission_eurosys.en.html.

competition, the expansion of markets and intermediation, thereby leading to further financial development. Financial development, in turn, leads to lower intermediation costs and a more efficient allocation of capital. Allocating resources to the most productive investment opportunities will ultimately increase the potential economic growth.

Let me mention in this respect a research study by London Economics that estimates the benefits of the integration of European bonds and equity markets to be around 1% of GDP growth over a ten-year period, or approximately €100 billion.[4]

While such figures can always be subject to estimation error, economic reasoning suggests that the overall benefits of financial integration will remain significant.

So, to sum up: a financial system that is not yet fully integrated in all of its components implies a cost in terms of foregone economic growth. As we are well aware, Europe urgently needs to strengthen growth and increase employment, which are the two main goals of the renewed Lisbon programme. In this respect the full completion of the single market of financial services is a key element in the achievement of the single market in the service sector which is absolutely of the essence: it is in this domain that we are very significantly lagging behind the US.

This leads me to the second reason for the ECB's interest in financial integration that I would like to explain in more detail. Monetary policy in the euro area has proved very successful in maintaining price stability and building economic agents and market participants' confidence in its ability to continue to do so. As a consequence, the anchoring of inflation expectations has been remarkably solid. Interest rates are still at very low levels in both nominal and real terms: short-term real interest rates remain close to the lowest levels we have seen in decades. And medium and long term rates are incorporating a low level of inflation expectations. Through this last achievement in particular the single monetary policy makes the best possible contribution to pave the conditions for sustainable growth in economic activity and job creation.

In this respect, one could also illustrate the relationship between monetary policy and financial integration with the help of the Tinbergen rule, which states that there should be at least the same number of instruments as there are targets. Since the ECB's single monetary policy's aim is to maintain price stability – for which we have, via the steering of short-term interest rates, only one instrument at hand – it follows that financial integration, which itself increases the potential for higher economic growth, thereby also facilitates the conduct of monetary policy, as, all other things being equal, price stability will be ensured through appropriate monetary policy at a higher level of sustainable growth.

There is a second major reason why financial integration is beneficial to the single monetary policy in the euro area. A well-integrated financial system is essential for the implementation of the single monetary policy, as it enhances the smooth and effective transmission of monetary policy impulses throughout the euro area.

While the single monetary policy is capable of ensuring price stability – and, as I mentioned, has done so very successfully over the past seven years – even if financial integration is less than complete in certain areas, the transmission of monetary policy could be even more homogeneous with perfect financial integration. The degree of financial integration is therefore important in determining the effectiveness of the monetary policy transmission throughout the euro area: the higher the degree of financial integration, the more effectively the transmission will work in practice.

This leads me to give you my assessment of the current state of financial integration in the euro area. In doing so, I will also mention specific ECB and Eurosystem activities that aim to foster financial integration. Although financial integration is first and foremost a market-driven process, the ECB and the Eurosystem have certainly a part to play. At the same time, I will also highlight some important areas where financial integration is still lagging behind and where more action from market participants is required.

[4] London Economics (2002), "Quantification of the macroeconomic impact of integration of EU financial markets", Report to the European Commission.

The state of financial integration in the euro area, ECB and Eurosystem activities to foster the process, and future challenges

I would now like to illustrate some results provided by the monitoring framework that we have built up for assessing the process of financial integration in the euro area.

Our monitoring framework draws on quantitative indicators of financial integration that the ECB has developed. You will remember my earlier reference to the ECB's definition of financial integration that an obvious measure of financial integration is to check the validity of the law of one price within the euro area. In particular, our price-based indicators that measure discrepancies in asset prices based on their geographic origin are directly relevant in this respect. Such quantitative measures offer the advantage of being able to assess both the current level of financial integration and its evolution over time, i.e. whether integration is progressing, stable, or even regressing in respective parts.

The first set of indicators, covering the state of integration of euro area financial and banking markets, was published last year, along with an explanatory report.[5] This first publication covers the money market, the government and corporate bond market, the equity market and the banking markets. In the next publication, due in September, we will expand the set of indicators by adding indicators related to the integration of financial institutions and financial infrastructures. In the following, I will also touch upon such possible new indicators that we are at present compiling.

To start with, let me give you my assessment of the integration of the euro area financial and banking markets. While the euro generally acted as a major catalyst for the integration of all these markets, the degree of integration differs between market segments, with integration being more advanced in those market segments that are closer to the single monetary policy, above all the money market. I would summarise the situation as follows: in general, financial integration is very strong in the money market; it has progressed significantly in government bond markets; it has improved for the corporate bond market; it is slow but progressing in the case of the equity market; and financial integration is unfortunately much less advanced in a range of banking market segments.

I would now like to give the results of some selected indicators, whereby I will restrict myself to the two "extremes": the satisfactory level of integration is represented by the money market and the government bond market; and an unsatisfactory level of integration prevails in retail banking markets. I will also look at the degree of integration of financial infrastructures and financial institutions.

Let me start with the money market. The unsecured interbank deposit market was almost perfectly integrated right at the start of Monetary Union. Our indicator, the cross-country standard deviation of the average overnight lending rates among euro area countries, was as low as three basis points in early 1999 and has since decreased to just one basis point. By way of comparison, in January 1998, i.e. one year before the start of Monetary Union, the cross-country standard deviation was higher than 130 basis points. Our indicators for one-month and 12-month maturities also consistently show a highly integrated unsecured money market, with the respective cross-country standard deviation of EURIBOR lending rates among euro area countries standing, since early 1999, at values not higher than, and normally below, one basis point. Finally, a similar picture of a relatively high degree of integration prevails for the repo market, where we measure the degree of integration since the launch of the EUREPO index in March 2002 on the basis of EUREPO rates: the euro area cross-country standard deviation of the one-month EUREPO rates has normally been below one basis point, and the one for the 12-month maturity normally below two basis points.

The decisive role of the euro in enhancing financial market integration is furthermore visible in the interest rate derivatives markets. For example, the euro interest rate swap market has become the largest interest rate swap market in the world, the euro segment's daily turnover of €250 billion being about one and a half times larger than the equivalent US dollar segment figure of €160 billion.[6] An important segment of the euro interest rate swap market is the euro overnight index swap market, where the launch of the EONIA Swap Index in June 2005 is evidence of both its importance and its further potential. Indeed, this market segment is almost perfectly integrated, with a cross-country standard deviation for EONIA Swap Index quotations of 0.1-0.2 basis point.

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[5] The ECB report is available at http://www.ecb.int/pub/pdf/other/indicatorsfinancialintegration200509en.pdf. It is updated on an annual basis. The statistics underlying the financial integration indicators can be accessed at http://www.ecb.int/stats/finint/html/index.en.html. The indicators are updated semi-annually (last update: April).

[6] See BIS Triennial Central Bank Survey – Foreign exchange and derivatives market activity in 2004 (March 2005).

The integration of the money market is of course a prerequisite for monetary policy implementation, since only an integrated interbank market can ensure an even distribution of central bank liquidity and a homogeneous level of short-term interest rates across the euro area. This has been mostly supported by the establishment of the related large-value payment system infrastructure, our TARGET system. This is an obvious example where the Eurosystem contributes to fostering financial integration. The launch of the single shared platform, TARGET2, planned for November 2007, will enhance financial integration even further, as it will provide a harmonised level of service and a single price structure.

I should also like to mention that the short-term securities market is the least integrated segment of the money market. The European commercial paper and certificates of deposit markets are segmented in several market places. But I expect that the market-led Short-Term European Paper initiative, the STEP initiative, will advance integration. This initiative aims at the convergence of standards and practices through market participants' compliance with the STEP Market Convention. In the coming days, Euribor ACI and Euribor FBE will formally adopt the STEP Market Convention. Issuers will then be able to apply for the STEP label. The Eurosystem has supported this private-sector initiative since its inception by acting as a catalyst. It provides technical support for the labelling process for the first two years, and the ECB produces statistics on yields and volumes for this market.

Let me now turn to the euro government bond market, which is another market that has achieved a very high degree of integration, as revealed by the ECB's published indicators. In the run-up to Monetary Union, euro area government bond yield spreads converged, and since then, government bond yields in different euro area countries have been driven mainly by euro area-wide factors and news. But let me take the opportunity here to explain the relationship between financial integration and market discipline, given that this has at times given rise to misunderstandings.

It is sometimes argued that the convergence in euro area government bond spreads which was seen in the run-up to Monetary Union is evidence that the process of financial integration may be detrimental to the functioning of market discipline, the latter being the influence exerted by markets on governments by pricing different risks of default.

This reasoning, however, neglects the fact that the observed convergence in government bond yield spreads mainly reflected the closer coordination of monetary policies across euro area countries – an overall compression of risk premia also observable in other markets and outside the euro area – and the ensuing convergence of inflation expectations across countries, as well as the progressive elimination of uncertainty regarding exchange rate movements and, finally, the disappearance of intra-euro area exchange rate risk by the time the euro was introduced. Since 1999, government bond yield spreads have mainly reflected differences in liquidity and in perceived credit risks, which in turn reflect the sustainability of the countries' fiscal positions. I will highlight two implications.

First, such "local factors" continue to have an impact on bond yields in various euro area countries. Yest, pricing differences related to credit risk perceptions do not signal a lack of integration. I refer to my earlier discussion of the conceptual elements of our framework for assessing financial integration, where I stated that the law of one price – one obvious measure of financial integration – holds for assets with identical risks and returns characteristics to be priced identically regardless of where they are transacted. The integration of euro area government bond markets means that yields converge across countries to the extent that the underlying bonds have identical risk-return characteristics. A government bond of a country with a very poor fiscal policy is riskier than a government bond of a country with a sound fiscal position. Consequently, the market will demand higher yields in the first case, even with perfect integration of government bond markets.

Second, the ongoing process of integration of the euro area government bond market may in principle reinforce the market-driven disciplinary effects. Market discipline is most effective in efficient, competitive and well-functioning markets. A necessary condition for financial markets to correctly price sovereign bonds is that governments have access to the capital markets on the same terms as other borrowers, and in particular that each country will ultimately bear the full costs of the credit risk implied in its government debt.[7] If these conditions are satisfied (and there are no market failures), perfectly competitive markets will provide an accurate assessment of the risk/return profile of each bond. Under

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7 Any direct or indirect pressure to favour government debt securities, or a perception in the market that a government with an unsustainable debt position would be bailed out, would inevitably introduce pricing distortions, thus impairing the role of the markets as a disciplinary device. The Treaty explicitly recognises the importance of these issues in Articles 101-103.

these circumstances, market forces ultimately lead to funds being allocated efficiently in the most productive manner, with proper account being taken of risk.

There is little doubt that the progress in financial integration witnessed in euro area government bond markets over the last few years has helped to improve the efficiency of financial markets in general and of government bond markets in particular. By eliminating barriers to trade and creating a truly level playing field, financial integration increases the level of competition in the financial markets, thus enhancing their capacity to accurately price assets. Financial integration therefore may foster market discipline. Available evidence indeed suggests that market discipline is at work in the euro area government bond market. For example, credit default swaps data indicate that countries with poorer fiscal positions pay a higher premium and that markets therefore exert disciplinary pressure on governments.

Having dealt with the government bond market, let me now briefly discuss the state of integration of the financial infrastructure related to securities markets in general, namely the securities clearing and settlement systems. Only if financial infrastructures are adequately integrated can the financial markets, like bond and equity markets, function smoothly. And this is one area where financial integration is still lagging behind and where action from market participants is required.

Let me first give some figures for the present situation. Just by looking at the development of the number of systems in the euro area over time, we note that the number of central securities depositories declined from 22 in 1998 to 19 in 2005, and the number of securities central clearing counterparties declined from 14 to 7. This leads us to conclude that the number of securities clearing and settlement systems that are often not efficiently connected to each other is still rather high, in particular if we compare it to the significant progress that has been made in the integration of large-value payment systems, with the overall number standing at 4, down from the 23 that existed before the introduction of the euro and the TARGET system.

The Eurosystem strongly supports further integration in the securities clearing and settlement infrastructure. To this end, it also acts as a catalyst for private-sector activities and holds meetings with the banking and securities settlement industry of the euro area to discuss the further integration of the euro securities settlement infrastructures. I would also like to highlight the work that the European Commission is investigating whether to propose a framework directive on clearing and settlement. I can tell you, the ECB would indeed welcome a legislative initiative in this field.

Having mentioned securities clearing and settlement as one major area where further progress in integration is required, I will now turn to the banking markets where, as I stated earlier, the degree of integration in the retail segment can be deemed to be unsatisfactory.

Let me first briefly present some facts concerning banking consolidation. The decrease in the number of institutions has been a common trend in EU Member States' banking sectors. The number of credit institutions in the euro area declined from around 12,000 in 1985 to 6,400 in 2004. Consolidation has been attributed mainly to mergers and acquisitions (M&As) between institutions, and much less to failures or voluntary liquidations. The data also show that consolidation has so far been a primarily domestic development. Between 1985 and 2005, cross-border mergers accounted for only about 20% of the number and value of all M&A deals in the euro area and the EU. Cross-border banking consolidation is quite limited not only when compared to domestic consolidation, but also in comparison to other financial sectors in the EU (on average 45% of total transactions).

Nevertheless, a relative increase of cross-border M&A transactions has been observed in the last years, as the number and value of cross-border M&As increased to around 30% of total M&A transactions in the EU banking sector. Moreover, I expect that a number of EU initiatives that have been already adopted or are underway should significantly reduce the policy-related obstacles to cross-border banking consolidation: I would just mention the European Commission's review of the regulatory provisions[8] underpinning the supervisory approval process for qualifying shareholdings, the ongoing work by the level 3 Lamfalussy committees to enhance supervisory convergence and cooperation, and the recent adoption of the cross-border mergers directive.

Cross-border consolidation of banks is one way of looking at the integration of euro area banking markets, i.e. one looks at the financial institutions themselves. Another way is to look at the price for

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8 For the banking sector, Article 16 of the Codified Banking Directive (2000/12/EC) is currently under review.

financial products. Our published price-based indicators relate to the euro area cross-country standard deviation of interest rates for different financial products. For example, it is revealed that the cross-country standard deviation of interest rates on consumer credit has been rather high and constant, on average 0.9% over the past three years. Similarly, the cross-country dispersion of interest rates on lending for house purchase amounts to, on average, 0.5% over the past three years, with no clear declining trend visible as yet. The indicators therefore support the conclusion that the integration of retail banking markets is lagging behind.

I have earlier mentioned the implication of financial integration for the monetary policy transmission mechanism, which is the pass-through from changes in official monetary policy rates over market rate changes to bank interest rates. So, whilst the euro area money market is highly integrated, permitting the first part of the pass-through chain to function in an homogeneous way, in contrast the link between market rates and banks' retail interest rates, i.e. the second part of the pass-through chain continues to show a significant degree of heterogeneity within the euro area.

The integration of retail banking markets is therefore a further challenge that has to be addressed. In this respect, I recall the European Commission's White Paper on Financial Services Policy 2005-2010, which targets, among other things, the further integration of retail markets in Europe. The Eurosystem, in its role of providing advice on the legislative and regulatory framework for the financial system, also made its contribution to the European Commission's consultation, expressing its support for the key policy orientations of the financial services policy over the next few years.[9]

As regards mortgage markets, I would like to highlight the European Commission's launch of a broad discussion about the possible benefits and ways of further integrating European mortgage markets. The Eurosystem also made its contribution to the respective Green Paper.[10]

Let me now, after having discussed financial markets, banking markets, financial institutions and wholesale financial infrastructure, address the issue of the retail payment system infrastructure.

By contrast with the developments in large-scale payment systems, the situation for retail payment services today is nearly unchanged as compared with that prevailing before Monetary Union: in 2005 there were still 15 different retail payment systems within the euro area, compared with 20 in 1998. This fragmentation of retail payment services implies sizeable costs in terms of foregone financial benefits that could result from the integration of retail payments, as a result of standardisation and the opening-up of payment services markets to more competition. The European banking industry has, however, launched an initiative to create a Single Euro Payments Area (SEPA).

SEPA can be described as an integrated market for payment services which is subject to effective competition and where there is no distinction between cross-border and national payments within the euro area. The introduction of the euro as the single currency of the euro area will only be completed with the SEPA, i.e. when consumers, businesses and governments are able to make cashless payments throughout the euro area from a single payment account anywhere in the euro area using a single set of payment instruments as easily, efficiently and safely as they can make payments today in the domestic context. Improved payment service levels will benefit the end-users with transparent prices and cost-efficient services. SEPA will allow the payments industry to become more efficient, thereby providing significant savings and benefits to the wider European economy.

Acting as a catalyst for private-sector activities fostering financial integration, the ECB actively supports the SEPA project and offers coordination with the banking industry and end-users. I would also like to draw your attention to the joint statement from the European Commission and the ECB on SEPA that was issued just last week, on 4 May. In this statement, we outlined our common vision for the SEPA and the process leading to its realisation, encouraging the European banking industry and the other relevant stakeholders to create the necessary technical conditions. The realisation of SEPA calls for the removal of all technical, legal and commercial barriers between the current national payment markets. To achieve this, two milestones have been set.

First, the European Payments Council has set objectives for January 2008, namely that is should be possible by that date to use the SEPA credit transfer and direct debit payment instruments; that the technical barriers be removed and the provisions and standards to ensure interoperability be defined;

9 See http://www.ecb.int/pub/pdf/other/ecgreenpaperfinancialservicespolicy2005en.pdf.

10 See http://www.ecb.int/pub/pdf/other/eumortgagecreditconsultationen.pdf.

and that the necessary conditions for infrastructures to become SEPA-scheme compliant be established.

Second, a critical mass of national credit transfers, direct debits and card payments should have migrated to SEPA payment instruments by the end of 2010. Further steps will be necessary to ensure the widespread adoption of new and efficient SEPA instruments. The Commission and the ECB also stress that it is important that all relevant stakeholders, in particular the public sector, contribute to achieving SEPA. By showing political support and by becoming early adopters of the SEPA products, the public sector can effectively contribute to the SEPA's success.

With respect to the integration of payment services markets, I also would like to recall that the Eurosystem is working together with the European Commission on the development of a new legal framework for payment services in the internal market. Currently, there is a wide variety of national legislation related to payments, which makes the implementation of the SEPA problematic. Harmonisation of legal requirements for payments is therefore of vital importance that will help the banking industry in its efforts to establish the SEPA. In this respect we have published the ECB's Opinion on the proposed directive on payment services in the internal market on 28 April 2006.

Concluding remarks

Ladies and gentlemen,

The completion of the single market in the domain of financial services is absolutely crucial as an integral and highly significant part of the achievement of the single market in the sector of services in general. We know now that the gap between the yearly productivity progress of Europe and the US and therefore the growth potential on both sides of the Atlantic is mainly due to the service sector. What is true for the European Union as a whole is particularly true for the euro area where the single currency both facilitates and calls for a complete financial integration.

In the euro area in particular, significant progress has been made over the past few years, fostered by the introduction of the euro. However, European financial integration is still lagging behind particularly in the areas of retail banking activities and financial infrastructure services.

In my view financial integration is, first and foremost, a market-driven process. I recognise promising initiatives in this respect, examples of which are the market-led STEP and SEPA initiatives. Making progress in financial integration also requires an effective interplay between market forces and the actions of the relevant public authorities. The ECB and the Eurosystem will continue to actively support such market activities by acting as a catalyst. Other public actors, such as the European Commission, are also heavily involved in this process. I would also mention in this respect the critical importance of the implementation of the Commission's White Paper on the financial services policy strategy, which sets out the main policy priorities up to 2010 in the pursuit of furthering European financial integration. If public authorities create a framework that is conducive to fostering financial integration, and if the opportunities thus created are exploited by market forces, true financial integration will be speeded up. I call for all parties concerned, private and public, to very actively pursue this goal.

Thank you very much for your attention.