

Niklaus Blattner: Financial market infrastructures facing technological, economic and regulatory challenges

Summary of a speech by Mr Niklaus Blattner, Deputy Chairman of the Governing Board of the Swiss National Bank, at the XI AWK Group Financial Services Lunch, Zurich, 20 September 2006.

The complete speech can be found in German on the Swiss National Bank's website (www.snb.ch).

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Smoothly and efficiently functioning financial market infrastructures form the backbone of the International Financial Centre of Switzerland. The future of these infrastructures will largely hinge on trends in Europe, which point to stronger consolidation. However, healthy competition is the prerequisite for investment and innovation incentives in a consolidated stock market and settlement environment. This would also contribute to reducing the existing inefficiencies, in particular with regard to the processing of cross-border transactions. Yet a competitive environment will develop only if market participants can choose freely among the different providers and if the infrastructures are interoperable, i.e. if the providers grant each other and their participants mutual non-discriminatory access.

At present, competitive obstacles exist at the technological, economic and regulatory levels. For instance, costs for changing providers are high. Moreover, financial market infrastructures are often operated in "silo" mode – either explicitly or implicitly – with clearing and settlement being handled by only one provider. But silos impede competition. A suitable regulatory framework must therefore be created to strengthen competition. The EU's new Markets in Financial Instruments Directive (MiFID), for example, is expected to bring about important changes and intensify competition in the European financial market. This development will also influence the future of financial market infrastructures in Switzerland. Against this background, it is certainly crucial for the Swiss financial market infrastructures to persistently foster their competitiveness. They have pursued this strategy so far, and will need to continue doing so in the future.