

Philipp Hildebrand: Lessons from the crisis for global financial market infrastructure

Summary of a speech by Mr Philipp Hildebrand, Vice-Chairman of the Governing Board of the Swiss National Bank, at the Zermatt Symposium, Avenir suisse, Zermatt, 25 August 2009.

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

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The financial market infrastructure, in other words, the systems for trading, clearing and settling payments and financial instruments, is essential for the operation of the financial system. Thus far in the financial crisis, financial market infrastructure has stood up well overall and helped to prevent the existing uncertainty in the financial system from becoming even greater. This holds true both for payment and settlement systems in Switzerland and for the global financial market infrastructure.

However, time and again, it becomes apparent that the infrastructure for clearing and settling transactions is not keeping up with rapidly growing financial markets. In recent years, this has been most obvious in the OTC derivatives market. Pressured by supervisory authorities and central banks, market participants are now developing safer and more efficient clearing and settlement arrangements for OTC derivatives. These efforts include the establishment of central counterparties, which facilitate market participants' risk management, promote market transparency and reduce the complexity of the financial system. To the extent that the market infrastructure reduces the interconnections between individual financial institutions, it contributes to the long-term strategy aimed at finding ways of liquidating large and complex financial institutions in an orderly way.

From a regulatory perspective, it is important to note that responsibility for ensuring that payment and settlement systems work smoothly and meet the requirements of the financial industry lies with the system operators and market participants. The role of regulatory authorities is to establish certain guidelines, especially for infrastructures that are of critical importance for the stability of the financial system, and to intervene rapidly in cases where market forces do not provide an adequate infrastructure.