Christian Noyer: The development of financial markets in the euro area

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Ladies and gentlemen,

I am very pleased to be here at Chatham House today to address such a distinguished audience.

Over recent years, the economic and financial structure of the euro area has undergone sweeping changes. Overall, these changes have led to the rapid development of financial markets in the euro area. This trend seems to have been reinforced since the introduction of the euro on 1 January 1999. Over a period of a few years, financial markets in the euro area have grown in size and have come to play a more important role in the economy.

The development of financial markets in the euro area is shaped by a set of broad economic trends, all of which are conducive to the development of deeper, more liquid and more efficient financial markets.

One of these broad trends is the programme of Economic and Monetary Union, which has contributed to further economic integration and convergence of the economies of the European Union over most of the past decade. As the processes of economic activity became more intertwined in the European Union, this naturally led to the development of more cross-border financial interconnections. In the countries which adopted the euro, the evidence available so far suggests that the single currency facilitated this process. The euro acted as a catalyst for the development of area-wide financial markets, although this process is still far from complete.

Another trend is the solid establishment of price stability in the euro area. This followed the considerable progress made in the run-up to EMU. During the second half of the 1990s, the rate of increase in consumer prices at the level of the euro area declined steadily to reach values in line with price stability. Even more importantly, during this period the citizens, firms and other organisations of the euro area progressively came to consider it credible that price stability would henceforth continue to be firmly maintained. This confidence on the part of the public is of the utmost importance for the continued success of the monetary policy of the Eurosystem. As we all know, price stability is beneficial in numerous ways, not only in creating a climate for higher economic activity over the medium term, but also in reducing the economic and social inequalities caused by the asymmetric distribution of the costs of inflation on the various economic agents. In addition, when inflation is low and expected to remain low and subject to limited variations over the medium term, the prices of financial assets incorporate lower inflation risk premia, by contrast with a situation of high or uncertain inflation. As the inflation risk premium becomes relatively less important as a determinant of financial prices, other factors such as credit risk can take on a larger role in the price formation mechanism. Ultimately, this results in a more efficient allocation of financial resources.

In the run-up to Stage Three of EMU, the governments of the European Union also, where necessary, made efforts to reduce their deficits and their debt so as to bring them into line with the requirements specified by the Maastricht Treaty. As was intended by the drafters of the Treaty, this development contributed to achieving sounder fiscal policies, which would be more conducive to economic growth over the medium term and which would make it possible for automatic fiscal stabilisers to work more effectively when needed. A further effect of the reduction in public deficits and debt, all other things being equal, is the freeing of financial resources for use by the private sector. This reduces hindrances to the development of financial markets for private borrowers such as the corporate bond market.

A final item in this short list of the broad economic trends shaping the future of financial markets in the euro area is the phenomenon of population ageing. Taken together with the liberalisation of financial markets, over the coming years population ageing will lead to further demand for long-term investment instruments on the part of rapidly developing pension funds, along the lines, for instance, of what we are already beginning to see in the United Kingdom. As borrowers strive to meet the increased demand for investment instruments, this is likely to provide a further impetus to the development of a wide range of suited financial instruments available to pension funds, and more generally to savers at the end of the intermediation chain.

Having identified broad economic trends, which all seem to point in the direction of a wider role for financial markets in the euro area over the coming years, I should like today to discuss what has actually happened so far and consider what challenges lie ahead. I shall first consider the degree of development of the various segments of financial markets in the euro area, so as to assess whether and, if so, why some segments are less developed than others, at area-wide level. I will then move on to consider, more generally, the progress made in the efficiency of the functioning of the financial markets of the euro area.

Are certain segments of euro area financial markets less developed than others and, if so, why?

The discussion of this issue should be precursored with the observation that, in the euro area, financial markets rely more on bank credit than in the United States or the United Kingdom. By contrast, debt securities and shares represent a considerably smaller proportion of GDP in the euro area than they do in the United States or the United Kingdom. Hence, and notwithstanding the processes of disintermediation and securitisation currently under way, the financial structure of the euro area can be characterised as being more bank-oriented than security or market-oriented. Starting from this situation, many commentators have correctly observed that the euro area is currently engaged in a process of structural change towards more market-based finance. As Alan Greenspan put it, recent "changes appear to be moving continental Europe's financial system closer to the structure evident in Great Britain and the United States".

With regard to debt securities, outstanding amounts in euro-denominated instruments increased in all issuing sectors in 1999. However, the increase was more pronounced in the private than in the public sector. At end-1999, with a share of 52% the public sector still accounted for a considerable proportion of total debt securities denominated in euro, but this had declined compared with the 55% witnessed at end-1998. At the same time, the share of the financial sector had increased from 38% to 40% and the share of the non-financial private sector had increased from 5% to 6%. Obviously, significant changes in the relative share of the various sectors occur only gradually over time. However, the developments seen in 1999 received a large amount of attention on the part of market commentators, for several reasons.

First, there was a considerable increase in private issuance in the euro area between 1998 and 1999. This continued broadly unabated at the beginning of 2000. It should be recognised that temporary or exceptional factors may have played a role in 1999. For example, some borrowers may have frontloaded issuance activity in 1999, so as to benefit from a possible enhanced attractiveness of new issues in the aftermath of the introduction of the euro. In addition, issuers may have wished to avoid placing new issues around the century date change for fear of possible liquidity problems, which eventually did not occur. However, these explanations are not sufficient to account in full for the increase in private issuance activity seen in 1999, all the more so since the trend has continued at the beginning of 2000.

Second, the available data showed not only an increase in private issuance, but also a series of changes in the various characteristics of the newly issued debt securities. For example, the average size of new bond issues increased considerably in 1999, as the number of very large issues, of EUR 1 billion or more, increased significantly. It should be recognised that this development partly reflected the increased preference of investors for deep and liquid instruments following the episode of financial turmoil in the autumn of 1998. However, another reason for this change, which was particularly notable in the euro area, was the fact that borrowers were able to take advantage of the newly created euro-denominated bond market. By virtue of its size and high degree of openness, the euro-denominated bond market is more able to absorb very large issues than the individual bond markets of the predecessor currencies of the euro.

Looking in more detail at the components of the increase in private euro-denominated bond issuance, it is noteworthy that issuance by non-residents, although small relative to the total, increased particularly rapidly in 1999. Standing at around EUR 630 billion at the end of 1999, the outstanding amount of euro-denominated debt securities issued by non-residents represented slightly less than one-tenth of the total outstanding amount of euro-denominated debt securities. However, this constituted an increase of more than 40% compared with end-1998. In 1999, the amount of new issues of euro-denominated debt securities by non-residents came very close to that of new dollar-denominated issues by non-residents. Hence, in the course of 1999 the euro-denominated component of international bond markets played a far larger role than the predecessor currencies of the euro had hitherto. This development was in line with the predictions made by some commentators before the introduction of the euro. However, the speed of the increase in euro-denominated international bond issuance during 1999 was remarkable.

In 1999 the main investors active in the euro-denominated segment of the international bond market were, as in previous years, investors located in the euro area. Hence, as shown in a recent ECB working paper, although the euro became an important placement currency for international bonds virtually from the beginning, the use of the euro as an international investment currency is likely to develop more gradually over time. From the point of view of monetary policy, let me recall that the internationalisation of the euro is not a policy objective as such and that, therefore, it will be neither fostered nor hindered by the Eurosystem.

Turning to securities in the form of shares, close to 900 companies were newly listed on stock exchanges in the euro area in the course of 1999. This represented an increase of some 40% compared with 1998. In the United States, there were close to 800 new stock listings in 1999, a slight decline compared with 1998, and in the United Kingdom new stock listings also declined from 1998 to 1999. These changes may obviously have reflected circumstantial factors, such as differing positions in the business cycle, for example. These circumstantial factors notwithstanding, the increase in new listings also seems to have reflected the enhanced attractiveness of stock market listing in the euro area. Following the introduction of the euro, a number of firms found it more attractive to issue stocks in the euro area, as these stocks could be marketed to a wider array of investors than had been possible in the stock markets of the predecessor currencies of the euro.

Furthermore, in 1999 and in the first half of 2000, there was an exceptional array of initiatives taken by stock exchanges with a view to forming alliances or merging activities, both within the euro area and beyond, involving exchanges located in the United Kingdom and the United States. These initiatives clearly reflected not only factors specific to the euro area, but also other factors, such as the impact of new information and telecommunications technology. These new technologies seem to have led to a marked increase in the economies of scope and scale that can be achieved by stock exchanges through alliances or mergers. At the level of the euro area, the process of consolidation of stock exchanges is taking place in the context of the integration of stock markets at area-wide level.

In summary, both corporate bond markets and equity markets in the euro area, while remaining somewhat less developed than their US counterparts, developed rapidly in 1999. This development seems, in particular, to have brought benefits to the less well-rated borrowers, as the amount of bonds issued by this category of borrowers increased most rapidly in 1999.

It cannot be denied that the process of Economic and Monetary Union has contributed positively to this development.

With the introduction of the euro, financial prices are no longer affected by intra-area foreign exchange risk premia. Furthermore, as I mentioned earlier, financial prices generally incorporate much lower inflation risk premia. As a result of lower foreign exchange and inflation risk premia, credit risk has gained more importance, in relative terms, in the pricing of financial instruments. In order to deal with this evolution, financial market participants active in the euro area have stepped up their assessment of the credit quality of the security issuers. This development may be described as the development of a “credit risk culture”. In the course of 1999, the development of a “credit risk culture” amongst investors active in the euro area led borrowers to seek more ratings for their securities. This explains why the number of new ratings provided by ratings agencies to borrowers located in the euro area increased very substantially in the course of 1999, also for borrowers with ratings somewhat below the best levels.

Second, with the creation of the euro, investors and borrowers active in the financial markets of the euro area have de facto been granted access to the euro-denominated market. This market, even if it is not yet fully integrated at the area-wide level, is larger and more open than any of the markets denominated in the predecessor currencies of the euro. As the remaining barriers to the efficient functioning of financial markets at the area-wide level are progressively removed, borrowers will have easier access to financial resources and investors will enjoy more varied opportunities for investment. Obviously, this development will not necessarily provide benefits only for large borrowers and large investors. For example, as large borrowers are able to obtain more funds directly from the financial markets, some bank resources will be freed and thus become available for smaller borrowers particularly suited to the kind of credit monitoring relationship that can be established with a bank. In addition, smaller investors will clearly be able to reap the full benefits of the establishment of large financial markets in the euro area, either through the use of retail brokerage services or, more often, through the purchase of mutual fund shares. In this respect, it is also noteworthy that the amounts invested in mutual funds located in the euro area continued to increase, by 6% in 1999, following a considerable increase of 34% in 1998.

Although considerable progress has been made so far, there appear nonetheless to be some areas in euro area financial markets which are lagging behind in terms of development. Let us take, for example, the case of the repo market. The unsecured money market became fully integrated at the level of the euro area soon after the introduction of the euro. However, it is striking that, although some progress has also been made in the secured money market, the repo market has not yet become integrated to anything like the same extent as its unsecured counterpart. In particular, turnover in cross-border repo transactions, although it increased, did not do so very considerably. Furthermore, market liquidity, as measured, for example, by bid-ask spreads on repo transactions, still varies significantly across countries. Several technical factors seem to have prevented the full development of an area-wide repo market so far. First, the market infrastructure currently available for repo transactions is not conducive to cross-border trades. Trading and clearing platforms are not sufficiently integrated. In addition, securities settlement systems do not always make it possible to transfer efficiently the ownership of securities on a short-term basis, as is needed in repo transactions. A second set of factors hindering the development of the repo market at the area-wide level seems to be related to country differences in the tax regimes applicable to repo transactions. Furthermore, there are also legal differences across countries, in particular relating to the possibility of netting financial obligations. These problems have been posing considerable challenges to the preparation of the contractual documentation underlying repo transactions.

With regard to market infrastructure, the Eurosystem believes that it is up to market participants to deal with the problems and find the best market-oriented solutions. In its own repo operations, in order to ensure a level playing-field, the Eurosystem has put in place a system whereby its counterparties can use any eligible asset, irrespective of its location, as collateral against credit received from the Eurosystem. At the risk of treading on rather technical ground, let me recall that this system consists of two parts. First, the national central banks act as correspondent banks for one another, and take eligible assets in custody for one another’s account. Second, when there are links between the securities settlement systems, assets may be transferred using such links, provided that the links have been reviewed by the European System of Central Banks (ESCB) and judged to comply with ESCB standards. In fact, thanks to these facilities, the counterparties of the Eurosystem make extensive use of collateral on a cross-border basis.

Are the financial markets of the euro area becoming more efficient?

I should now like to reflect upon the question of the efficiency of financial markets in the euro area. I will first briefly touch upon retail financial markets. I shall then address wholesale financial markets in greater detail.

One particular development can illustrate the progress recently made in retail banking markets. In the euro area the dispersion of interest rates on loans for house purchase declined noticeably in the course of 1999, continuing a trend which had been apparent since 1996. Between 1996 and 1998, the convergence of interest rates on loans for house purchase had been in parallel with the convergence of market interest rates across those countries which would later form the euro area. By 1999 differentials between market interest rates had reached stable levels across the euro area. However, cross-country differentials between interest rates on loans for house purchase continued to narrow sizeably. More specifically, in countries where they used to be particularly high, interest rates on loans for house purchase came closer to the euro area average in 1999. Hence, despite the fact that banks do not yet, in many cases, directly compete with each other on a cross-border basis in the granting of loans for house purchase, customers have already been able to benefit from more competitive loan prices. This development was particularly interesting as interest rates rose during 1999 from the exceptionally low levels recorded at the beginning of that year.

Although considerable progress has already been made, there clearly remain obstacles to the development of more competitive markets for banking products and services at the level of the euro area. For example, there is a need to improve cross-border retail payment services in the euro area. In order to encourage the development of cross-border payment systems enabling the public to benefit more fully from the single currency, the Eurosystem has drawn up a list of desirable objectives for cross-border retail payments in the euro area. It stands ready to play a coordinating and supportive role. In particular, the Eurosystem considers it highly desirable that the prices and settlement lags of cross-border transfers be similar to those of national transfers, whenever the applicable standards and procedures permit.

Turning to the wholesale financial markets, progress has clearly been more rapid than for retail financial markets. Already in the run-up to the introduction of the euro, but especially since 1 January 1999, there has been a large decline in transaction costs in many areas. In foreign exchange, interest rate and equity markets, bid-ask spreads often declined in 1999 compared with 1998, sometimes very significantly. Furthermore, trading activity expanded, particularly in some segments such as the private bond markets. As a result of the increase in trading activity, market participants were able to carry out large transactions within a short period of time more easily and with lower costs. Hence, in 1999 not only bid-ask spreads but also other indicators pointed towards an increase in the depth and liquidity of financial markets in the euro area.

The changes in transaction costs are particularly notable on the unsecured money market. In the context of the conduct of monetary policy, the creation of an area-wide operational framework for the refinancing operations of the Eurosystem has modified the micro-structure of the money market considerably. Despite the continued use of different trading systems, the money market of the euro has gained a clear cross-border orientation, largely thanks to the establishment of TARGET. Very soon after the introduction of the euro, typical bid-ask spreads quoted on the unsecured money market of the euro became as narrow as in the most liquid money markets at the global level. Furthermore, swaps indexed on the overnight reference rate, as measured by the EONIA, which have become a very widely used instrument, also offer particularly small bid-ask spreads. It is therefore clear that the unsecured money market of the euro has become fully integrated and is functioning well. However, as already mentioned, there is still some scope for further development in the repo market.

In other segments of the euro-denominated interest rate markets and in the equity market, the range of financial instruments available to market participants expanded markedly in 1999. For example, the most widely traded short-term interest rate futures denominated in euro are contracts indexed on the three-month EURIBOR. For these instruments, the range of available delivery dates currently goes up to five years. This is less than the ten years available for three-month Libor futures traded for the United States. However, this is wider than the range of maturities which used to be available in the predecessor currencies of the euro. From the point of view of monetary policy, the market prices of such products provide information of interest about market expectations.

The development of the mortgage bond market constitutes another example. In several countries of the euro area, legal texts were recently enacted which permitted the development of a market for mortgage bonds similar to the German Pfandbriefe. New issues of non-German Pfandbriefe have been very successful, as there was a strong demand on the part of investors for this type of instrument.

In 1999 a number of financial market institutions created a wide array of stock price indices and bond indices covering the euro area as a whole. This development has contributed to extending the range of trading and position-taking opportunities available for investors.

Stock price indices are available mainly in two forms: broad and narrow. Broad indices provide a precise measure of stock price developments in the euro area stock market. The narrower indices, which by nature cannot be considered representative for the euro area as a whole, are useful because they are easier for investors to track through the purchase and sale of a limited number of stocks. For this reason, narrow indices have been instrumental in the development of equity derivatives contracts. Overall, turnover on area-wide stock index derivatives has grown steadily over the past 18 months, increasingly taking up a larger share of total turnover on stock index derivatives in the euro area. With the progress of economic integration in the context of Economic and Monetary Union, over recent years stock market investors have increased the share of their stock portfolios which is managed with reference to area-wide risk factors. This process accelerated in 1999, as the introduction of the euro seemed to act as a catalyst for the creation of area-wide stock price indices.

In the course of this process, investors have also taken advantage of sectoral stock price indices. In particular, it is interesting to observe that exchanges have created futures and options contracts indexed on certain sectoral stock price indices, such as the technology sector, the telecommunications sector or the bank sector, to take a few examples. Not only does the introduction of such financial products respond to the demand of investors, but it also makes it possible to process more information and circulate it across the market through the price formation mechanism. This information on area-wide sectoral developments is clearly beneficial for investors managing large area-wide portfolios. It is also useful for smaller investors, whom it can help to form judgements about the taking of positions in certain specific stocks. At the global level, it is noteworthy that, at the beginning of 2000, the various financial market institutions publishing sectoral stock price indices took steps towards a better harmonisation of sector classifications. These changes, which can be expected to bring benefits to the users of such data, were obviously also applied to the stock price indices available for the euro area.

For bond indices, much the same observations can be made as for stock price indices. The available bond price indices include area-wide indices which are split according to the various maturity buckets along the yield curve and further broken down according to whether the issuers are governments or from the private sector. In turn, private sector indices are often available in sectoral breakdowns, for example financial sector versus non-financial sector, and in credit ratings breakdowns, for example triple A versus double A versus single A and so forth going further down the credit curve. It cannot be denied that such benchmark indices for bonds can play a useful role in the course of the development of bond markets in the euro area.

In sum, wholesale financial markets of the euro area are currently benefiting strongly from the continued reduction in transaction costs, the development and spreading of new financial products such as Pfandbriefe, and the introduction of a wide set of area-wide and sectoral indices for stock prices and bonds.

Looking forward, there are a number of challenges to be met. In this regard, without aiming at being exhaustive, I should like to address three topics: the question of benchmarking in euro area bond markets; the challenges posed by the electronification of trading systems; and the need to take into account the risk of extreme events when modernising market infrastructure in the euro area.

Over recent weeks, there have been episodes when, in those countries, such as the United States and the United Kingdom, where the process of reducing public debt is more advanced, government bond yields have been subject to very strong and unexpected downward pressures. Some of the downward pressures on yields reflected sudden increases in liquidity premia. Investors seemed to be concerned that the future pace of reduction of government debt would become so high as to create an imbalance between high demand and low supply of government bonds. On the heels of these developments, the question of benchmarking instruments in bond markets was naturally considered to be quite acute.

Prior to the introduction of the euro, in euro area countries with a non-negligible private bond market, government bonds were generally used as a benchmark for the pricing of corporate bonds. Furthermore, government bonds were also generally used as conduits for position-taking and hedging on interest rate markets. In this respect, futures and options contracts using the national government bonds as underlying references were widely used, in conjunction with position-taking on both government and private bond markets. Since the introduction of the euro, a certain limited number of government bonds have played the role of benchmarks at the level of the euro area as a whole. This mainly includes German government bonds and, at the shorter end of the maturity spectrum, French government bonds. Furthermore, total turnover on government bond futures and options has become very concentrated on the contracts indexed on German government bonds, although there has been renewed competition from other contracts over recent months. The risks associated with having an open position on a single contract which is larger than the underlying bonds available for delivery may have played a role.

In this context, the question has arisen of whether the amount outstanding of benchmark government bonds will remain sufficient to cover benchmarking needs, particularly as public deficits and debts should be reduced further in the euro area. Already quite some time ago, some commentators had put forward the idea that the interest rate swap market, which, by international standards, is very well developed in the euro area, could at least partly play the role of benchmark. In fact, it is clear that the swap curve constitutes a widely used reference for the pricing of private sector debt instruments as well as the measurement of market risk on these instruments. With regard to derivatives instruments, I am confident that financial market institutions will come up with solutions to any possible shortage of the underlying government bonds. This development, in itself, would be welcome, as it would reflect a decline in government deficits and debt to levels in line with the Stability and Growth Pact. For example, other instruments or pools of instruments may be used to provide the underlying price references for exchange-traded derivatives instruments. All in all, there are two main conditions to be fulfilled by instruments to serve as a reference in interest rate derivatives contracts. First, reference instruments should be traded in a market which is sufficiently deep and liquid to constitute a reliable and efficient price source. Second, the requisite legal and institutional conditions should be in place to ensure that positions on derivatives may easily be either reversed prior to expiry, rolled over at the time of expiry or settled at the time of expiry by way of a cash payment.

Moving on to the second item in my short list of issues, let me now consider the challenges posed by the electronification of trading systems. This development has been most remarkable in the foreign exchange markets. Automatic trading systems have very rapidly, over the course of the past three years, become the most widely used way of matching buy and sell orders. In the course of this development, a large part of the voice-based trading process has disappeared. In this context, certain observers regarded it as symptomatic of possible problems that, on particular days in 1998 and 1999, foreign exchange rates fluctuated by unusually large amounts within very short periods of time. These observers argued that the changing role of market makers in the price formation mechanism, as a result of market electronification, was the cause underlying some of the unusual gapping behaviour seen in foreign exchange rates on these particular days. If this hypothesis proves correct, then it is likely that any gapping phenomenon would disappear once the transition to the new framework is complete and the new market infrastructure has become well established.

Meanwhile, the electronification of markets has also made progress in interest rate and equity markets. Over recent months, certain institutions have made available, particularly on the internet, relatively cheap automatised trading systems. These systems carry out the matching of orders as well as the settlement of transactions, sometimes on a net basis, with the stock exchanges. The shift of a portion of trading activity away from stock exchanges and onto electronic trading systems may result in more pronounced risks of gridlocks, if the electronic trading platforms do not adopt sufficiently safe procedures. Furthermore, the quality of the price discovery process on electronic trading platforms may not always be sufficient, at least during a transition period. This could, for example, be the case when there are several systems which cover identical instruments but function independently of each other. The resulting risk of fragmentation of certain markets prompted Arthur Levitt, the head of the US Securities and Exchange Commission, to call for the rapid generalisation of “open books” showing, in real time, limit orders collected by the major market makers operating in the US securities markets. This proposal encountered some opposition, however, as it was considered likely to put excessive strains on the free development of competition. For my part, I should like principally to recall the suggestion made by some that we should foster the use amongst market service providers of safe and secure procedures which are able to limit the risks of gridlocks in financial markets.

This brings me to the final item in my short list of issues. Over recent months, there has been an acceleration of the pace of change in the infrastructure of financial markets in the euro area. As I mentioned earlier, these changes have brought about a number of benefits for market participants. However, in a newly built infrastructure there is a need to ensure that all requisite mechanisms are there for the markets to be able to function, as it were, under bad weather conditions. In the same way as market participants extensively tested the ability of their information technology systems to withstand the century date change, there is a need for market service providers to carry out some stress testing of the new financial market infrastructure in the euro area as it has developed. The questions to raise in this area are quite well known. For example, one should ask whether trading systems are able to withstand without friction the failure of a market participant to fulfil its obligations or whether this could lead to a major disruption in trading activity. By entertaining such questions early on, market service providers will be in a good position to contribute to the development of the financial markets of the euro area in the best possible manner, for the benefit of the economy of the euro area in general.

In order to conclude my remarks for today, let me come back to where I began.

The financial system of the euro area is currently experiencing a series of profound changes. These changes concern all financial markets, from the foreign exchange market to the bond market and the equity market. European Economic and Monetary Union has fostered changes in two ways. First, closer economic integration has created more financial interconnections across country borders in the euro area. Second, the introduction of the euro on 1 January 1999 has acted as a catalyst for market participants to switch to new systems and to foster the development of hitherto underdeveloped market segments such as the corporate bond market. In this regard, the contribution made by price stability and public confidence in the Eurosystem should be mentioned. This led to the development of a "credit risk culture" fostering more efficiency in the financial markets of the euro area. In this context of change, there are great opportunities for financial markets in the euro area to become even more efficient and more open, a development which will support economic growth over the medium and long term. At the same time, there are certain market segments still lagging behind, for example the repo market or the market for cross-border retail payments. In addition, I have highlighted the fact that there are some risks which naturally arise in a period of accelerated change. If, however, the challenges ahead are appropriately addressed, I am confident that we are looking towards a continued period of exciting and eventually very beneficial changes in the financial systems of the euro area.

Thank you very much for your kind attention.