

Jean-Claude Trichet: Opening speech at the conference on “The safety and efficiency of post-trading arrangements in Europe”

Opening speech by Mr Jean-Claude Trichet, President of the European Central Bank, at the Joint ECB/European Commission conference “The safety and efficiency of post-trading arrangements in Europe”, Frankfurt am Main, 21-22 April 2008.

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Ladies and gentlemen,

I am delighted to welcoming you to Frankfurt and open the next one and a half day's Conference on “**The safety and efficiency of post-trading arrangements in Europe**”. This conference is organised jointly by the ECB and the European Commission as part of our continuous concerted initiatives to foster European financial integration in general and in the post-trading environment in particular. This conference is distinctive in at least two ways. Firstly, it brings the main European decision makers and opinion-formers from various segments of the post-trading activity together, to foster the European debate in an open and visionary way. Secondly, as the Conference is organised into distinguish sessions covering all post-trading activity, we have a unique opportunity to draw up concrete proposals and recommendations from each field of expertise. I look forward to learn from the discussions of today's conference on how to enhance the safety and efficiency of the European post-trading market.

I would like to emphasise the importance of the post-trading activities in Europe. Put into global perspective, Europe is comparable to the United States in terms of its economic size, but whereas firms in the United States operate in a single, large domestic post-trading environment, in Europe, firms have to operate across many smaller, national markets and bear the higher complexity and costs of connecting to all of these markets either directly or via manifold intermediaries, implying additional unnecessary costs. As a result of this lack of integration, Europe lags behind the United States.

For example, the **cost gap**¹ is particularly large for cross-border transactions, with estimates suggesting that the difference can be a multiple of two or even more.

This gap for Europe must be closed and clearly demonstrates that concrete actions are needed to make Europe significantly more competitive and a more attractive place for issuers and investors.

This objective is in line with the Lisbon agenda, which claims that not only *must* Europe do better, it *can* do better. We aim to make Europe a highly efficient and secure place to issue and trade securities. However, Europe lacks – for instance – a common post-trade “autobahn” or “highway” system, whereas the United States created such a system almost 10 years ago. The aim of the European post-trading market must therefore be to create one single market across Europe which is as secure, efficient and cheap as domestic markets are today.

The Eurosystem takes the view that today's challenges are best tackled by involving market participants in solving the current economic and financial gaps. The Eurosystem is acting as a market catalyst and playing a unique facilitation role, bringing together market participants to create a truly integrated European post-trading market. The Eurosystem achieved a great success by providing – in the form of TARGET2 – borderless core infrastructures for real-

¹ The difference between the price of an EU bank purchasing a settlement service by a European settlement service provider and the price an US bank pays for the equivalent settlement service from a US service provider.

time settlement in central bank money. Further support for the single market will come from the streamlining of collateral management systems through the CCBM2 (Collateral Central Bank Management) project. In addition, the TARGET2-Security (T2S) project aims at building on the TARGET2 system and brings securities transactions settlement with pure cash settlements together across Europe. These Eurosystem initiatives joins other European initiatives, such as the Code of Conduct and the Markets in Financial Instruments Directive (MiFID), in helping to fulfil the objectives set out by the Lisbon agenda for the provision of better services to issuers and investors. We firmly believe that these concerted initiatives will speed up the long awaited market integration and foster competition thereby creating opportunities for cost savings and allowing market participants to select and choose post-trade partners irrespective of their location within the single market.

This also requires a clear roadmap for securing the “safety and soundness”² of post-trading systems from a European perspective and for the relevant authorities to define common practices compatible with a single market, including the dismantling of current legal and fiscal barriers, in particular, national differences in the legal treatment of securities and actions on conflict-of-laws.

This is in conformity with the recommendations of the Giovannini group findings, which examined the EU post-trading sector and identified 15 barriers to be removed in order to ensure and efficient cross border clearing and settlements in the context of completing the single market; One of which relates to the current restrictions on the location of securities (barrier 9), which limits the issuers choice to place their securities with foreign depositories.

All these concerted initiatives will bring benefits for Europe. Commercial service-providers will benefit from the level playing-field that common platforms, harmonised rules and reduced complexity will bring. Issuers will benefit from lower capital costs. Investors will benefit from better returns.

However, the benefits go beyond the European post-trading activity, as an efficient post-trading market also contributes to the safeguarding of financial stability. Efficient and integrated markets reinforce the shock-absorption capacity of the system, as they are more liquid and offer better opportunities for financing and risk distribution. Similarly, in periods of high market volatility, the efficiency of processing, clearing and settlement and the timeliness of reusing funds contributes to the stability and shock-absorption capacity of financial markets.

Considering the value of securities trading volumes in the EU of approximately EUR 150 trillion in 2006, the importance and potential impact of the post-trading activity can not be underestimated.

Therefore, in summary, the post-trading service providers and their users will benefit from the overall economic efficiency within the pre and post-trading industry of an integrated financial market.

Against this background, you have all been invited to this conference as decision makers from various segments of the post-trading activity to foster the European debate with a view to improving the safety and efficiency of the European post-trading sector. I welcome you to take this opportunity to co-operate together and exchange visions and possible actions to enhance the safety and efficiency of the European post-trading market, in line with the Lisbon agenda and for the benefit of the 500 million citizens in the European Market.

I look forward to learn about today's discussions and I wish you a successful and out bringing Conference. I would like to pass on the floor to the next speaker, Commissioner Charlie

² Committee of European Securities Regulators.

McCreevy – responsible for “Internal Market and Services”, to present us with the keynote speech of the Conference.