

## Gertrude Tumpel-Gugerell: High-level panel: Improving the efficiency and integration of post-trading arrangements in Europe

Speech by Ms Gertrude Tumpel-Gugerell, Member of the Executive Board 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 open the high level panel on improving the efficiency and integration of post-trading arrangements in Europe and to share with you our visions for a more integrated financial post trading market.

Queen Victoria once said: “Change? Why do we need change? [Things are quite bad enough as they are]”. Well, a few years ago the post trading community was facing the question whether to follow Queen Victoria and not to change the post trading environment. So I am delighted when I look at today’s post trading environment to see a dynamic change environment with a lot of activity and initiative. An important question – that we will address in this panel – is how we can further shape and contribute to the future post trading environment.

As members of the panel, we have the pleasure of welcoming **Mr Eddy Wymeersch**, Chairman of the European Committee of Securities Regulators (CESR), **Ms Pervenche Berès**, Member of the European Parliament and Chairperson of the Committee on Economic and Monetary affairs of the European Parliament and **Mr Jeffrey Tessler**, Chief Executive Officer of Clearstream International.

I am especially happy to open this panel because the post-trading segment of the financial market plays a particularly important role in ensuring the safety and efficiency of allocating and attracting funds within a globalised financial market. To put this into perspective, the securities trading volumes for the EU stood at approximately €150 trillion in 2006, as compared with €196 trillion in the United States and €72 trillion in Japan, and keeping in mind at the same time that the settlement volumes could be as much as three times as high. In the light of these significant and increasing volumes, it is evident that today’s challenges are best tackled by involving market participants in the definition of concerted efforts to foster innovative and operative actions to enhance the safeguarding and integration of the currently too fragmented European post-trading market.

The Eurosystem takes its responsibility and is accountable for acting as a market operator, facilitator and catalyst for new initiatives as part of the common European objective of creating a truly transparent and integrated European financial market in line with the single market agenda.

The Eurosystem will continue to play an active role in the payment industry by offering several types of service and infrastructure to the financial market. It has proven that it is capable of managing large-scale facilities and now provides a borderless core infrastructure for real-time settlement in central bank money with TARGET 2. Furthermore, a medium-term project for the next generation of collateral management has been launched under the name of “Collateral Central Bank Management” (CCBM2), the objective of which is to consolidate and enhance the efficiency of the Eurosystem’s collateral management systems to the benefit of eligible counterparties. Currently, there is a public consultation on the draft CCBM2 user requirements under way, in which market participants have been invited to provide their comments by 5 May 2008.

Let me also elaborate on the new TARGET2 Securities (T2S) project. The T2S project is the Eurosystem’s proposal for making cross-border securities settlement transactions in central

bank money as secure, efficient and cheap as domestic settlement transactions are today. T2S will build on and benefit from the newly released TARGET2 system thereby combining cash and securities settlements – in real time – within a single European infrastructure. This will be Europe's single “pipeline” settlement system, a system similar to those that have already been implemented by other economic areas. I firmly believe that T2S will contribute to speeding up market integration and fostering the necessary competition in Europe, to the benefit of financial participants and the citizens of Europe.

The T2S project will act as a driver to remove even more barriers of the kind already identified by the Giovannini Group, as well as help users to identify the irreducible costs of unresolved barriers in the new efficient borderless settlement environment. This project will also advance the European harmonisation process, creating opportunities for further cost savings and allowing market participants to easily select and choose post-trade partners irrespective of their location within the single market. The impact of T2S on harmonisation is already being felt, building on the valuable work carried out by the CSDs. The harmonisation process goes far beyond pure settlement activities and will increase the pressure for swift action to harmonise practices, especially in relation to corporate activities, taxes, laws and regulations.

The dynamic and second-round effects of T2S will pass through the market to increase trading activity, reduce trading spreads, increase competition and lower service prices, thus improving welfare in general. With T2S, the concept of cross-border settlements in Europe will disappear; instead, there will just be a domestic securities settlement for Europe.

The Governing Council decided to maintain the current governance structure arrangements for the forthcoming specification phase which is scheduled to be completed by the end of 2009. Work is under way to present the governance structures for the subsequent implementation and operational phases. Replies from market participants are coming-in contributing to the assessment of costs-benefits and economical impact of T2S on the industry.

I can assure you that we will carefully weigh all the economic factors, the legal aspects and the risks involved. We rely on the dialog with you to bring all the arguments on the table. Preliminary results provide us with the confidence that the economical aspects of the project will bring savings to the industry as a whole over the medium term. Further results are expected still within April. The Governing Council of the ECB will take the final decision on building the T2S project during the summer of 2008.

The ECB is in full agreement with the Commission regarding the Code of Conduct, in particular in the core principles of establishing the freedom of choice and competition in trading, clearing, and settlement on the basis of price transparency, access and interoperability and the unbundling of services, bringing transparency to the market. The ECB welcomes initiatives that contribute to creating a truly integrated and efficient European financial market in line with the Lisbon agenda. I can assure you that the ECB listens carefully to the views of the market, which is another reason for hosting this conference: We want to stay in close contact with post-trading partners. I therefore look forward to discussing with you – as conscientious decision-makers of the European securities industry – ideas for accelerating the fulfilment of the Lisbon agenda in order to obtain a single, transparent and efficient post-trading market in Europe.