

Mario Draghi: Post-trade harmonisation and financial market integration in Europe

Opening remarks by Mr Mario Draghi, President of the European Central Bank, at the conference “Post-trade harmonisation and the integration of financial markets: a joint effort”, organised by the European Central Bank and the European Commission, Frankfurt am Main, 19 March 2013.

* * *

Ladies and gentlemen,

I am very pleased to welcome you to Frankfurt today and to open this important conference on post-trade harmonisation and financial market integration in Europe.

This conference is the result of a joint effort between the European Central Bank and the European Commission, and I would like to thank the organisers for putting together such an excellent programme.

I am very pleased to see that so many distinguished speakers from both the public and private sectors have agreed to share their views on how post-trade harmonisation will contribute to financial integration in Europe.

In times of severe economic challenges, it is particularly important that our commitment to achieving a truly single European market is reaffirmed. As we all understand, a well-functioning internal market generates many benefits, including lower prices, more freedom of choice for individuals and better opportunities for firms.

What Europe has achieved so far is indisputable – and it is often taken for granted. People sometimes focus on perceived difficulties caused by the single market from an individual or national perspective. But it is important to acknowledge the huge benefits of European integration for our daily lives and day-to-day business.

Greater financial integration is a key part of building the single market – and something that improves the functioning of national financial systems. Financial integration leads to better risk-sharing and diversification, it makes markets deeper and more liquid, and it encourages competition, which in turn reduces the costs of intermediation. In addition, financial integration fosters more efficient allocation of capital, higher productivity, and stronger and more sustainable non-inflationary economic growth.

Financial integration is essential to making Europe stronger, so it is very important to the ECB’s Governing Council. We are fully committed to making it happen, especially at a time when the fragmentation of the single financial market has led to fragmentation of the single monetary policy.

As you will be aware, the disruptive effects of severe fragmentation in the single financial market have tangible consequences, such as diverging funding costs for banks. This has resulted in the uneven transmission of our interest rate reductions to firms and households across the euro area. For this reason, the ECB has had to identify the most effective policy tools for repairing these disruptions, while remaining within its mandate.

Financial integration is clearly in the interests of the market and it is strongly supported by the post-trade harmonisation initiatives that are taking place within the EU at the legislative, operational and business levels. These initiatives all aim to remove national barriers and thus reduce the fragmentation of the European post-trade landscape.

The integration of market infrastructure, the harmonisation agenda triggered by T2S and the regulatory framework are the key elements of a coordinated harmonisation effort that complements and supports financial integration.

It is through this lens that the topic of today's conference should be analysed. Key questions include: how can we contribute to improving post-trade harmonisation? What will this process change? And what actions can we take to benefit from it?

The speakers will give us their answers and explore the various harmonisation initiatives, linking them with changes in the regulatory framework and in market infrastructure.

Last May, I participated, along with some of you, in the signing of the contractual agreements between the Eurosystem and those CSDs that had decided to participate in T2S. I stressed that the fundamental objective of T2S is to contribute to making Europe a better place to invest. Let me say that this objective is not unique to T2S. It is the objective of all the harmonisation efforts that are being undertaken in the post-trade field, by all parties.

It is definitely a joint effort, and what I see is not just the commitment of public authorities at the European or national level, but also the commitment of market participants, CSDs and CCPs. I am sure that we all share the same goal, namely making Europe stronger and more attractive for both domestic and foreign investment, thus stimulating and sustaining growth.

Through the coordinated action of so many stakeholders, financial markets will become safer, more transparent and, therefore, more efficient and integrated. Dismantling legal and operational barriers, which is the aim of current EU legislative proposals and new infrastructure such as T2S, will benefit those who adapt their business models to a more competitive landscape. It is important to highlight that the benefits of T2S will be fully achieved if the current harmonisation efforts are successfully implemented at the European level and especially at the national level.

Let me be specific here by giving you a few examples.

In terms of infrastructure, T2S is the necessary platform for setting up a single European market for securities services. In terms of benefits for Europe, T2S will make the post-trade environment safer and more efficient. It will reduce the cost of settling securities transactions and bring about significant collateral savings for market participants. These collateral savings are particularly valuable at a time when demand for high-quality collateral continues to increase, as a result of both the crisis and new regulatory developments.

But reaping the full benefits from the launch of T2S requires that it is complemented by the provisions laid out in the CSD regulation proposed by the Commission. Both initiatives are supported by the harmonisation agenda which has been advanced by the Eurosystem and other European fora.

The CSD regulation is critical to post-trade harmonisation efforts in Europe. The ECB's Governing Council has stated its strong support for the proposed regulation, which will enhance the legal and operational conditions for cross-border settlement in the EU in general and in T2S in particular. In this respect, the ECB has recommended that the proposed regulation and the corresponding implementing acts are adopted prior to the launch of T2S.

Work is also in progress at the Eurosystem level to improve the possibilities for the cross-border use of collateral for Eurosystem credit operations, which will increase efficiency. Further benefits are expected from market-led initiatives to enhance the interoperability of triparty services in Europe.

I do not want to pre-empt the interesting discussions that you will have today, so let me conclude by saying that everyone needs to be involved in this process. Every contribution matters; and every action is relevant.

I am confident that today's conference will further clarify the role that each of us has to play in this important phase of European integration, and I look forward to continuing to work on it together.

Thank you very much for your attention.