

Mario Draghi: Welcome address "Into the future: Europe's digital integrated market"

Opening remarks by Mr Mario Draghi, President of the European Central Bank, at the Joint ECB and European Commission Conference "Into the future: Europe's digital integrated market", Frankfurt am Main, 31 January 2017.

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It is a pleasure to welcome you here today to this joint ECB and European Commission conference on Europe's digital integrated market of tomorrow. The conference title invites us to look to the future: to a European financial market which is both integrated and digital. It is indeed fitting that these two elements are considered together. In a world of increasing digitalisation, our overarching aim of promoting financial integration at the European level is necessarily set against a backdrop of ever more sophisticated technology and innovation.

Capital markets union and post-trade integration

First, let me say a few words on financial integration, which is a focal point for two of our panels today. Promoting European financial integration is – besides the primary objective of price stability – a key objective of the Eurosystem. It is essential for a well-functioning single currency. Indeed, you can see financial integration and the single currency as two sides of the same coin: one basic motivation for the single currency was to maximise the benefits of the single market for capital. Conversely, it was understood that integrated financial markets would be necessary for an effective single currency.

And financial integration is not something we can take for granted. As we saw in the financial crisis, incomplete financial integration creates vulnerabilities and is liable to fragment. It is the quality of financial integration which is key. With the banking union, we are laying the foundations for a more complete financial integration in the future. But to be fully comprehensive, a single financial market must also extend to capital market integration. With this in mind, I am pleased that Mr Olivier Guersent, who has kindly agreed to replace Mr Valdis Dombrovskis, Vice-President of the European Commission, is here today to update us on the status of the Commission's work on the capital market union and outline the issues at stake. The ECB welcomes the capital markets union project. It has the potential to complement the banking union, strengthen Economic and Monetary Union and deepen the single market: to provide, together with the banking union, the preconditions for a more sustainable financial integration in the future.

The Eurosystem has laid some of the key fundamentals for a capital markets union by providing the market infrastructure through which capital can move freely across Europe. Notably, the launch of TARGET2-Securities or T2S in 2015 brought technical and operational harmonisation to the post-trade market.

And T2S also provided the concrete incentive needed to drive the harmonisation process forward more generally. Markets have aligned their rules and practices to get the most out of T2S, and, over the past years, we have seen how they have harmonised out of choice rather than legal obligation. This market initiative was supported by the legislative action needed to give the market the space it required to achieve its full potential. Central Securities Depositories Regulation streamlined the rules and provided the legal framework for T2S's technical operations.

But the work is by no means complete; more remains to be done to attain a full capital markets union. This will be the topic addressed by today's first panel, which brings together expertise from both regulators and industry. It will take stock of the work done on capital markets union and post-trade integration so far and assess where we go from here.

Digitalisation, innovation and integration

Now, let us turn to the other adjective in our conference title: Europe's *digital* integrated market. The financial integration process in Europe is subject to many challenges – economic, political and technical. One additional – and important – challenge is digitalisation. This is part of a fundamental change that affects not only the financial industry but society at large: the internet, smart phones and tablets have changed the way we communicate, the way we do business, the way we access and store information – in short, the way we live. Some claim that we are at the dawn of a new technological age, so-called “industry 4.0” or even the fourth industrial revolution. Others dispute this, or take exception to the nomenclature. But, however you choose to label it, it cannot be denied that – as digitalisation gathers pace – it continues to insinuate itself into all aspects of our daily life and work. And the journey has by no means reached its end.

Digitalisation can make business processes faster, cheaper and generally more efficient. But it also entails risks that need to be addressed.

Several of our sessions today explore the risks and opportunities of digitalisation from a variety of angles, and the potential effects for financial markets. Our second speaker, Jeremy Rifkin, will give us insights into what could be in store for us in the years to come as technology continues to have a profound effect on various spheres of life and business, and what could be the impact on financial markets. Then, my fellow member of the ECB's Executive Board, Yves Mersch, will explore the topic with a particular focus on financial market infrastructure.

The Eurosystem is always on the lookout for ways to improve the efficiency and lower the costs of its market infrastructure. It considers how best to respond to and take advantage of technical innovation and meet new user needs, while staying ahead of evolving risks. In this vein, we have initiated strategic reflections on the future of the Eurosystem market infrastructure.

We must also be mindful about developments in new technologies and how these might impact the banking business of tomorrow. Indeed, when we talk about financial integration and market infrastructures, we cannot neglect to consider the potentially far-reaching implications which new technologies could have for our financial ecosystem going forward. For the ECB it is essential that new technologies are explored, analysed and tested to ensure that tomorrow's market infrastructure is not only efficient and innovative but also remains safe and resilient. This is therefore high on the ECB's strategic agenda. Our second panel today will explore how we can drive integration further and unleash the full potential of an integrated European market.

Cyber resilience and challenges for regulators

All progress comes with risks as well as opportunities. And one highly topical risk linked to digitalisation is cybercrime, which is on the rise. Increases in users and data on digital platforms, in cloud computing and across networks, have multiplied the number of potential routes for criminal attacks. Agents of cybercrime – be they criminals, “hacktivists” or terrorists – are always on the look-out for ways to increase their level of sophistication and explore opportunities for attacks.

As financial market infrastructures are highly interconnected, the potential effects of such an attack should not be underestimated.

In the light of this, the Eurosystem's aim is to improve the cyber resilience of the Eurosystem as a whole by enhancing the cyber resilience of financial market infrastructures, fostering sector resilience and promoting collaboration in the form of joint initiatives. Against this backdrop, we are pleased to have here with us today Marco Gercke, Director of the Cybercrime Research Institute, who will share with us his thoughts and expertise on the topic of cybercrime.

The digitalisation of the financial industry poses new challenges to legislators and regulators.

Changes brought about by digitalisation, such as the emergence of new services and new market players, may call for regulatory guidance and response – to ensure both safety and a level playing-field.

With this in mind, our last panel today, moderated by my fellow Executive Board member, Benoît Cœuré, will look at the challenges regulators face in promoting an environment which, on the one hand, allows the benefits of innovation to be reaped, while, on the other, prevents the emergence of new threats.

Conclusion

Thus, to conclude: we have a full and multifaceted agenda today on a topic which, in many ways, lies at the heart of the European project: how to achieve our aim of promoting financial integration in these fast-changing, uncertain and digital times. Once again, I warmly welcome you all, and kindly invite Mr Guersent to take the floor.