



EUROPEAN CENTRAL BANK



20 December 2004

PRESS RELEASE

PUBLICATION OF THE REPORT BY THE ECB-CFS RESEARCH NETWORK ON “CAPITAL MARKETS AND FINANCIAL INTEGRATION IN EUROPE”

The European Central Bank (ECB) and the Center for Financial Studies (CFS) are today publishing a report on capital markets and financial integration in Europe that summarises the findings of the research activities of their joint research network. The results reflect the views of the researchers who contributed to the network events and are not official views of the ECB or the CFS.

The research results indicate that the introduction of the euro in 1999 has contributed to a reduction in the cost of capital in the euro area, particularly in relation to corporate bond financing. More generally, the euro has enhanced the liquidity and efficiency of financial markets. The still fragmented structure of the European securities clearing and settlement industry is viewed as one of the main obstacles to further financial integration and the cross-border trading of bonds and stocks. But policies promoting open access to clearing and settlement systems could help market forces to achieve efficient consolidation.

The results also emphasise the relatively low degree of integration reached in retail banking markets compared with the higher level of integration in wholesale financial markets. Policies which aim to achieve greater banking integration may only be able to change this in part, as some of the inherent characteristics of loan and deposit markets limit their cross-border expansion. Research conducted under the network also suggests that a stronger role for European competition policies could lead to further banking integration.

The ECB-CFS research network on “Capital Markets and Financial Integration in Europe” was launched in April 2002. It aims to stimulate top-level, policy-relevant

research and to contribute to the understanding of the current and future structure and integration of the financial system in Europe and its international linkages with the United States and Japan. Contributors to the network include researchers from academia, central banks and other institutions. Further information on the network is available at <http://www.eu-financial-system.org>.

The ECB and the CFS have decided to keep the network active for three more years, until 2007. Research priority areas in this second phase include: i) the relationship between financial integration and financial stability, ii) EU accession, financial development and financial integration, and iii) financial system modernisation and economic growth in Europe.

The full report "Research Network on Capital Markets and Financial Integration in Europe – Results and Experience after Two Years" is available on the websites of the ECB and the CFS. Hard copies can also be obtained by writing to the ECB's Press and Information Division at the address below.

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