

European Financial Integration Report

– *trends and policy challenges* –

Financial integration and stability seminar at the ECB
on 12 April 2010



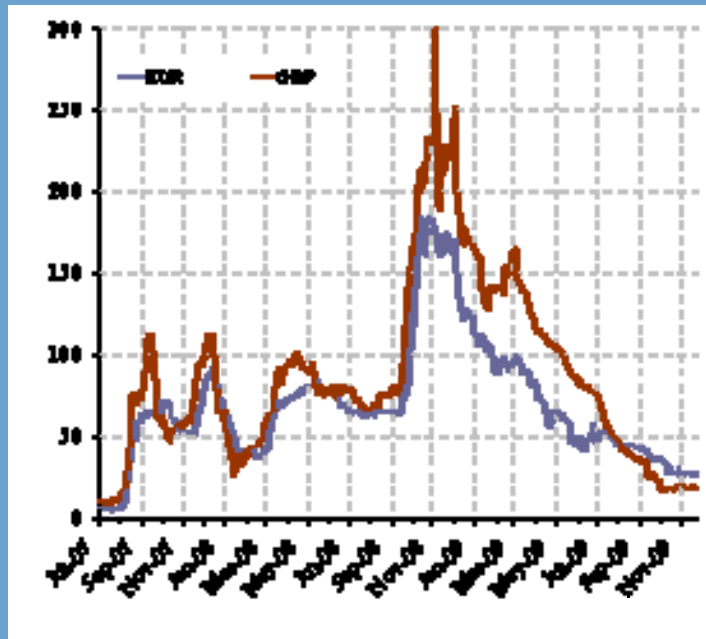
European Commission

David Wright
Deputy Director General
DG Internal Market and Services
European Commission

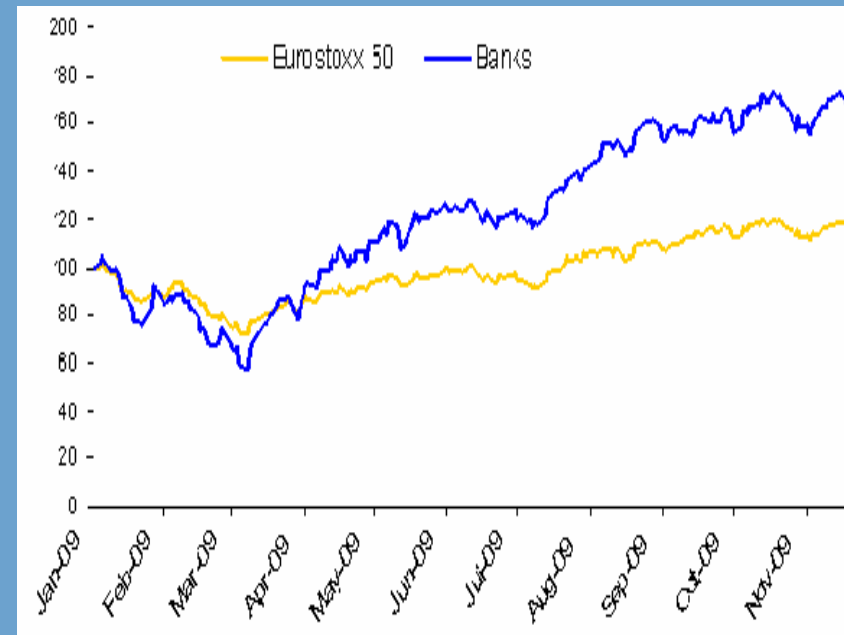
Internal Market & Services DG

State of play

Financial stability – return of confidence

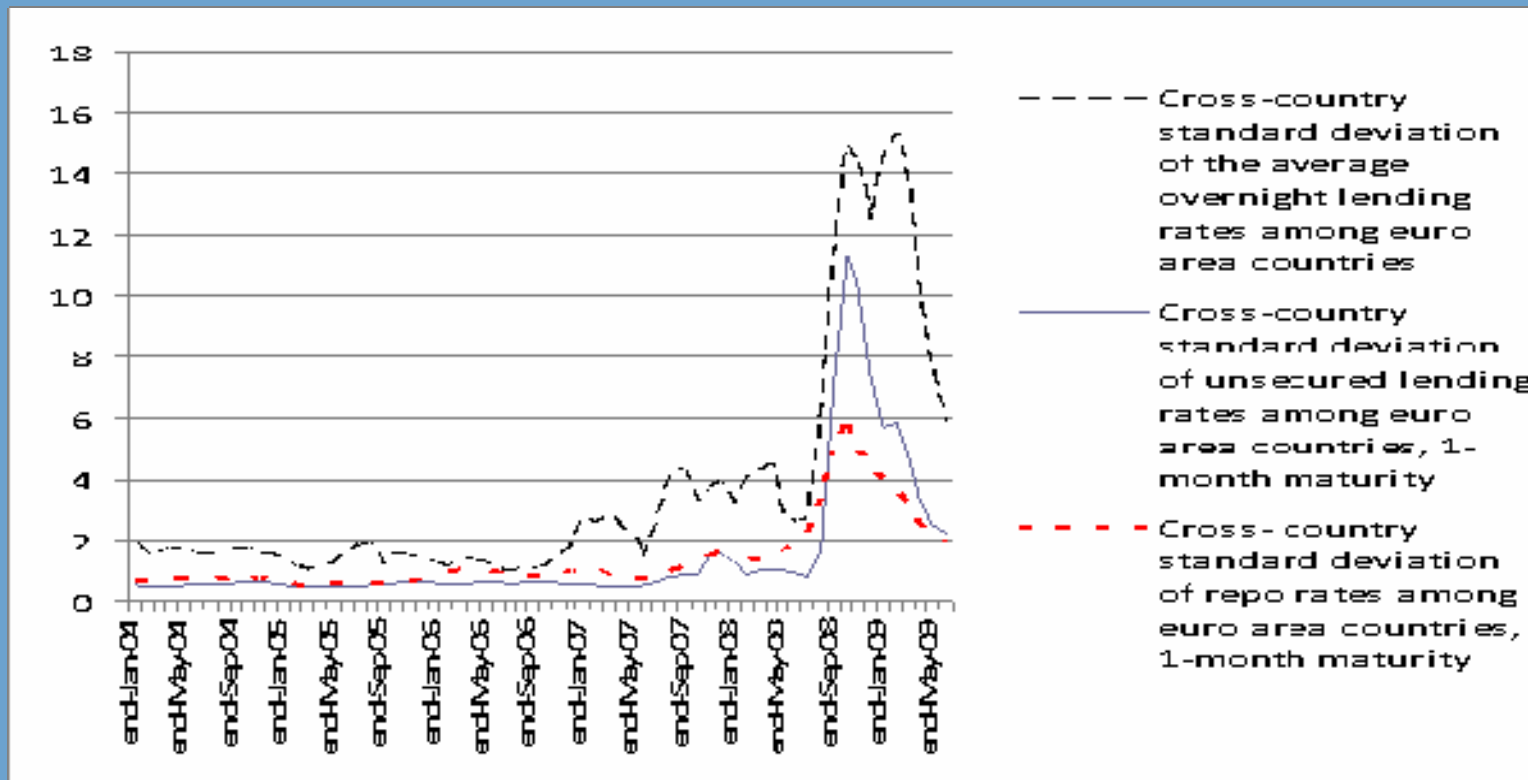


Interest rate spreads
Unsecured interbank deposit rates vs,
overnight swap rates



Euro area bank v. general equity
index in 2009

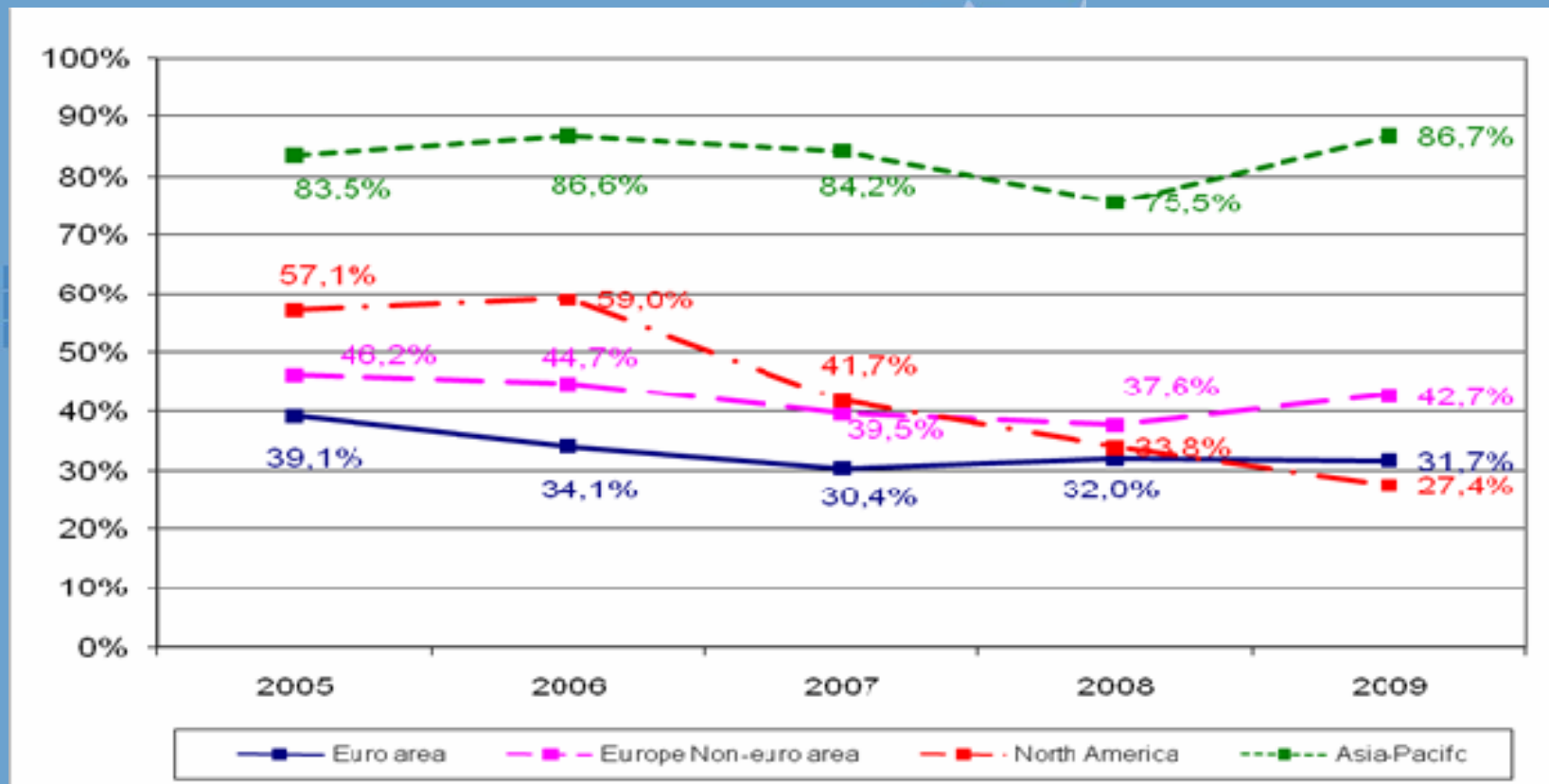
Impact of the crisis: wholesale financial integration



Cost of capital dispersion, Commission estimate

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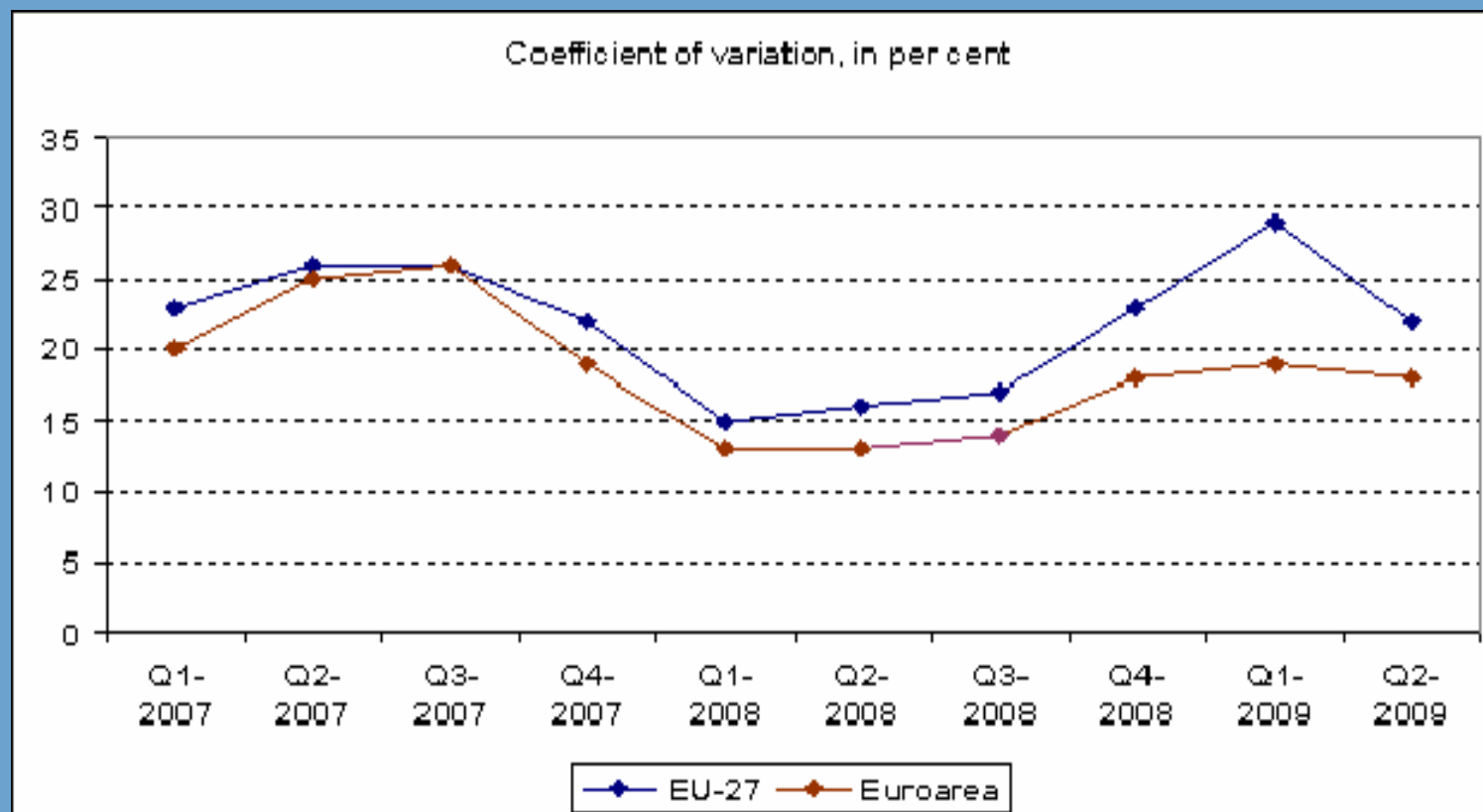
Impact of the crisis: retail financial integration



Price convergence of day-to-day banking services

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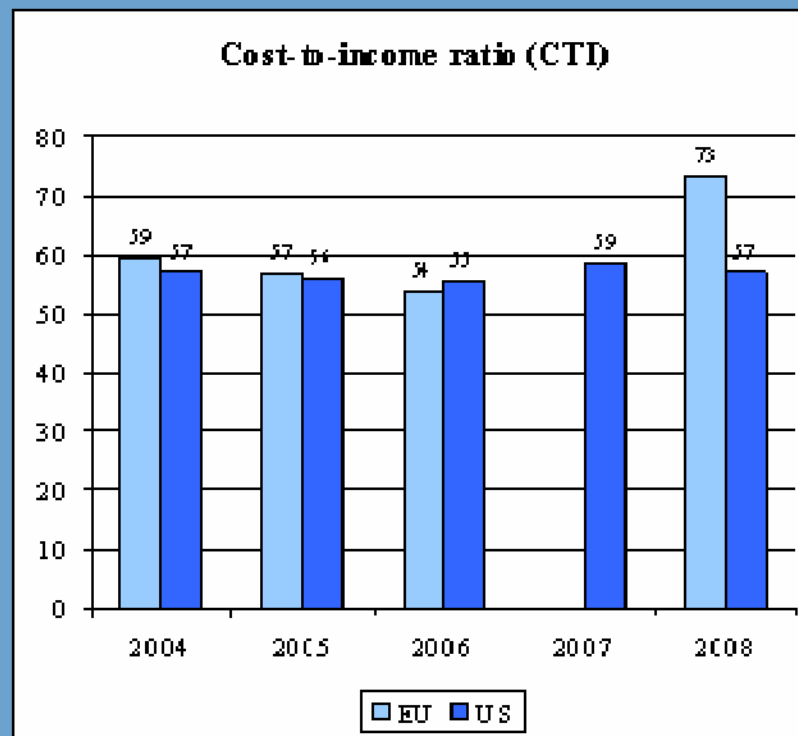
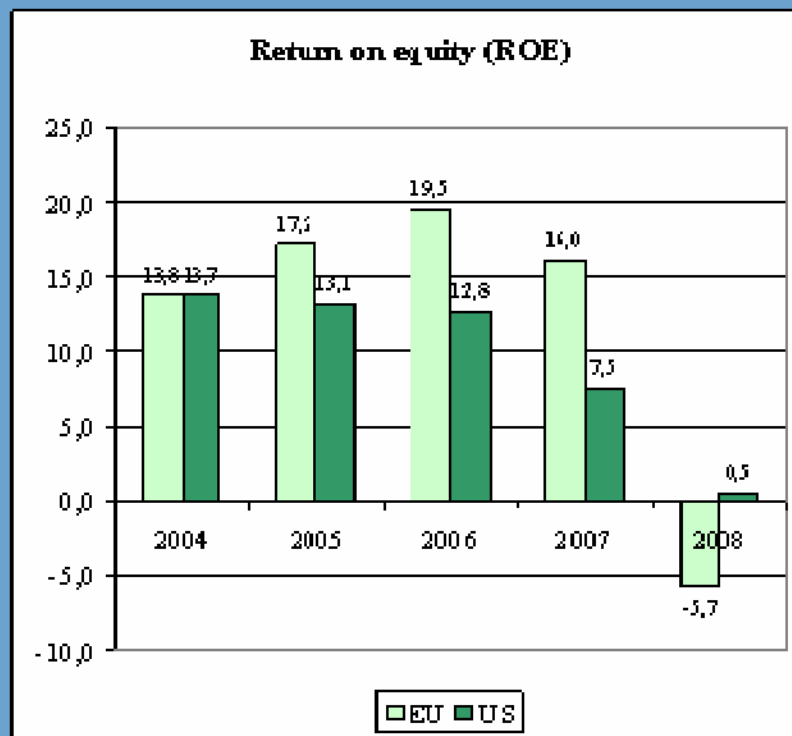
Impact of the crisis: Euro / non-Euro-area



Cost of capital dispersion, Commission estimate

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Efficiency



The cost of the financial crisis I

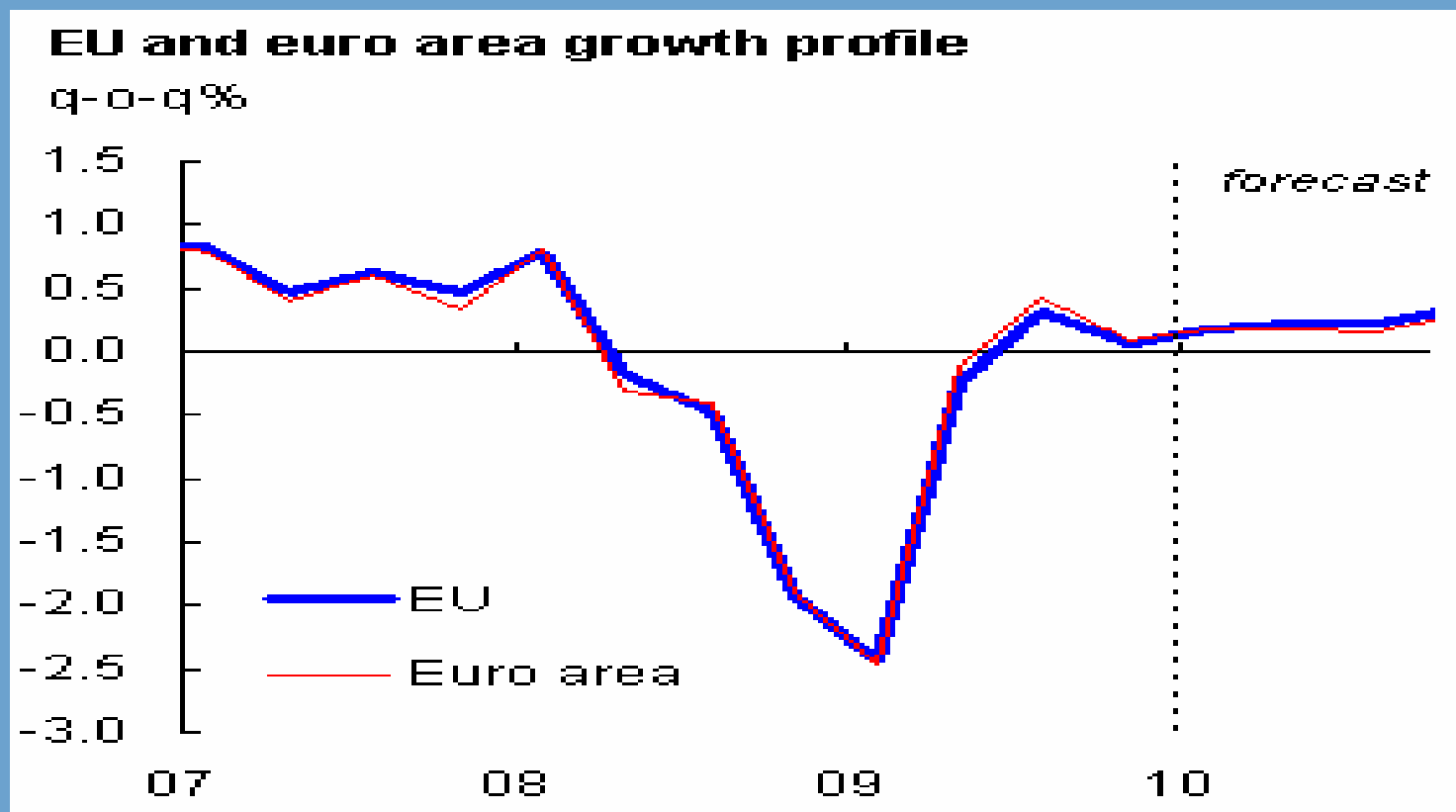
Public interventions in the EU banking sector

(In EU-27 and in % of GDP)

Effective capital injection	1.7%
Guarantees granted	7.9%
Relief of impaired assets	<u>3.0%</u>
Total effective measures	12.6%

Source: European Economic Forecast autumn 2009

The cost of the financial crisis II

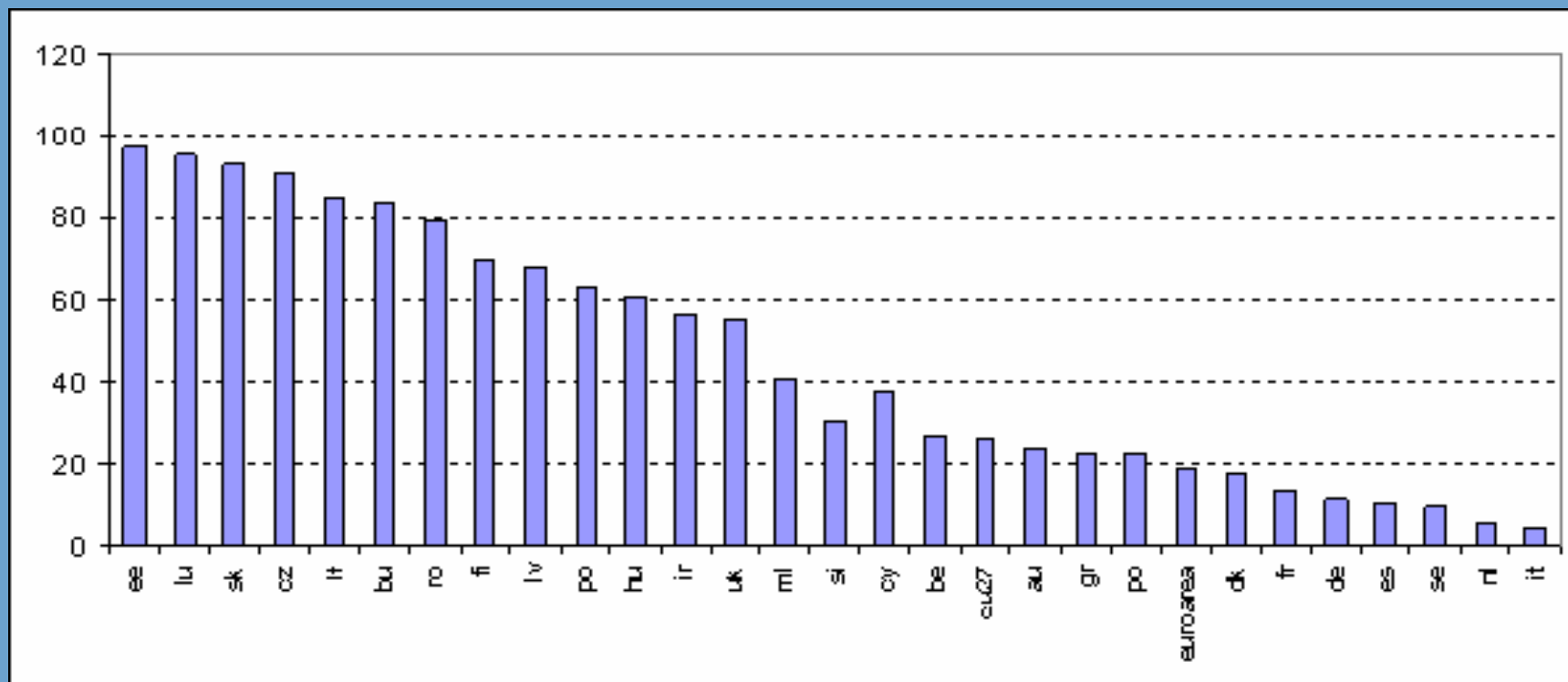


Commission Interim Forecast February 2010

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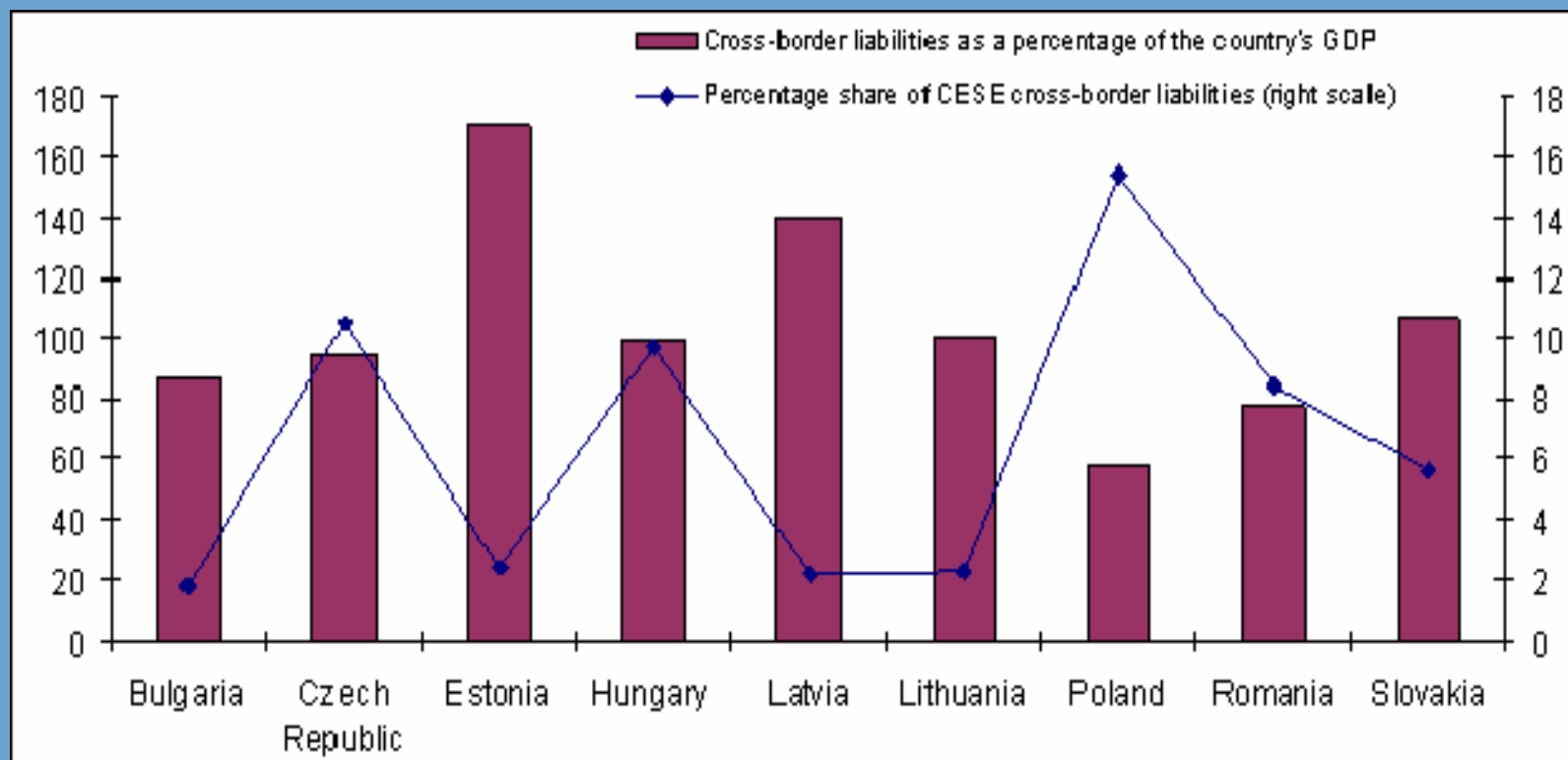
Policy challenges

An integrated EU banking sector



Market share of foreign-owned banks in EU Member States in 2008

Concentrated cross-border exposures in MS

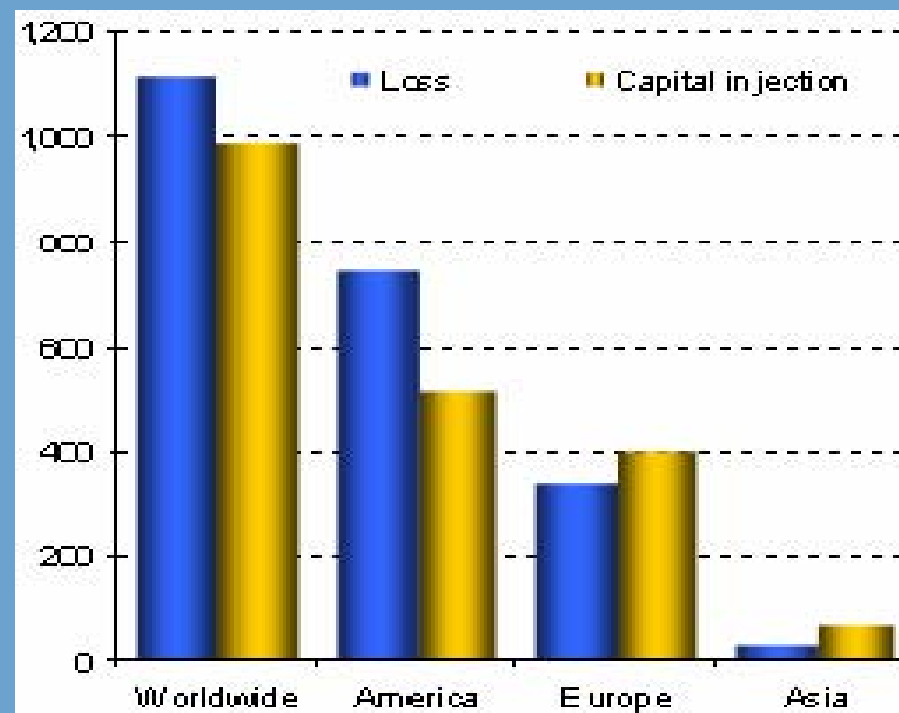
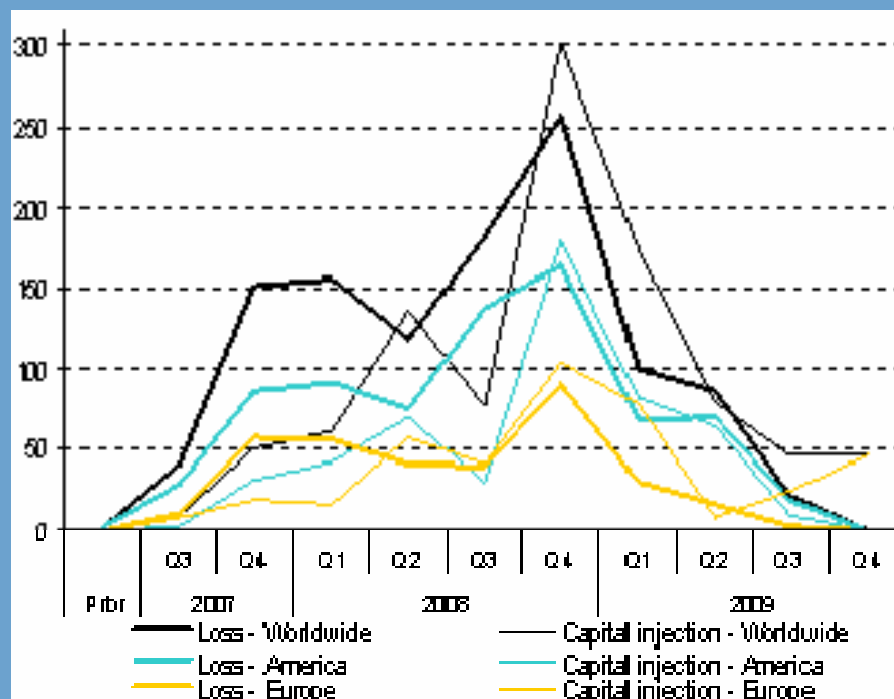


Cross-border liabilities in central, Eastern and Southern Europe

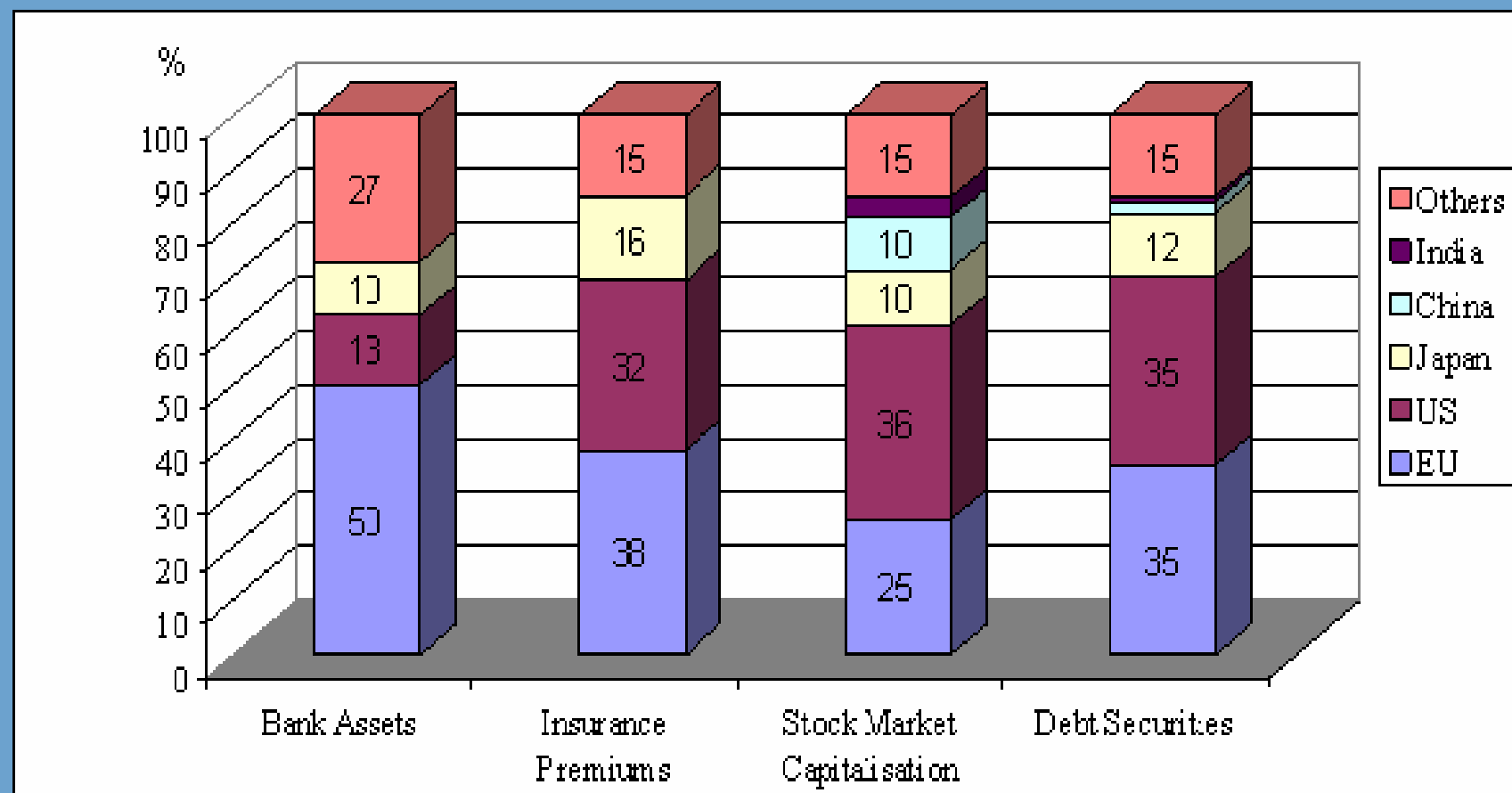
EU policy challenges

- **Early warning system, supervisory cooperation, single rulebook to deal with a Single Market in financial services → European supervisory reform,**
- **Effective crisis management for cross-border banking groups.**
- **Who should pay the bill resulting from cross-border banking problems?**

Financial globalisation: the stability challenge



EU as an international financial centre



Global policy challenges – G20 priorities

- **Strengthening the resilience of the banking sector
(quality & quantity of capital, fight pro-cyclicality)**
- **Systemically important institutions**
- **(corporate governance, disclosure, resolution)**
- **Adherence to international prudential and market integrity standards**
- **Remunerations**
- **OTC-derivatives**

Thank you!



European Commission
DG Internal Market and Services