Keynote speech,
ECB-Commission joint conference: Into the future: Europe's digital integrated market, Frankfurt, 31 January 2017

Ladies and gentlemen,

I am delighted be at this conference. It is always a pleasure to be in Frankfurt, and in particular to hear Mario's [Draghi] informed take on the challenges and opportunities we face to build integrated markets. As for me, I would like to update you on the progress the Commission is making to build a single market for capital in Europe; to share with you some thoughts on the important contribution post-trade services have to make; and to say a few words on our approach to the digital revolution that is upon us.

Last year, the European Commission reaffirmed its determination to build a Capital Markets Union. For those who thought we might waver following the UK referendum result, we wanted to be clear: we are going to finish what we started. Because the prospect of Europe's largest financial centre leaving the single market, simply makes the case for deeper capital markets across the rest of the European Union more urgent. We need deeper capital markets so that companies can get the financing they need whatever their stage of development. And to support the long term investment our economy needs to remain competitive in the face of ever more fierce competition.

The first wave of Capital Markets Union measures is well underway.

- In December, we agreed an overhaul to the Prospectus regime to make it easier for companies to issue equity and debt on public markets.

- A carefully balanced proposal to restart securitisation markets with simple, transparent and standardised securitisations is currently being discussed by the European Parliament and Council.

- A proposal to strengthen Europe's capital markets and support socially minded investments is on the table. Council agreed its position in record time and we are counting on the European Parliament to do the same.

Now, we are entering the second phase of the Capital Markets Union project. We have just launched a consultation to shape this next stage, and, building on the initiatives we have already taken, help us go further. Please send us your views.

There are a number of areas where work is already underway and where we want to quicken the pace. I am thinking of our work to support the effective restructuring of viable business debt to give companies a second chance. Our recent proposal to reduce the debt-equity bias in our tax systems as part of the Common Consolidated Corporate Tax Base. And our efforts to see how best to create a pan-

European pensions market, before coming forward with legislation this year.

There are other areas the Commission committed to being more ambitious. We want to do more to support sustainable finance and have set up a High Level Expert Group to develop a comprehensive strategy for the EU. We are keen for Europe's financial sector to make the most of innovation, of Fintech and the opportunities it offers to make financial market infrastructures more efficient.

WE are very clear that the Capital Market's Union's success will partly depend on having the right capital markets infrastructures in place. Today, there are over thirty central securities depositories - CSDs – and over seventeen central counterparties - CCPs - established in the European Union. In 2015, European based depositories held client securities worth around 50 trillion euros. And between 2010 and 2015, securities worth more than 9 trillion euros were added to the accounts of European CSDs.

If behind every successful company there's a team. Behind dynamic capital markets lie solid market infrastructures and reliable post-trade services. As we gradually knock down the barriers to the free flow of capital across Europe, the need for these services is likely to grow - bringing huge benefits to their providers. So our vision for post-trading services within the Capital Markets Union is one based on competition, transparency and choice: efficient services delivered safely in a clear prudential framework.

We have already made good progress. The crisis revealed gaps in our legislation that we moved swiftly to plug. A whole new regulatory architecture was put in place, harmonising rules across the EU. I am thinking in particular of the European Market Infrastructure Regulation, the Central Securities Depositories Regulation and Securities Financing Transactions Regulation – all agreed between 2012 and 2014. For the first time, market infrastructures such as CCPs and CSDs became subject to EU-wide legislation. And existing legislation governing other infrastructures, such as trading venues, was overhauled when we updated the Markets in Financial Instruments Directive and Regulation.

These reforms have had a major impact on how post trade services are provided and market infrastructures operate. But these regulatory changes should not be viewed in isolation. There have also been significant market driven adjustments. And the roll out of Target 2-Securities (T2S) - a single, pan-European platform for securities settlement - should make a real difference to the financial services industry and the provision of post-trade services across borders. The synergies between the Central Securities Depositories Regulation and Target 2- Securities, and the harmonisation work that was done to create a single settlement platform is impressive.

Yet much more remains to be done. In response to the Commission's public consultation on the CMU Action Plan, stakeholders identified a number of post-trading barriers as being key impediments to the creation of a genuine Capital Markets Union. Market inefficiencies, legal barriers, insufficient competition, low market confidence and the absence of a level playing field still prevent European capital markets from reaching their full potential.

Some of these barriers are longstanding. Others are more recent, sometimes due to the unintended consequences of a new regulatory environment. To better understand these barriers, we have taken a comprehensive approach.

We launched a Call for Evidence on financial services legislation, a public consultation to check for inconsistencies, duplications and unintended consequences in a regulatory framework built at record speed in response to the crisis. We have recently published our analysis of the evidence we received. We have already drawn on this to inform our recent EU Banking Reform proposals. And we have also fed evidence gathered into our recent report on the European Market Infrastructure Regulation, which will inform a legislative proposal this spring.

As part of the CMU Action Plan we will undertake a more targeted review of the progress towards removing barriers to cross-border settlement and clearing across the single market. Early last year, we established an expert group: the European Post-trade Forum. It is preparing a report assessing the state of post-trade services, identifying remaining impediments to business today and those which might arise in the future. The group will deliver its report by end of

March. We will then consult on its findings with all interested parties. The public consultation will help decide where further action is needed to improve the functioning of post-trade area and to deliver against the objectives of Capital Markets Union.

We are also keen for digital technology to play its part. Fintech is a great opportunity to increase choice, competition and quality of service. New payment services technology is supporting fast and secure transactions. New data technology underlies better informed investment decisions, improved risk management and improved businesses processes. For consumers, technology is making financial services more immediate all over the single market. To remain competitive, Europe must make the most of this disruptive change to deepen the single market.

As far as post-trade services are concerned, new technology has a potential to reshape a whole areas of the business. It could accelerate settlement processes and make real time settlement feasible; cross-border issuance could undoubtedly be made easier; and financial reporting could be streamlined: made more accurate. Fintech enthusiasts argue barriers which have dogged the post-trade industry for decades - such as issues relating to securities law - could be in part be overcome. This is partly because Distributed Ledger Technology could turn traditional financial market infrastructures on their head by – as some claim – even removing the need for centralised infrastructures.

Our challenge is to keep on top of these developments and ensure our regulation keeps up with them without stifling innovation; providing the space for financial integration, while bearing down on new sources of risk, including on the cyber security threats. Interoperability and open access to the standards is crucial for a competitive and inclusive market place.

The Commission will remain fully engaged in groups following digital ledger technology led by the European Central Bank and the European Supervisory Authorities. And in the work being taken forward by International Organisation of Securities Commission, the Bank of International Settlements and Financial Stability Board. But to refine our approach in Europe, we have also recently created cross-cutting Commission Task-Force on Financial Technology. It brings together financial regulation experts with specialists in technology, data, and competition policies. We will use it to determine whether existing rules and policies are fit for purpose; look at new frameworks introduced in different European countries; and determine where there is a need to act at European level to support the safe shift to new technologies.

Ladies and gentlemen,

I believe this approach enjoys broad support. We want to work with industry, supervisors, the European Parliament, and Members States to take it forward. To only take legislative action where it can make a positive difference to maintain stability or support investment. And to ensure a modern, digitalised financial services industry can play its full part in supporting an integrated financial sector and sustainable growth in Europe.