EcFin Report on the Conference
"The Euro: One Currency, One Financial Market"
St. Regis Hotel, New York City
19-20 April 2005

1. Summary

EcFin developed and co-organized this two-day event held on April 19 and 20 at the St. Regis Hotel in New York City. Approximately 170 participants from financial investment institutions, government, business, media and academia attended (see participant list attached). The conference was structured into six panel sessions, featuring high-level Europeans and Americans from the public and private sectors, keynote speeches by Timothy Geithner, President of the New York Federal Reserve, and Jean-Claude Trichet, President of the European Central Bank, and opening and closing remarks by EU Commissioners Almunia and McCreevey, respectively. (See program attached.)

2. Detail

Commissioner Almunia set the stage of the conference with opening remarks that underscored the euro's contribution to European financial integration and the relationship of the financial integration process to economic reform in Europe. Commissioner Almunia stressed the role of the euro in eliminating exchange-rate risk and lowering costs of cross-border financial transactions, therefore contributing directly to a more integrated financial system. The euro has also made an important indirect contribution to financial integration by bringing greater political attention to the process and convincing policymakers to enact measures to break down the barriers to a single market in financial services, most notably through the Financial Services Action Plan.

Commissioner Almunia also emphasized the importance of an integrated and efficient financial sector for increasing the growth potential of Europe's economy, through a more productive use of capital and higher rates of investment. Financial integration is thus a key element in the Lisbon Strategy for economic reform in the European Union. The process of European financial integration has come a long way, but there is still more to be done. It must be seen not in isolation but rather as an integral part of the effort to implement broader economic reform to boost growth and employment in Europe.

Session 1, "Monetary and Financial Integration in Europe: Implications for Growth and Financial Stability", featured four top American and European economists who provided a macro view of the European economy, the Euro and European financial integration. John Lipsky (Chief Economist and Global Head of Economic and Policy Research at JP Morgan), Norbert Walter (Chief Economist of Deutsche Bank), Mickey Levy (Chief Economist at Bank of America) and Stephen Roach (Chief Economist and Director of Global Economics at Morgan Stanley) gave views on the state of the European economy (poor cyclical growth performance but positive productivity outlook) and debated such issues as the Stability and Growth Pact and economic policy reform. All four economists agreed that European monetary and financial integration has been extraordinarily successful thus far.

Session 2, “The New European Financial Regulatory System”, featured four high-level officials who laid out the basic structure of financial regulation in Europe and debated general issues of legislation, regulation and implementation. The panelists were Alexander Schaub (Director General, DG Internal Market and Services), Michael Oxley (Chair, US House Financial Services Committee), Kees van Dijkhuizen (Chair, Financial Services Committee, European Council) and Alexandre Lamfalussy and Ieke van den Burg (both European Parliament). In general, a rational approach to rulemaking in which “less is more” was advocated by the panel.

A buffet lunch was followed by the keynote speech of the day, given by Tim Geithner, President of the Federal Reserve Bank of New York. Geithner focused on the implications of European financial integration for international economic and financial cooperation. He outlined some of the future challenges for international financial cooperation, including implementing the new Basel II banking capital regime, disclosure and accounting frameworks, a global payments and settlements infrastructure, and responses to systemic financial crises. National frameworks for financial stability, Geithner stressed, will have to be accompanied by more intensive international cooperation.

Following lunch, in session 3, “Europe’s Equity and Bond Market after the Financial Services Action Plan”, panelists Alberto Giovannini (Unifortune), Sir Nigel Wicks (Euroclear), Fabrice Demarigny (Committee of European Securities Regulators) and Micah Green (President, Bond Market Association) dealt with specific issues of Europe’s equity and bond markets, including clearing and settlement, the fundamental “plumbing” of the financial system. They emphasized that the barriers related to technical requirements and market practices, taxation, legal uncertainty and the like must be broken down in order to improve the efficiency and reduce the costs of cross-border trading within Europe — particularly trading in equities.

Session 4, “Providing Effective Insurance: The Challenges Ahead”, focused on the implications of European financial integration (and the Basel II banking reforms) for the insurance industry. Panelists Henrik Bjerre-Nielsen (Committee of European Insurance Occupational Pensions Supervisors), Lord Peter Levene (Llloyds) and Diane Koken (Chair, National Association of Insurance Commissioners) offered their views on issues relating to supervision in insurance, reinsurance, and occupational pensions.

European Central Bank President Jean-Claude Trichet ended the first day of the conference with a keynote speech that focused on the relationship between European financial integration and financial and economic stability. Trichet made a case for pursuing financial integration by describing the economic benefits that accrue from improved sharing and diversification of risk, as well as the positive impact on economic growth resulting from a more developed and financial system. Trichet then expounded on the euro’s (and the European Central Bank’s) contribution to financial integration — for example, through the TARGET payments system (and its upcoming successor, TARGET2), the calculation and publication of the interbank EONIA rate, and support of various private sector initiatives such as the Short-Term European Paper (STEP). Trichet then turned to the subject of inflationary expectations and the ECB's strategy for managing them.

At the end of the first day of sessions and speeches, the speakers, panelists and select participants (50 people total) convened for a champagne reception and a dinner hosted by Ambassador Bruton. The Ambassador offered brief remarks on the broader process of European integration and its importance for the United States.

The second day of the conference consisted of two panels. In session 5, "Regulating Europe's Banking Market in the Age of the Euro", Jose-Maria Roldan (Committee of European Banking Supervisors), Pavel Racocha (Czech National Bank) and Malcolm Knight (General Manager, Bank for International Settlements) focused on aspects of European and international banking regulation, including implementation of Basel II. Racocha also gave his view on eventual Euro membership of the newest EU entrants.[1]

In the final panel, session 6: "The US and the New European Financial Market: Managing the Relationship", Richard Portes (London Business School and CEPR), Hal Scott (Harvard Law School), Jacques de Larosiére (BNP Paribas) and Bill McDonough (Chair, Public Company Accounting Oversight Board) examined the implications of European financial market integration for transatlantic relations, both broadly (e.g., Dollar-Euro exchange rate, global imbalances) and specifically (e.g., US-EU Financial Markets Dialogue, Sarbanes-Oxley).

In his concluding remarks to the conference, Commissioner McCreevey depicted European financial integration and the Euro as benefiting both Europe and the United States. He stressed the need for international (particularly US-EU) cooperation alongside the integration process, with the aim of a barrier-free transatlantic capital market to underpin stronger growth and shore up pensions on both sides of the Atlantic.

3. Delegation Comment

The conference was a success by many measures, including the number of participants, the impressive array of high-level speakers, strong press interest (see attached press coverage) and positive feedback throughout the conference from the audience and the panelists. Washington Delegation (EcFin section) crafted a well-designed program and secured top speakers, which resulted in a variety of views and rich debate on the most essential issues (internal and external) surrounding Europe's financial integration process. The conference logistics were well organized thanks to leadership by DG ECFIN , SCIC, and the Delegations of Washington and New York. Press attendance and on-site

[1] György Szapary (National Bank of Hungary) was scheduled to speak but could not attend due to a family emergency.

interviews with officials were adeptly arranged and coordinated by the New York and Washington Delegations.

The timely attention to the financial integration process (with the FSAP's completion this year) and its growing importance to American investors and financial officials, together with the line-up of impressive speakers, helped to draw a large and very interested audience. There could have been more discussion and engagement of the audience in the question and answer period following the panels, but for some of the sessions there wasn't sufficient time following the panelists' presentations. However, informal discussions among the participants during the coffee breaks and at the dinner made up for this.

In all, the conference has enhanced the understanding of and enriched the debate on European financial integration and the Euro in the United States, at the same time as it raised the profile of the Commission and its US representatives in the field of economic and financial affairs.

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