

13.09.2011 – 11:47 Uhr

Hertie School publishes study on impact of Deutsche Börse AG-NYSE Euronext Merger on European markets

Berlin (ots) -

The Hertie School of Governance today published a study by Prof. Dr. Henrik Enderlein examining the impact of the merger between Deutsche Börse AG and NYSE Euronext on European markets. Henrik Enderlein, from 2001 to 2003 Economist at the European Central Bank in Frankfurt, is Professor of Political Economy at the Hertie School and in this capacity an expert on European economic policy and international financial markets. The study concludes that the merger can present Europe with a chance to strengthen its financial market architecture and regain lost ground relative to other financial centres. Most of all, the merger supports regulatory efforts towards enhancing stability and transparency along with the desired further consolidation of the fragmented European financial market. The study was commissioned by Deutsche Börse AG.

1. Boost to European financial centre competitiveness

Exchanges notably benefit the financial centres they serve with capital market access and internationally recognised brands. Europe has lost ground in the global competitive lineup in recent years. According to the Global Financial Centres Index, Frankfurt dropped from 10th to 14th place in the global rankings between 2007 and 2011. Paris fell from 11th to 20th. Asian trading hubs such as Hong Kong, Singapore, Tokyo and Shanghai made great leaps forward in the same period, overtaking many European centres. In the author's view, a merged transatlantic exchange creating a global brand and global market access for a large number of European exchanges can consolidate the strongly fragmented European market landscape. The enhanced positioning in global growth markets will consequently tend to strengthen rather than weaken the growth prospects of the merged entity and the affected financial centres in global markets. "To keep its global significance," says Enderlein, "the European financial market must see itself as a unit. If everything stays as it is, I personally wonder if it can stay competitive."

2. Enhanced financial market stability and international regulatory cooperation

Nearly 90 percent of global derivatives trading now takes place over-the-counter (OTC) and away from regulated exchange platforms. Limited regulatory reach, the lack of collateralisation and insufficient transparency in the OTC market therefore pose systemic stability risks. A transnational integrated and regulated platform for trading and after-market transactions is, in the author's opinion, a good infrastructural response to the financial market instability that has largely resulted from unregulated off-exchange derivatives trading. The planned merger of Deutsche Börse and NYSE Euronext could additionally work towards one of the European Central Bank's key demands with the creation of a liquid, strong central counterparty (CCP) with established risk management capabilities under euro area supervision. A transatlantic merger could also help regulators in Europe and the USA cooperate more closely. The combination would therefore strengthen regulatory efforts towards cooperation from the market-side and open the way to avoiding a further "race to the bottom" that results from different standards and regulatory arbitrage, the author writes. Enderlein: "We can continue to look on as stock market transactions migrate to 'dark pools' or even unregulated OTC markets. Or we can work with the global market leader to set strong standards for both sides of the Atlantic and significantly enhance financial market stability in the process."

3. Greater financial market integration, cost efficiency and harmonisation

Fragmentation of markets and relatively higher costs of cross-border securities transactions have for many years prompted calls for consolidation among European trading centres. The author believes that the currently envisaged creation of a pan-European and transatlantic exchange could further advance such consolidation and hence strengthen the integration of the European financial markets. Especially in the rapidly growing cross-border trading sector, integration of the two platforms promises economies of scale leading to further cost reductions and greater liquidity for clients.

Based on his analysis of the merger, Enderlein recommends to policymakers and regulators to adopt a holistic approach when assessing the merger: "The merger can be an opportunity for European policy-making in their efforts to create a more stable and integrated European financial market."

The Study "The Economic Impact of the Deutsche Börse-NYSE Euronext Merger on the European Financial Markets" and two illustrative charts are available for download at www.hertie-school.org/enderlein/mergerstudy

The Hertie School of Governance in Berlin is an international teaching and research centre of excellence that prepares students for leadership positions in government, business and civil society. An internationally-recruited faculty, interdisciplinary in outlook, research, and teaching, offers analytically-challenging and practice-oriented courses on governance, policy analysis, management and leadership and helps students grow intellectually in a professional, research-intensive environment, characterised by public debate and engagement. The School was founded in 2003 as a project of the Hertie Foundation, which remains the major partner.

Press Contact:

Regine Kreitz, Head of Communications

Tel.: +49 (0)30 / 259 219 113

Fax: +49 (0)30 / 259 219 444

e-mail: pressoffice@hertie-school.org

Hertie School of Governance
Friedrichstraße 180
10117 Berlin

<http://www.hertie-school.org>

Original content of: Hertie School, transmitted by news aktuell

Diese Meldung kann unter <https://www.presseportal.de/en/pm/59352/2111565> abgerufen werden.