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PRESS RELEASE

ECB PUBLISHES REPORT ON THE LESSONS LEARNED FROM THE FINANCIAL CRISIS WITH REGARD TO THE FUNCTIONING OF EUROPEAN FINANCIAL MARKET INFRASTRUCTURES

Today, the European Central Bank (ECB) has published a report on the lessons learned from the financial crisis with regard to the functioning of European financial market infrastructures.

During the crisis, financial market infrastructures proved to be vital in terms of support for the liquidity and stability of financial markets. Indeed, the risk management framework established by European financial market infrastructures in compliance with the oversight requirements of central banks and securities regulators contributed to containing the systemic impact of the default of critical counterparties.

The report focuses on the challenges that European financial market infrastructures and participating financial institutions faced during the financial crisis with respect to:

- information flows following a default;
- default management;
- behavioural factors that affected market liquidity conditions adversely; and
- issues relating to over-the-counter (OTC) markets.

Based on the experience reported, the Eurosystem has identified procedures and rules that might be enhanced so that financial market infrastructures, their participants and relevant public authorities are better equipped to cope with similar events in the future.

The Eurosystem supports efforts to address the lessons learned from the financial crisis. Follow-up work on the conclusions drawn in this report has already started, at the initiative, or at least with the involvement, of the Eurosystem in its role as overseer and catalyst, in close cooperation with other relevant public authorities and, in particular, the European Commission. This work relates to:

- the improvement of information sharing between authorities and, if possible, financial market infrastructures and their participants;
- the enhancement of the coordination/cooperation of oversight authorities at both the European level and the global level;
- the evaluation of the potential need to harmonise the default procedures of interconnected financial market infrastructures;
- the review of existing international oversight standards for financial market infrastructures, including liquidity management standards; and
- the establishment of a sound infrastructure for OTC derivatives.

In the report, the Eurosystem also identifies further follow-up actions addressed, in particular, to financial market infrastructures and their participants, such as:

- the enhancement of the direct monitoring of critical counterparties' creditworthiness;
- the definition of criteria for, and the identification of, critical participants; and
- the enhancement of financial market infrastructures' stress-testing exercises.

The report is available on the ECB's website.

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