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**Press release on Initiative on *Finanzstandort* Germany**

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Welcome to the Bundesbank.

The matter in hand is *Finanzstandort* Germany.

Before dealing with the Bundesbank's specific contribution to strengthening Germany as a financial centre, allow me to go briefly into Germany's comparative advantages as a financing location – advantages that will continue to provide a sound basis for successful investment in the future.

## **I. Germany's strength as a financial centre**

- Germany is the largest financial centre in Europe and has the greatest potential, holding as it does a key position in terms of European integration and eastward enlargement.
- Germany's financial industry is a crucial mainstay of growth in the highly developed Germany economy, of which small and medium-sized enterprises are a characteristic feature.
- Germany's economic power, its stable legal system, its efficient and reliable financial supervisory regime are important underlying conditions for a strong financial centre, not least for making it interesting for foreign capital.
- There is a diversified and innovative range of financial products; financing techniques have been developed to high standard of excellence.

- As a financial centre, Germany is characterised by the prominent role played by banks. These provide a comprehensive range of financial services nationwide.
- Germany is very well positioned internationally in terms of stock and financial futures exchanges as well as in payments and securities settlement. An efficient infrastructure and large volumes mean that Germany is the leading European location for payments.
- Its insurance and investment companies are established players in competing for sources of capital and help to ensure a high degree of liquidity and efficiency in the financial markets.
- Over the past few decades, there have been no financial crises in Germany nor have any specific problems posed a threat to the system. The financial institutions furnish continuous proof of their stability and efficiency. Any challenges, such as earnings problems, are mastered convincingly through the efforts of the institutions themselves.
- The German financial sector possesses a broad base of skilled professionals. German research and educational establishments are heavily involved in the training of highly qualified specialists for the financial industry.
- The general public is becoming increasingly sensitised to matters relating to personal asset planning and making provision against risk and for old age.

- Last but not least, with the initiative on Germany as a financial centre (*Initiative Finanzstandort Deutschland*), *Finanzplatz* Germany is demonstrating its strength in revealing structural problems and tackling them jointly at the same time.

## **II. Contributions made by the Bundesbank to strengthening Germany as a financial centre**

The Bundesbank is part of the German financial centre and therefore bears joint responsibility for it. That joint responsibility explains the Bundesbank's involvement in the *Initiative Finanzstandort Deutschland*. Of particular relevance in this context is the customers' point of view – in other words, how things are seen by those who use the financial industry's services.

In a market economy, it should essentially be up to the market players in free competition to find solutions to the existing challenges.

Monetary stability and a stable financial sector are, firstly, fundamental criteria for an internationally competitive financial centre. Financial market stability is, secondly, a necessary condition for the smooth functioning of a monetary policy which is geared to stability. Price stability, in turn, safeguards growth, employment and social equity.

I think a reminder of that is necessary precisely at this present time. The foundations of the European monetary constitution are currently under threat in several places. These include some of the proposals by the European Convention and the Council Presidency as well as developments in general government budgets. To put it very briefly: it is imperative that the independence of the ECB remains unassailable. That is an essential condition if the ECB is to be able to ensure price stability.

A week ago, the excessive deficit procedure agreed in the Stability and Growth Pact was suspended for France and Germany. This course of action overstretches the rules of the pact. The Bundesbank very much regrets this development.

The commitment to stability, given at the start of monetary union, has to be upheld, not least in the interests of a sound foundation for the financial centre.

The Bundesbank's contribution to a thriving financial centre goes beyond the fulfilment of its "traditional" tasks. The Bundesbank maintains an independent "think tank" in the shape of its Economic Research Centre, for example. The centre is also open to outside researchers from Germany and other countries. It organises summer workshops for students, is involved in teacher training and produces its own teaching materials for schools. The Bundesbank provides assistance, advice and financial support in promoting the Center for Financial Studies and the Institute for Law and Finance at the University of Frankfurt as well as making available its training

facility in Eltville. In the Monetary Stability Foundation (*Stiftung Geld und Währung*), for which it is co-responsible, the Bundesbank supports economic and judicial research in the field of money and monetary systems. It cooperates in an expert capacity in drawing up financial market legislation and EU directives and is involved in education in the economic sciences.

### **III. Critical and positive distance with regard to some measures proposed by the initiative**

The Bundesbank takes a fundamentally neutral position with regard to legitimate competing interests. Our attention is focused on questions of allocation, efficiency and, of course, stability. On regulatory policy grounds, the Bundesbank takes issue against special circumstances or exceptional cases with regard to competition. For that reason, I am unable to endorse unreservedly all the measures proposed by the initiative – in particular, those which deal with matters of taxation.

Nevertheless, involvement – on the terms I have just described – is justified, above all, by those issues which concern access to the capital market for small and medium-sized enterprises, the importance of asset markets for old-age provision and questions of infrastructure and training.

In the final analysis, the services provided by the financial sector are inputs. Making those services available in an efficient and cost-

effective manner boosts economic value added and promotes prosperity for all.

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