Introduction of the euro: impact on capital markets

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The introduction of the euro will profoundly affect the capital markets in Europe; the relatively fragmented national bond markets will become a single large European bond market which will be the second largest in the world after the US says Mr Ingo FRIEDRICH (EPP, D) reporting on the impact of the euro on the capital markets. The Committee underlines that this market will be created with relative ease as public debt will be issued in euros from the beginning of stage three of EMU. Also, the Committee welcomes the decision of France, Belgium, the Netherlands and Germany which at the start of stage three of EMU will convert into euro not only the new issues but also the existing debt instruments. This will enhance the credibility of the EMU process according to the Committee which hopes that other Euro countries will follow suit On the other hand, the Committee feels that full integration of the share and derivates markets - potentially the third largest in the world- will not come about so rapidly because of differing national rules on accounting, taxation and stock trading. While market harmonisation should be left to the markets themselves, the Committee stresses that it is the duty of the EU to create the proper conditions for this by harmonising the legislative framework, i.e. removing fiscal and legal barriers that distort competition. Measures demanded by the Committee include in particular harmonization of company law, accounting rules and stock exchange regulations, as well as, the adoption of a statute for European companies. Finally, the Committee feels that the sometimes stringent national provisions obliging pension funds to make the bulk of their investments in their countries of establishment should be reconsidered to facilitate investments throughout the euro sone.