



EUROPEAN CENTRAL BANK

EUROSYSTEM

Financial Structure in the Euro Area

*All views expressed are those of the speaker
and not necessarily those of the ECB.*

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Overview

- 1 Financial structure – intermediaries, instruments, size**
- 2 Financial structure – relative weight of intermediaries
- 3 Capital Markets Union

Financial Structure

The **financial structure** is the mixture of financial markets, intermediaries and instruments fulfilling the financing requirements of the euro area economy.

The **financial system** comprises different **financial intermediaries**:

- Monetary financial institutions (MFIs);
- Insurance Corporations and Pension Funds (ICPFs):
- Other financial corporations including non-money market funds, investment funds, other financial intermediaries and financial auxiliaries, as well as captive financial institutions and money lenders.

ECB Report on “Financial integration and Structure in the Euro Area”



Financial Integration and Structure in the Euro Area

ECB Committee on Financial Integration April 2022

April 2022

April 2022

ECB Report on “Financial integration and Structure in the Euro Area”

Focus on the **structural developments** in the financial system of the euro area and related policy issues.

- Developments in financial integration across member countries;
 - **Changes in financial structure**;
 - Financial development or modernisation (innovations in the financial system).
- The economic and financial implications of the **COVID-19**

ECB Report on “Financial integration and Structure in the Euro Area”

Five **boxes** on:

- Making euro area equity markets fit for **green and digital innovation**;
- Measuring market-based and non-bank **financing of non-financial corporations** in the euro area;
- Frictions in debt issuance procedures and **home bias** in the euro area;
- **Home bias** in green bond markets;
- A deep dive into **capital risk sharing** in the euro area – inter-versus intra-regional risk sharing.

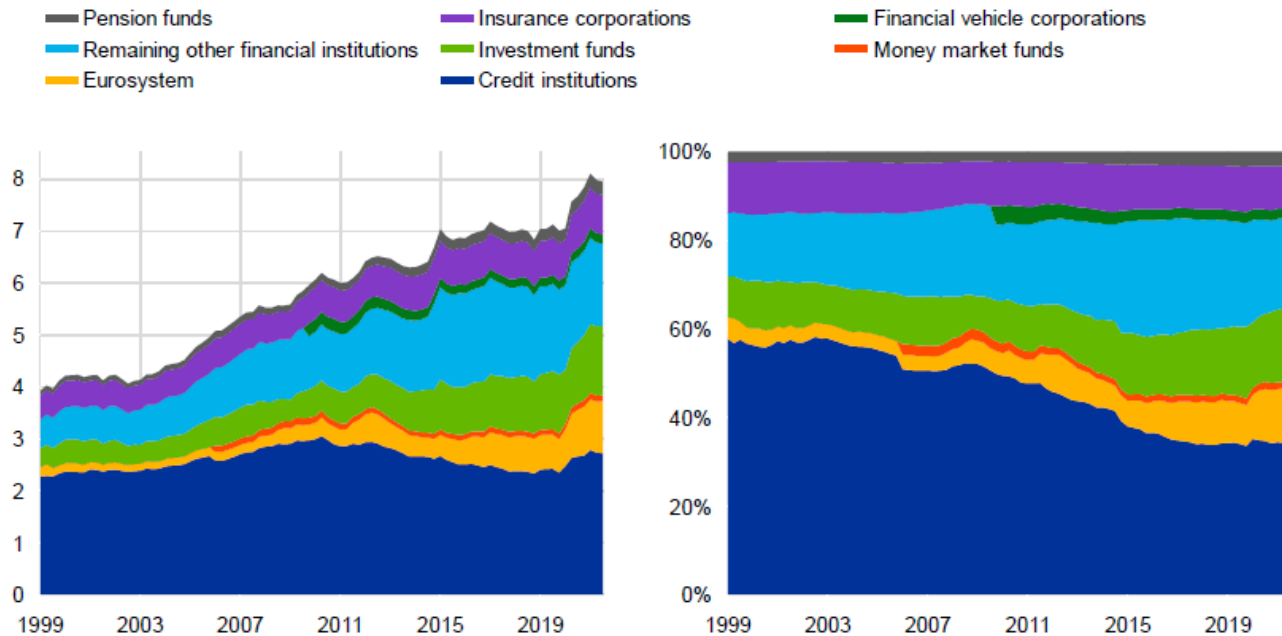
Financial Structure – size

- Total financial size is indicative of the **capacity that a financial system has to channel funds** of agents with surpluses to agents in need of financing for consumption or productive investment purposes.
- The **overall size** of a financial system can be estimated from the assets of financial intermediaries.
- The size of the euro area financial system is now at around **eight times GDP**.

Financial structure of the euro area

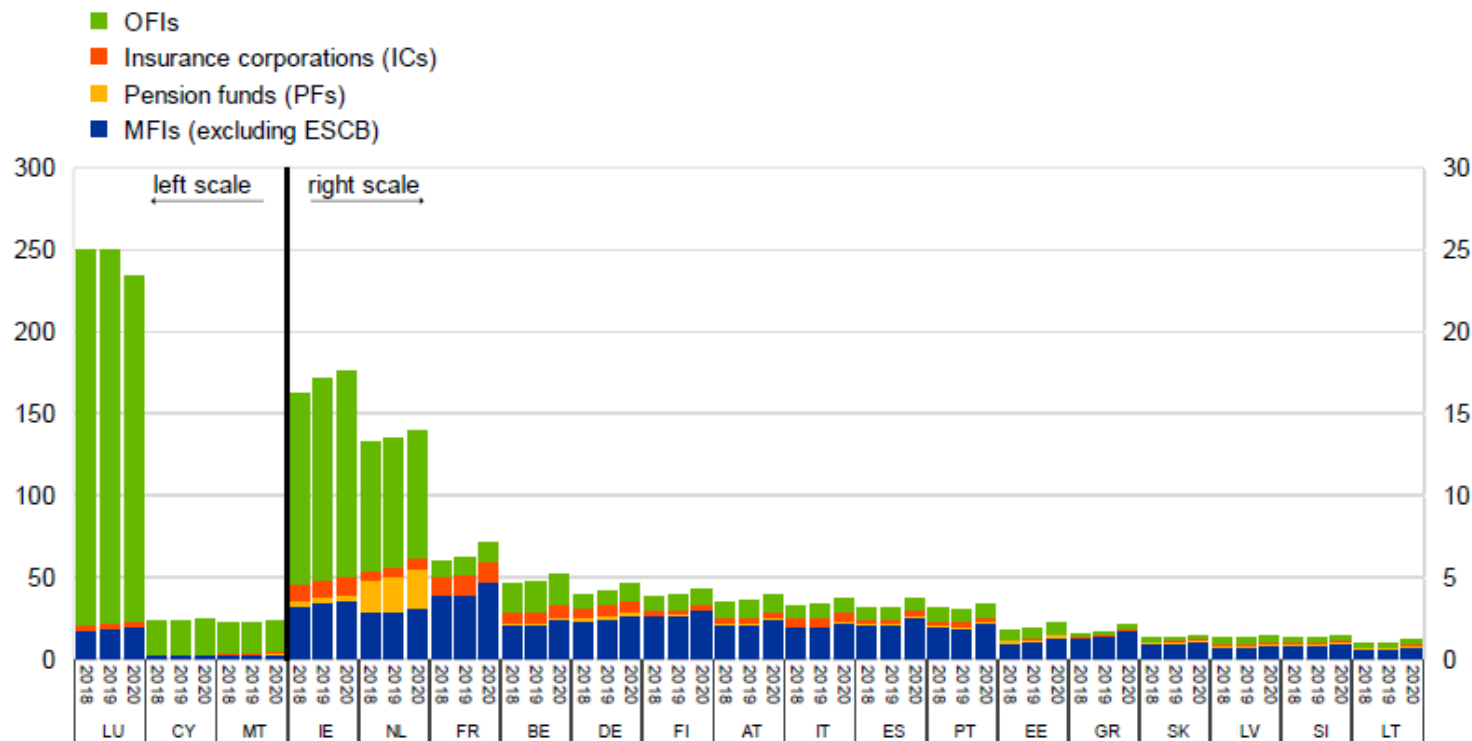
Total assets of the euro area financial sector

(ratio to nominal GDP (left panel); percentages (right panel), quarterly data, March 1999 – September 2021)



Sources: ECB.

Financial structure of the euro area



Size of the euro area financial sector
(ratio of assets to GDP, annual data)

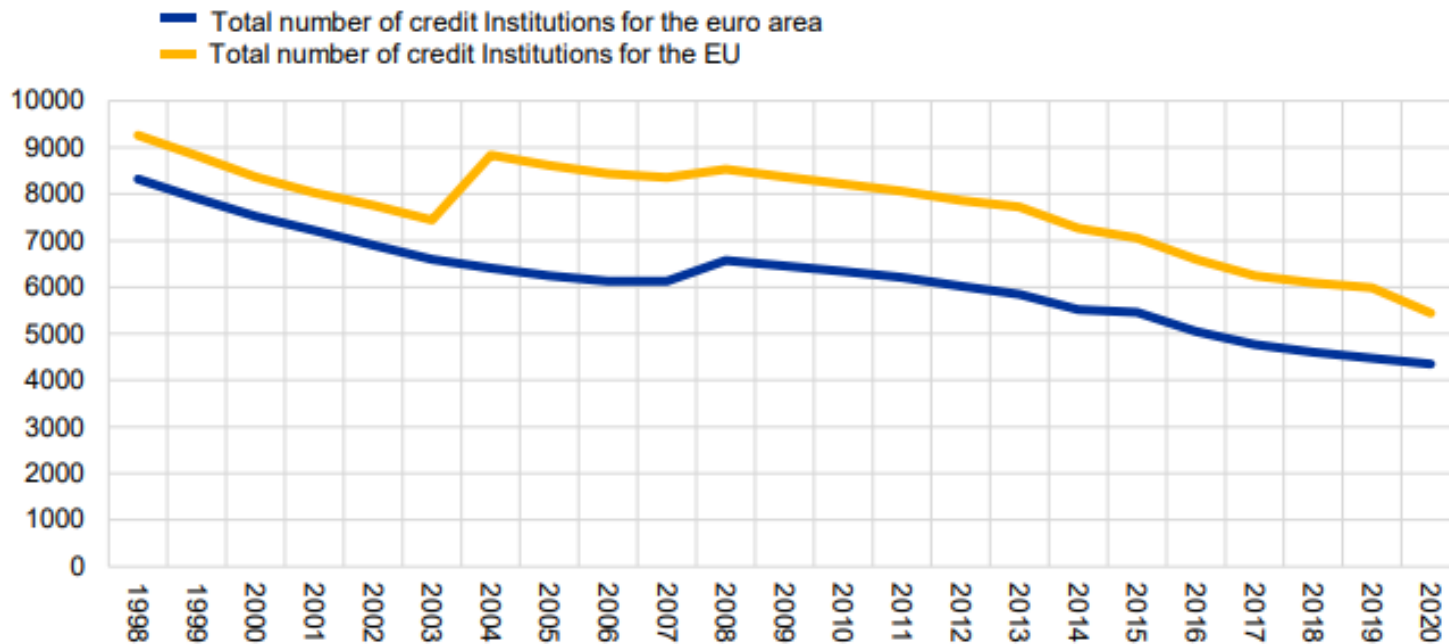
Overview

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Financial Structure – relative weight of intermediaries

- The relative role of MFIs (**credit institutions**) has declined since the global financial crisis.
- **Non-credit institutions** have gradually been playing a more important role, with the investment funds sector channeling increased amounts of debt and equity financing to the euro area economy.
- The assets of **non-bank financial intermediaries** have surpassed in size the euro area banking sector's assets since mid-2013.

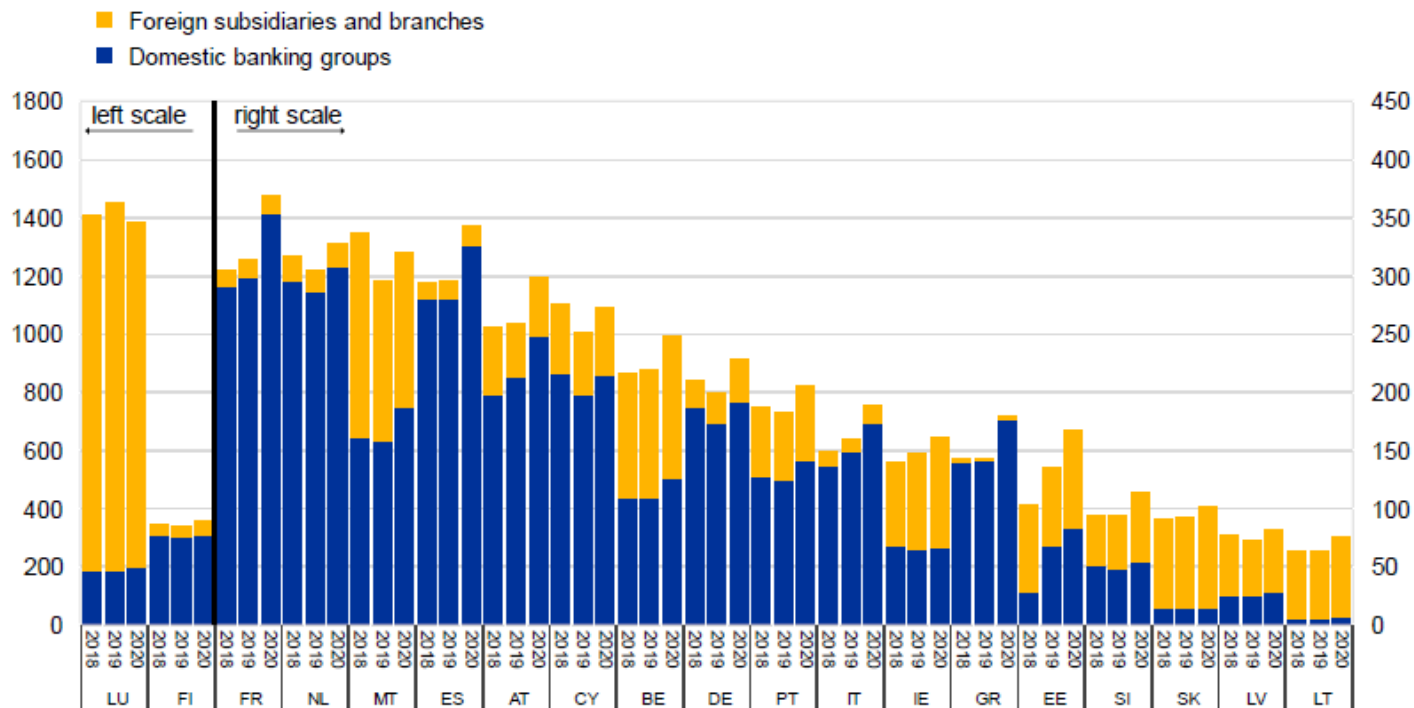
Financial structure of the euro area



Number of credit institutions

Financial structure of the euro area

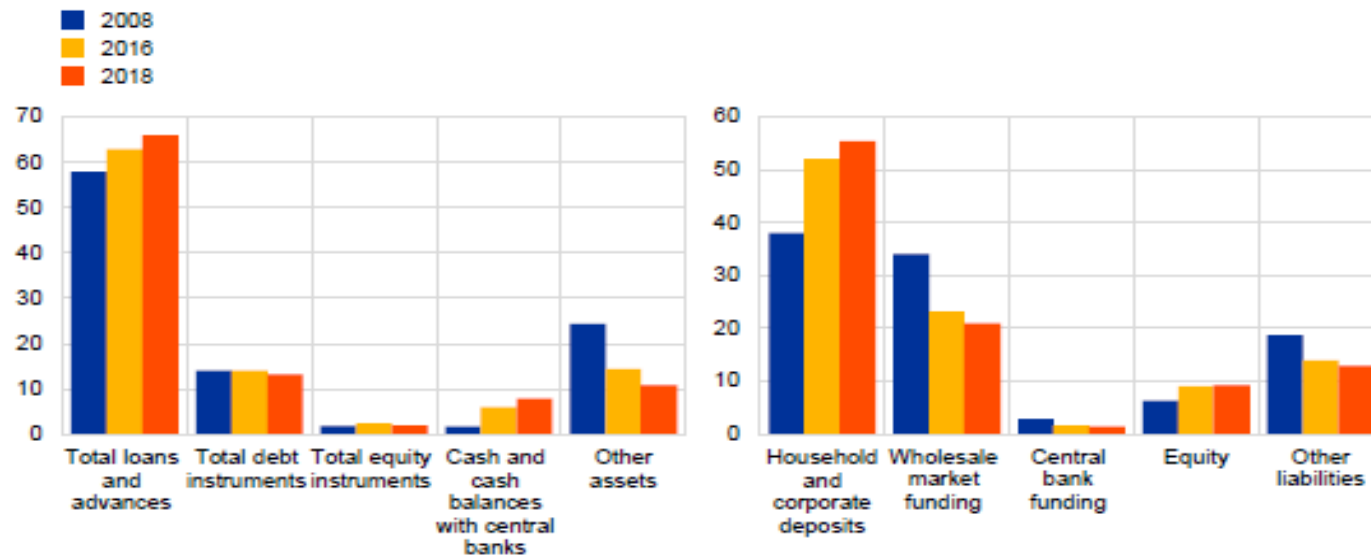
Total assets of domestic banking groups and foreign-controlled subsidiaries and branches in relation to GDP in euro area countries



Financial structure of the euro area

Breakdown by category of financial assets (left panel) and liabilities (right panel) of euro area MFIs left-hand

(percentage of total assets, end of 2008, 2016 and 2018)

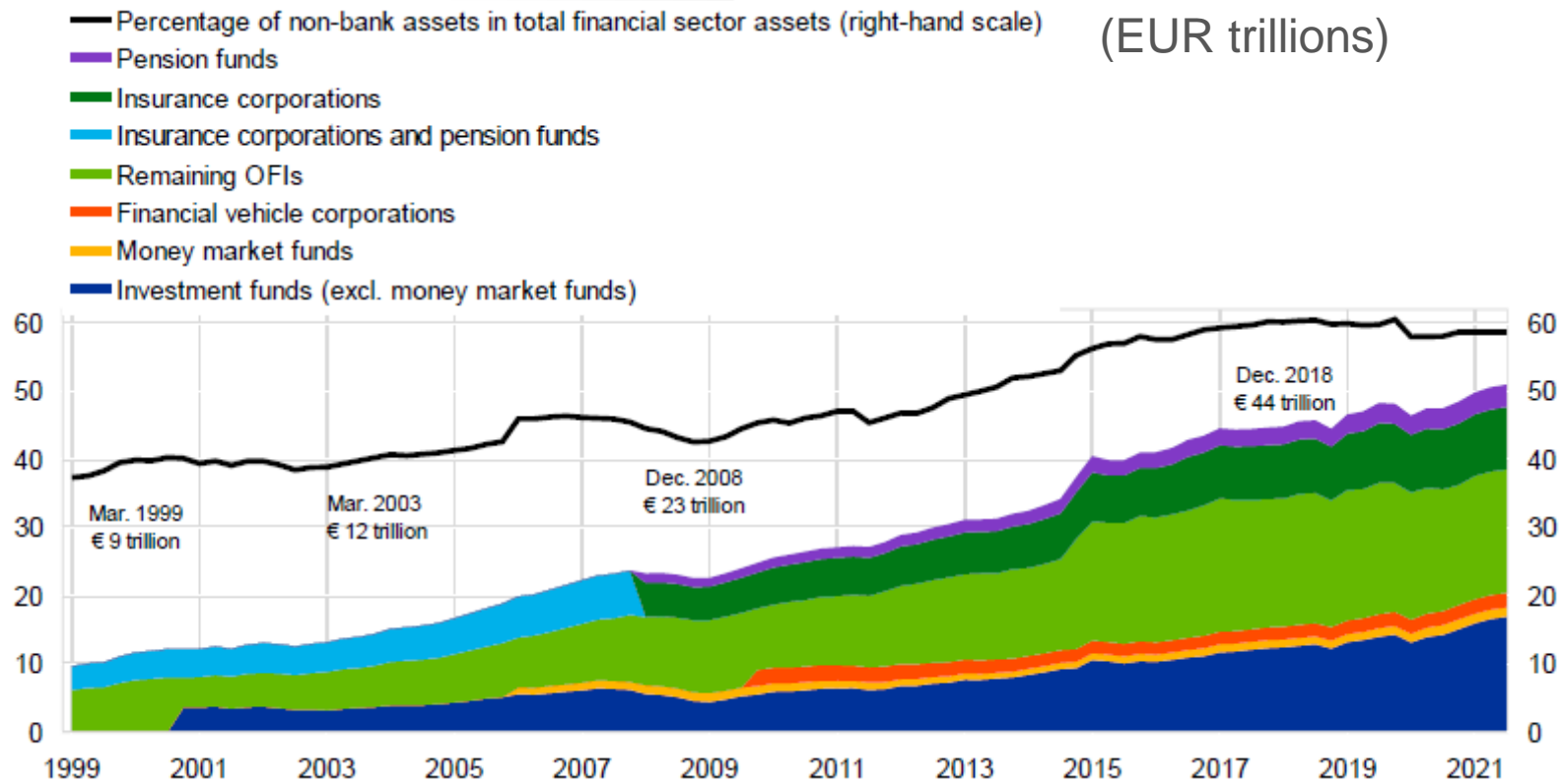


Sources: Eurostat, ECB and ECB calculations.

Note: Branches refer to the local units of credit institutions.

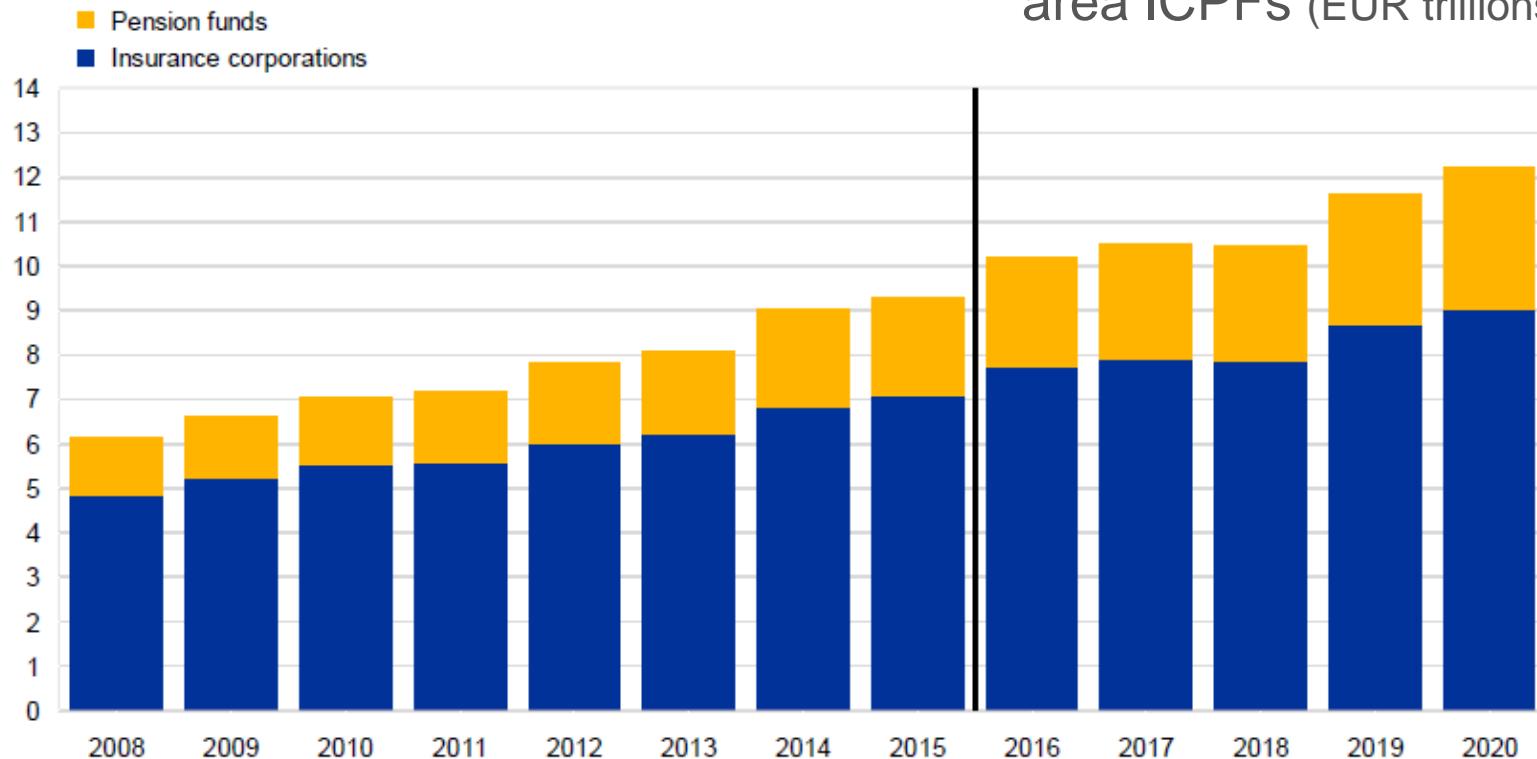
Financial structure of the euro area

Total assets of the non-bank financial sector
(EUR trillions)

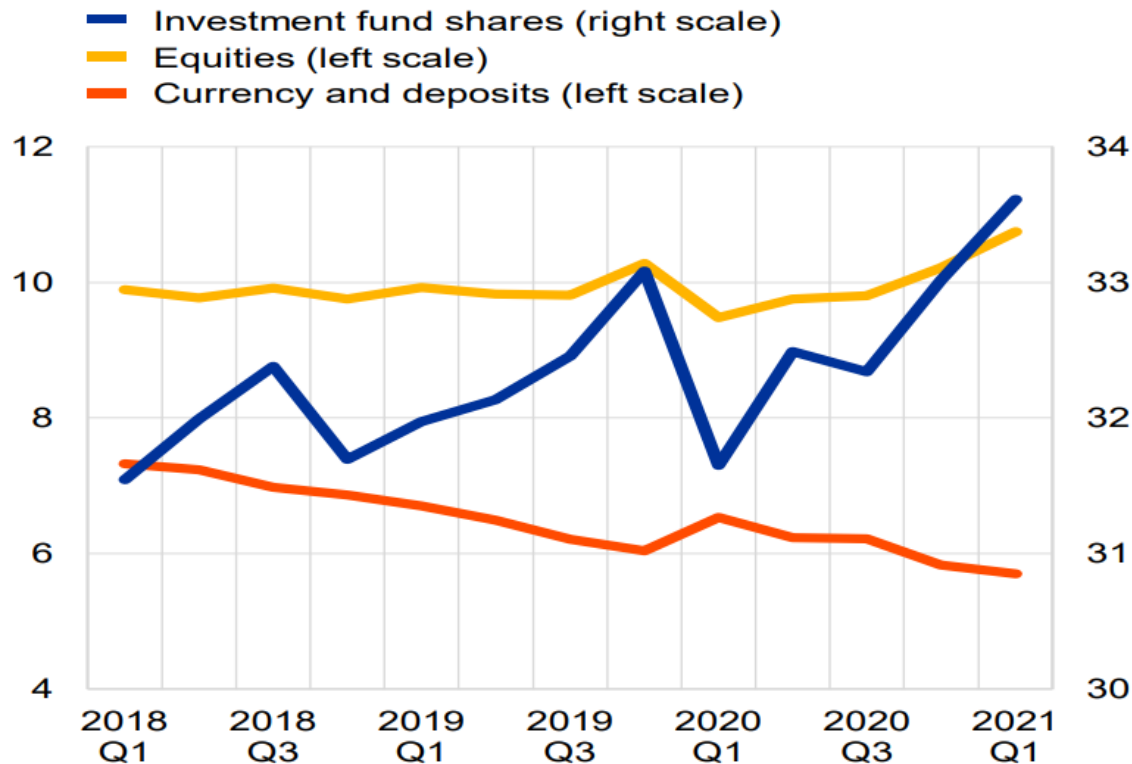


Financial structure of the euro area

Total assets of euro area ICPFs (EUR trillions)



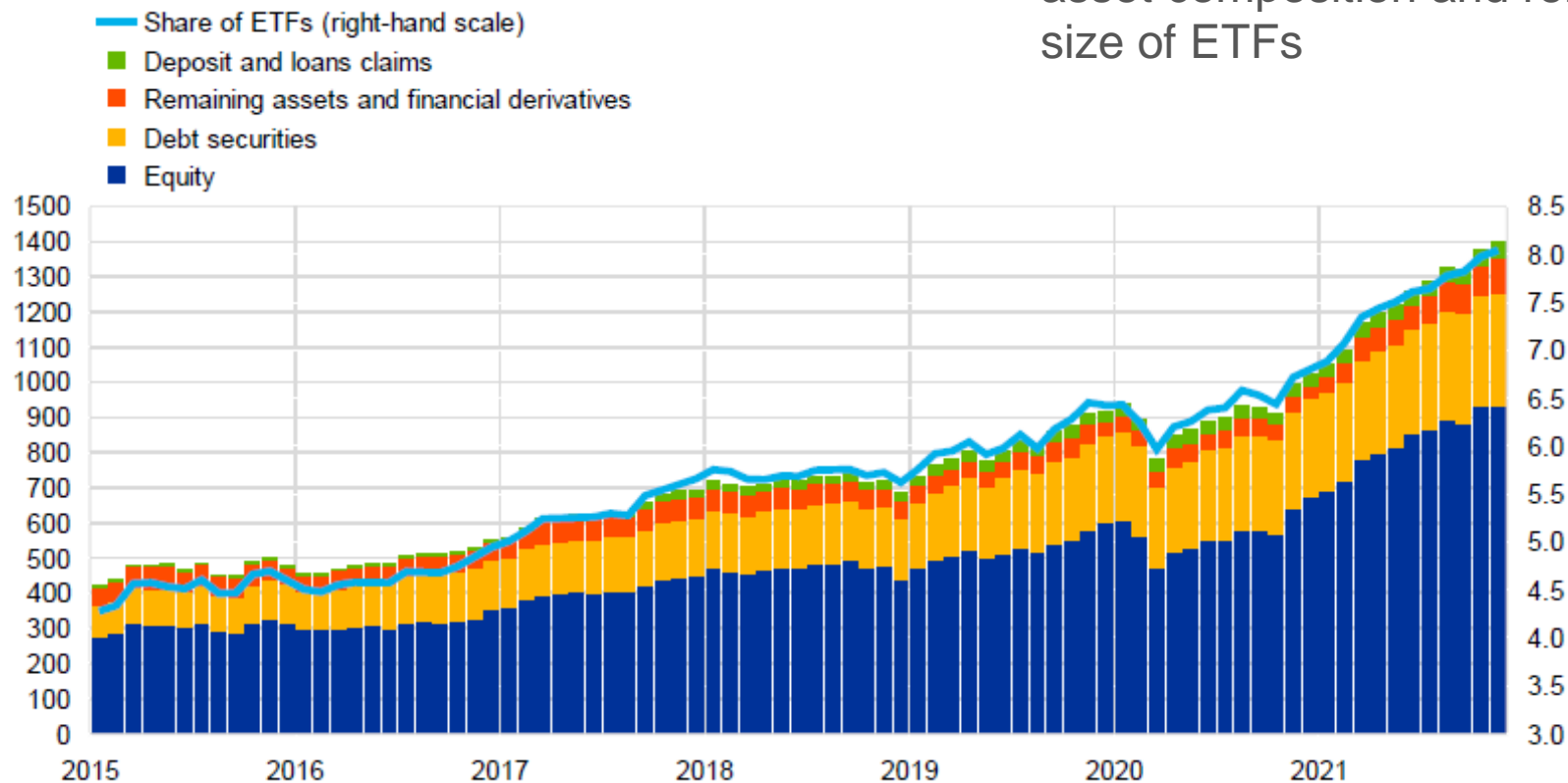
ICPF investments by asset class



(percentages of total assets)

Financial structure of the euro area

Euro area investment funds –
asset composition and relative
size of ETFs

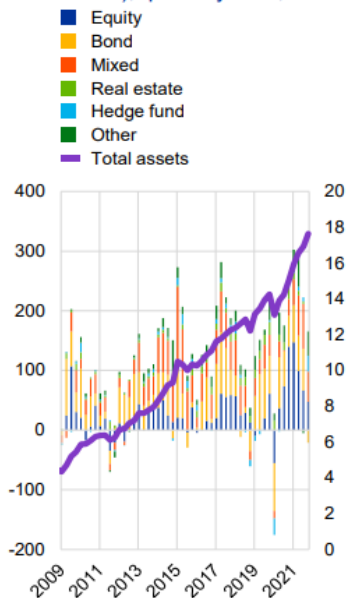


(monthly data;
EUR billions; percentages)

Trends in euro area investment funds

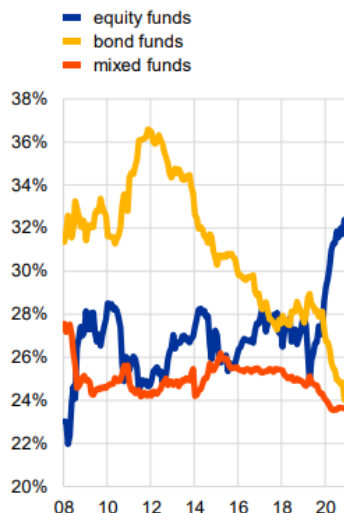
a) Quarterly net flows and total assets

(EUR billions (left-hand scale); EUR trillions (right-hand scale), quarterly data, Q1 2011-Q4 2021)



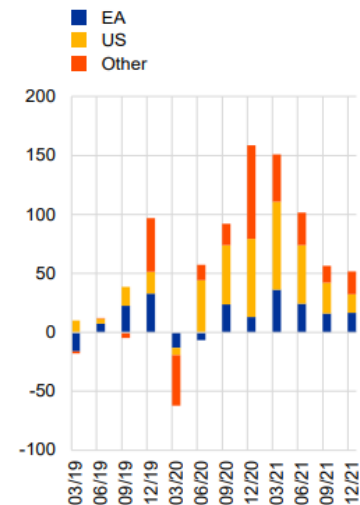
b) Relative share of equity, bond and mixed funds in the IF sector's total assets

(percentages, monthly data, Dec 2008-Dec 2021)



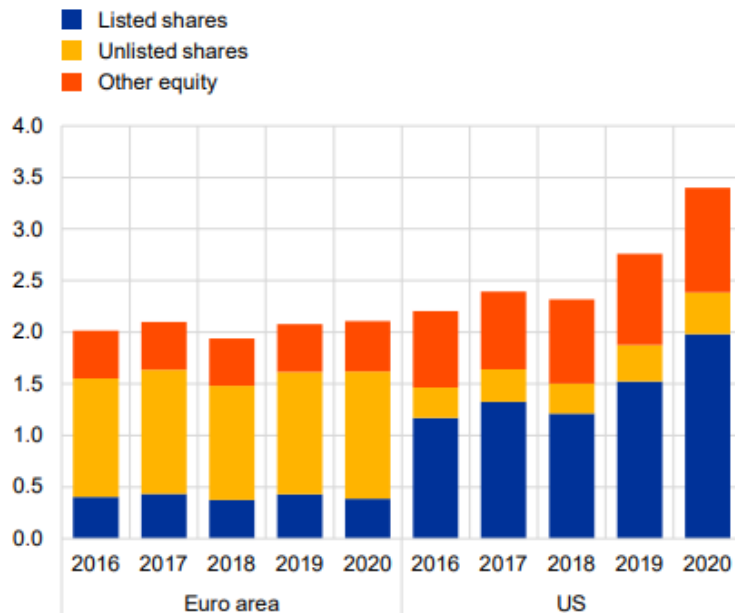
c) Equity fund investment flows into equity by geographic area of investment

(percentages, monthly data, Dec 2008-Dec 2021)

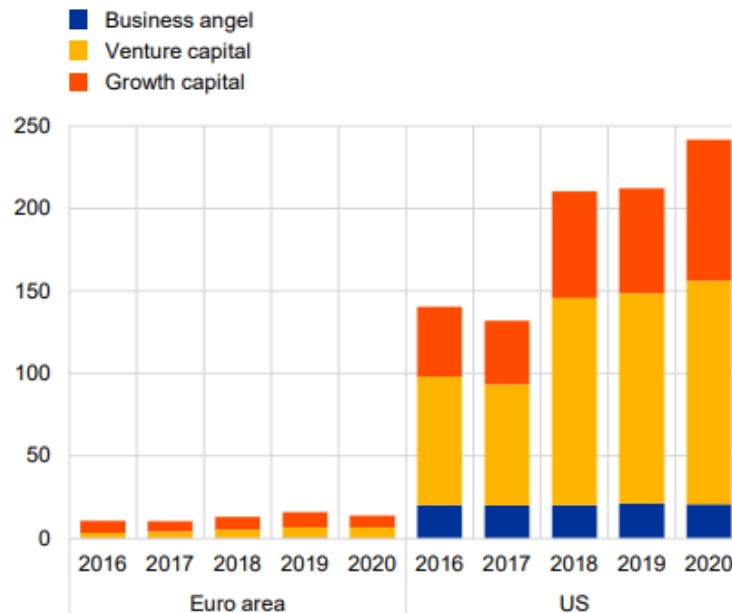


A comparison of the euro area and the US: equity financing requirements by type of equity

a) Equity financing of the euro area and US economies by type of instrument



b) Business angel, venture capital and private equity (growth capital) invested in the euro area and the US



Where you can find all these statistics ... and much else



Indicators of financial integration and structure in the euro area

https://www.ecb.europa.eu/stats/financial_markets_and_interest_rates/financial_integration/html/index.en.html

Overview

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Capital Markets Union

The **capital markets union (CMU)** is a plan to create a single market for capital. The aim is to get money – investments and savings – flowing across the EU so that it can benefit consumers, investors and companies, regardless of where they are located. A capital markets union will

- ✓ provide businesses with a greater **choice of funding** at lower costs and provide SMEs in particular with the financing they need
- ✓ support the economic **recovery post-Covid-19** and create jobs
- ✓ offer new opportunities for **savers and investors**
- ✓ create a more **inclusive and resilient** economy
- ✓ help Europe deliver its **new green deal and digital agenda**
- ✓ reinforce the EU's global **competitiveness and autonomy**
- ✓ make the financial system more resilient so it can better adapt to the UK's departure from the EU

Capital Markets Union

The Commission adopted the **first CMU action plan** in 2015.

The European Commission published in September 2020 a **second Action Plan** to boost the CMU over the coming years.

- Ensuring that the EU's economic recovery is green, digital, inclusive and resilient by making financing **more accessible for European companies**, in particular SMEs;
- Making the EU an even **safer place** for individuals to save and invest long-term;
- **Integrating national capital markets** into a genuine EU-wide single market for capital.

Capital Markets Union

- **1.** Support a green, digital, inclusive and resilient economic recovery by making financing more accessible to European companies
 - ✓ Action 1: Making companies more visible to cross-border investors - [example European Single Access Point \(ESAP\)](#)
 - ✓ Action 2: Supporting access to public markets - [planned review of EU public listing rules](#)
 - ✓ Action 3: Supporting vehicles for long-term investment
 - ✓ Action 4: Encouraging more long-term and equity financing from institutional investors
 - ✓ Action 5: Directing SMEs to alternative providers of funding
 - ✓ Action 6: Helping banks to lend more to the real economy

Capital Markets Union

- **2.** Make the EU an even safer place for individuals to save and invest long-term
 - ✓ Action 7: Empowering citizens through financial literacy
 - ✓ Action 8: Building retail investors' trust in capital markets
 - ✓ Action 9: Supporting people in their retirement

Capital Markets Union

- **3.** Integrate national capital markets into a genuine single market
 - ✓ Action 10: Alleviating the tax associated burden in cross-border investment
 - ✓ Action 11: Making the outcome of cross-border investment more predictable as regards insolvency proceedings –EU Comm to publish proposal to be published later this year
 - ✓ Action 12: Facilitating shareholder engagement
 - ✓ Action 13: Developing cross-border settlement services
 - ✓ Action 14: Consolidated tape
 - ✓ Action 15: Investment protection and facilitation
 - ✓ Action 16: Supervision

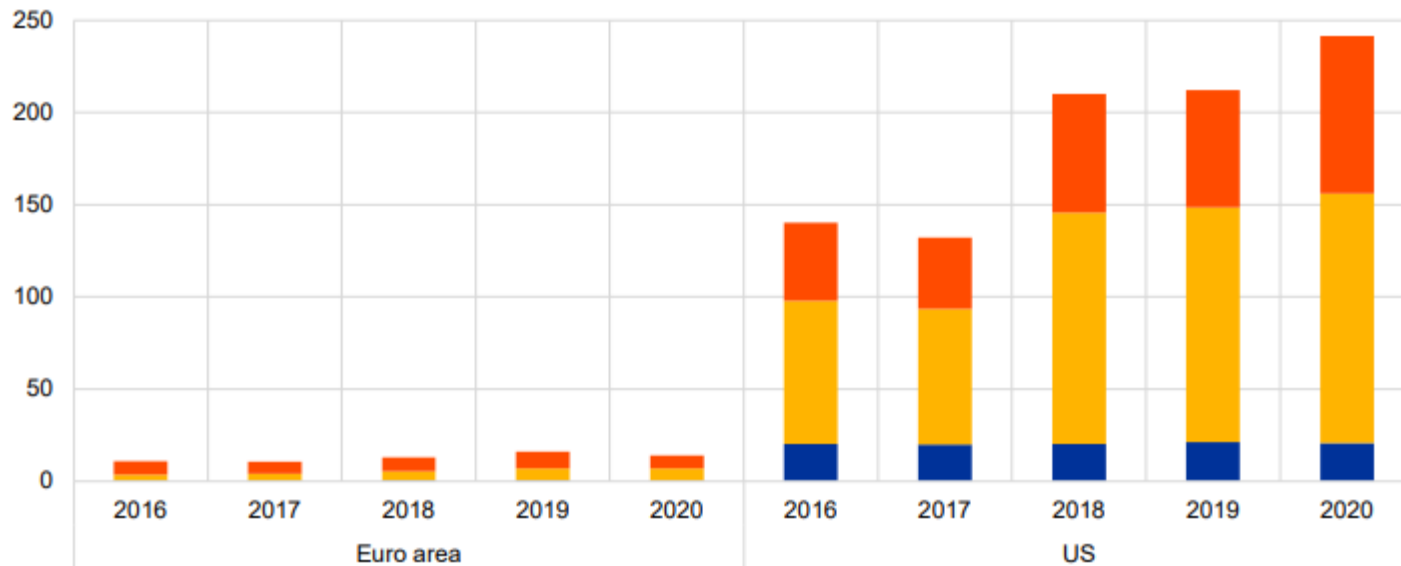
Thank you for your attention!



Size and composition of risk capital markets in the euro area and United States

(EUR billion; annual data: 2016 2020)

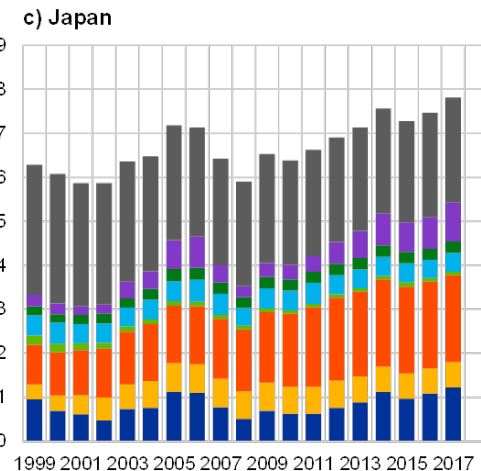
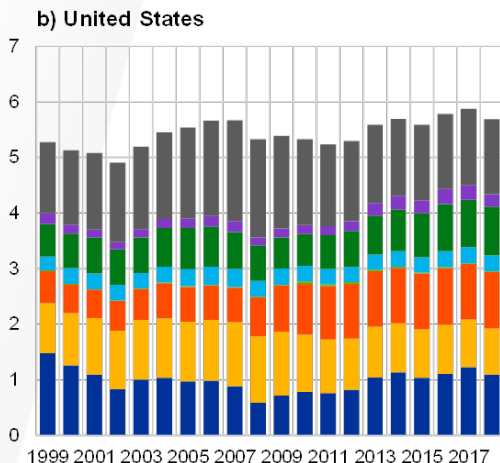
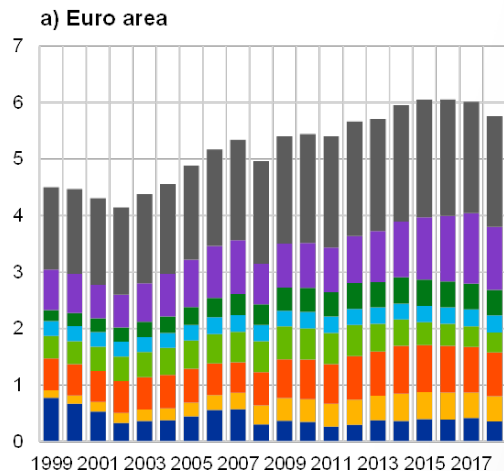
- Business angel
- Venture capital
- Growth capital



Financial Structure - international comparison

(ratio to nominal GDP (left-panels); percentages (right-panels); annual data: 1999-2018)

- Listed shares
 - Non-financial corporation debt securities
 - Government debt securities
 - Bank debt securities
- Trade credits and advances
 - Other equity
 - Unlisted shares
 - Loans

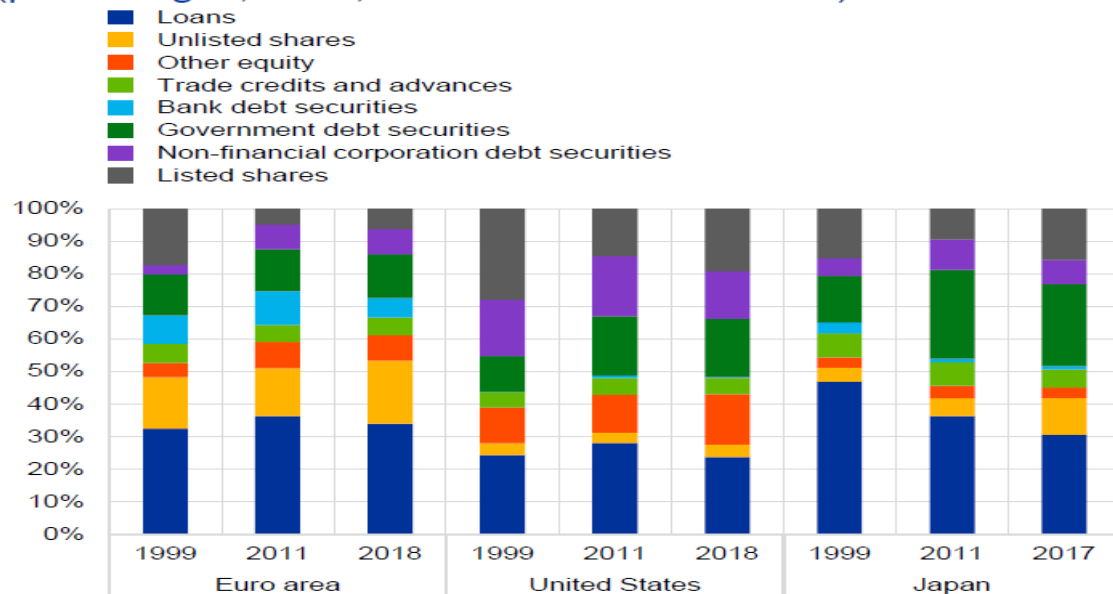


Sources: ECB for euro area and OECD for United States and Japan

Financial Structure - international comparison

Financing structures of the Euro Area, United States and Japanese economies by type of instrument

(percentages; 1999, 2011 and latest available)



Sources: ECB, OECD. Notes: Liabilities of all economic

- On-going dominance of non-marketable instruments: loans and unlisted shares
- Listed shares small compared to US or Japan
- Only some mild increase in NFC debt securities

CMU

https://ec.europa.eu/info/business-economy-euro/growth-and-investment/capital-markets-union/what-capital-markets-union_de#overview

https://eur-lex.europa.eu/resource.html?uri=cellar:61042990-fe46-11ea-b44f-01aa75ed71a1.0001.02/DOC_1&format=PDF

16 actions - https://ec.europa.eu/info/business-economy-euro/growth-and-investment/capital-markets-union/capital-markets-union-2020-action-plan_en

https://ec.europa.eu/commission/presscorner/detail/en/IP_20_1677