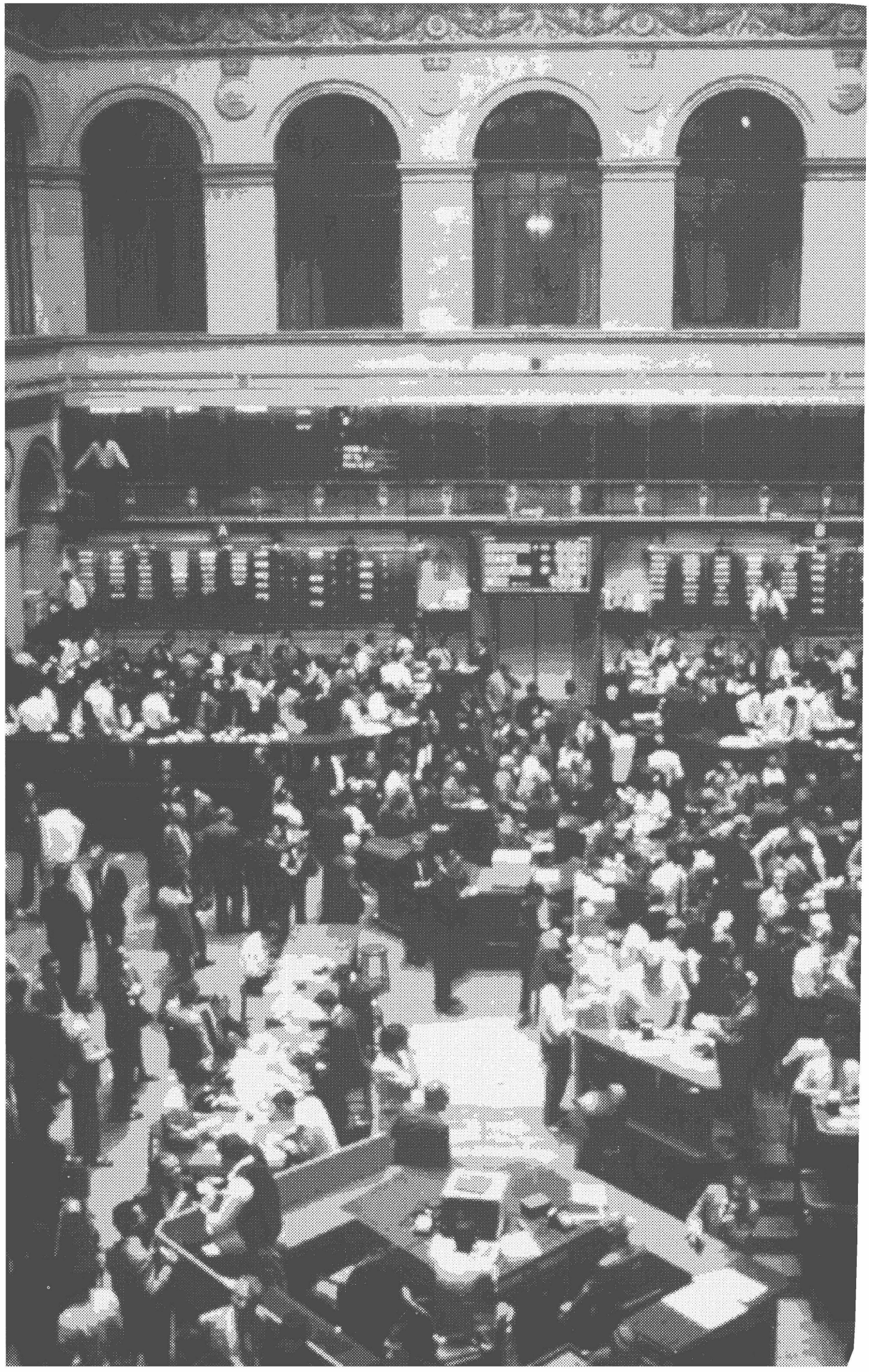


Financial services



The share represented by financial services in the EC economy is constantly increasing, in terms of both value added and the number of people employed. This share varies greatly according to the country concerned: in France, for example, it is 4.3% compared with 14.9% in Luxembourg. In addition, in spite of considerable growth during the 1980s, the contribution made by financial services to the EC economy is still less in terms of value than that recorded in the United States and Japan. The creation of highly diversified products and the use of modern technologies have helped to make financial markets more internationalised.

The relative importance of the sector in the EC economy

Value added The large share of value added in Luxembourg's total GNP has much to do with the international nature of its financial markets. In 1989, 99.8% of all bonds listed on the Stock Exchange were foreign, while foreign banks commanded a market share of 91%. The same explanation applies to the large share represented by financial services in the United Kingdom, London still being regarded as the financial centre of Europe (37% of bonds listed on the Stock Exchange are foreign and the value added of financial services is over 10% of the GNP).

Employment In the financial services sector, banking accounts for the bulk of jobs (2.3 million people, i.e. around 65% of the total number employed), followed by insurance (1.2 million people). The relatively high percentage of jobs recorded in Luxembourg (5.7% of the total number employed) can be attributed to the exceptionally large number

of local branches: the average number of inhabitants per branch is equal to 700, compared with an average of 3 700 for the EC as a whole. As competition intensifies and the banking sector becomes increasingly concentrated, however, it seems likely that jobs will be cut.

International comparisons In 1988, insurance premiums accounted for 6.3% of the EC's GNP, 9% in the case of the United States and 9.9% in the case of Japan. In 1985, the percentages were 5.2, 7.6 and 6.9 respectively.

Stock exchange capitalisation (national shares) as a percentage of GNP represented 43% in the case of the EC, 52% for the United States and 139% for Japan.

International banking transactions within the Member States accounted for a third of all banking transactions in 1988. In Japan, they accounted for 36.4%, compared with a mere 14.5% in the United States.

26

BANKING ACTIVITIES Among the world's 15 largest banks in terms of assets, one finds 11 Japanese banks, 2 French, one British and one American. If one considers the top 100 banks, 44 are European (mainly German and French), 28 - Japanese, 11 - American, 4 - Canadian and 3 Swiss. On an even broader scale, over 30% of the top 500 banks are European, 21% - Japanese and only 6% - American, the rest being divided up between Swiss, Canadian, Swedish and other nationalities. The small proportion of American banks is largely due to the highly fragmented nature of the American market.

One of the most notable features of the past decade has been the extraordinary rise to international prominence of Japanese banks, to the detriment of Canadian, American and British banks whose relative importance has declined.

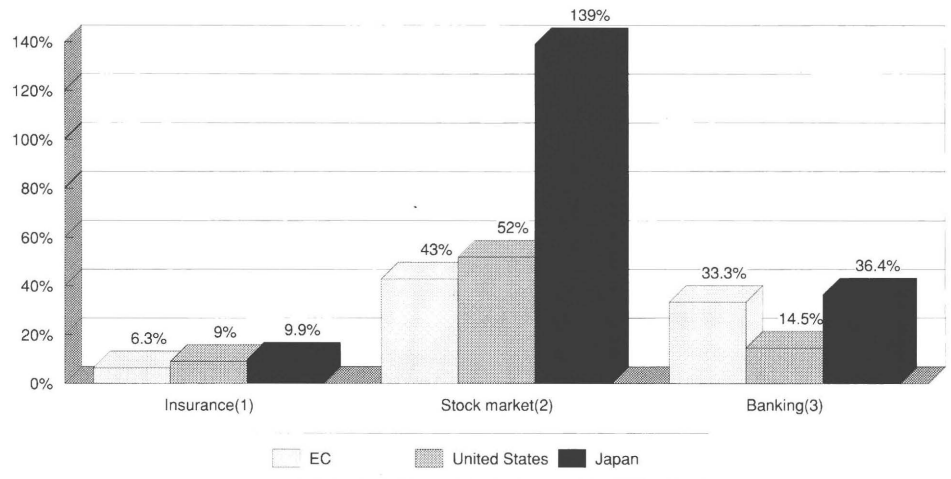
Japanese banks accounted for nearly 43% of the international assets (held by national institutions) of the various banks which report to the BRI, but less than a third of the international assets of institutions abroad.

In addition, they have greatly strengthened their position as the leading net lender on international markets (in 1988 they accounted for 2/3 of total net world debts in respect of the banking sector). In 1988 international debts (debts in national currencies owing by non-residents and currency debts owing by residents) amounted to 1 250 billion ECU in the EC, 1 369 billion in Japan and 543 billion in the United States.

Within the EC, banks with head offices based in Belgium, Luxembourg, Italy and West Germany witnessed a major increase in business.

INSURANCE In preparation for the single

Figure 1
The financial sector
EC financial market compared with that of the United States and Japan



(1) Share represented by insurance premiums in the GNP (1988)
 (2) Stock market capitalisation as a percentage of GNP (1989)
 (3) Banks' share of consolidated international assets (1988)
 Source: Eurostat

market, the EC has already given the go-ahead for the deregulation of the insurance market, aimed at removing national borders and establishing a truly common market for insurance. In the 1990s, therefore, competition in the sector will no doubt intensify, and the winners will achieve a more competitive position worldwide. If current negotiations regarding the incorporation of the services sector in the new GATT agreement succeed, worldwide deregulation will give newly-strengthened European firms the opportunity to enter

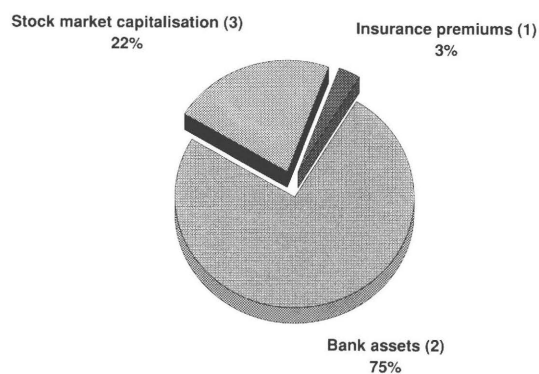
the American and Japanese market.

Description of the sector

Banking In 1988, bank assets within the EC represented 5 618 billion ECU. In the United States and Japan, they amounted to 3 931 and 6 227 billion Ecus respectively. In 1989, the figures were 6 308, 4 492 and 6 779 billion ECU, respectively, i.e. a 12% increase for the EC.

Insurance In 1988 insurance premiums accounted for 6.3% of the GNP, i.e. 253 billion ECU, the highest percentage being recorded in Ireland (9.7%), followed by the United King-

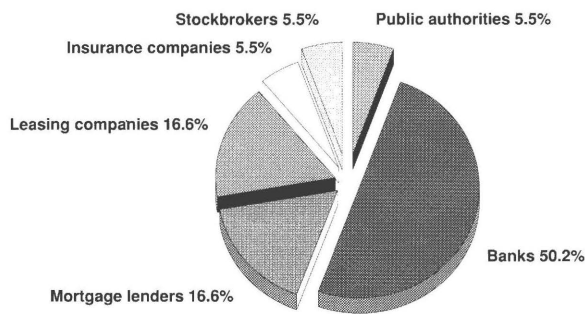
Figure 2
The financial sector
Composition of the sector
(1988 - 1989 EC 12)



(1) Insurance premiums (% of GNP) - 1988
 (2) Bank assets (% of GNP) - 1989
 (3) Stock market capitalisation (% of GNP) - 1989
 Source: Eurostat



Figure 3
The financial sector
Composition of the industry: market share of commercial loans as a %
(1985 projections)



Source: Arthur Anderson

dom (7.7%), the Netherlands (7.2%) and West Germany (6.7%), and the lowest in Greece (1.4%). Following a period of growth lasting twenty years, the share accounted for by the EC insurance market diminished during the 1980s, while those of the United States and Japan increased.

Stock exchange activities Stock exchange capitalisation of national shares accounted for 43% of the GNP in 1989, i.e. 1,876 billion Ecus compared with 2 425 billion ECU for New York and 3 555 billion ECU for Tokyo. As regards the par value of the bonds and securities listed, this represented 3 048 billion for the EC, 1 302 for New York and 980 for Tokyo.

Structure of the sector

All the measures taken by EC financial institutions aimed at diversification, modernisation or restructuring must be envisaged as part of the deregulation of the capital market (in summer 1990) and the integration of financial markets in 1992.

The deregulation of financial markets will lead to increased competition, due to gradual interpenetration of the various markets. Mergers and acquisitions, mainly between banks or insurance companies, form part of a general strategy in the run-up to 1992, and will no doubt intensify.

In the years ahead, we can expect business to become more concentrated in the largest institutions, in the case of both banks and insurance companies. The major financial institutions are increasingly seeking to diversify their portfolios via a wide range of banking services. Banks, for example, now sell the policies of affiliated insurance companies, while insurance companies deal with pension funds. The distinction between insurance and banking activities is not always clearly defined, and the addition of new activities only makes it more blurred. Savings and mortgage institutions are now adopting a rather defensive stance on the market. Figure 3 gives a rough indication of the likely market shares of commercial loans in 1995.

Banking sector The degree of market concentration can be gauged by examining the market shares of the four largest banks. According to these figures, the highest degree of concentration is found in Ireland, where the four largest banks account for 74% of the market. West Germany has the least concentrated market, with a rate of just 15%.

France, West Germany and Italy alone account for nearly two thirds of the total number of credit institutions in the EC, a direct

result of their large public banking and mutual insurance sectors. In West Germany and Italy, cooperative banks outnumber other types of banks whereas in France financial companies are the most common.

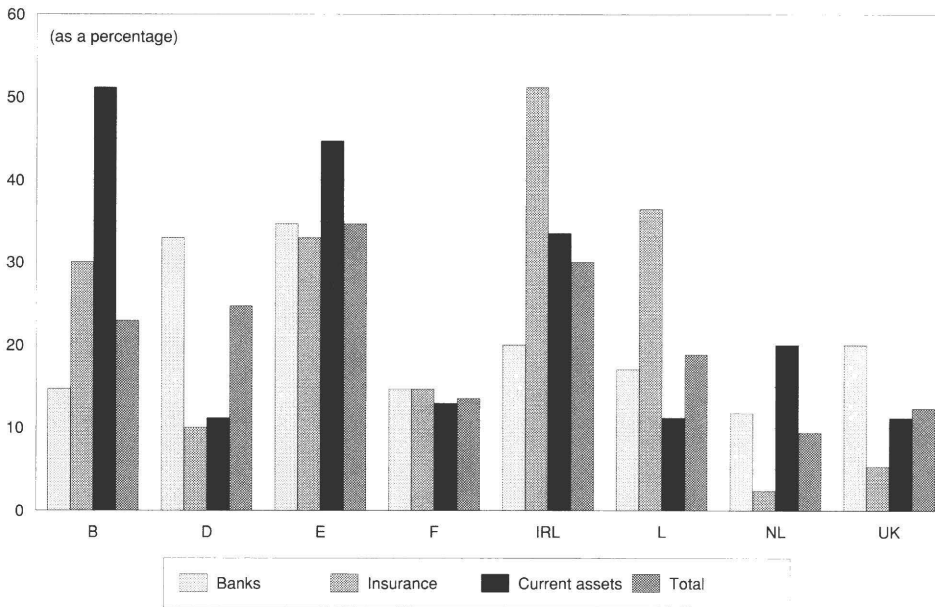
Insurance In life insurance, the top ten companies account for 30% of the market and the top twenty - approximately 40%. As regards other types of insurance, they account for only 20 and 30% of the market respectively. In total, in 1988, there were 4 607 insurance companies in the EC, divided up as follows: 21% life insurance, 68% non-life insurance, 7% non-life and life insurance, 4% reinsurance (breakdown for 1987).

Risks and opportunities

Competition from non-EC countries

The regulatory framework of financial institutions within the EC is largely determined by the second coordinating directive which lays down the requirements regarding authorisation for credit institutions in Member States. The second directive allows banks to operate throughout the EC on the basis of a single banking licence granted by the Member State in which the bank has its registered office. It also specifies the various conditions under which non-European banks may set up in the EC. In order to do this, the bank's country of origin must pursue a non-discriminatory policy towards EC banks. The text of the second coordinating directive on banks will serve as a reference point for the deregulation of other financial services, including insurance. Large-scale measures aimed at deregulating and liberalising the financial services market are also under way in Japan, Canada and the United States. All foreign banks with permission to set up businesses in the EC (depending on whether

Figure 4
The financial sector
Theoretical price reductions following the completion of the internal market



Source: Price Waterhouse

their country of origin offers similar conditions of access to the market) will have ample opportunity to achieve economies of scale and other reductions in costs thanks to the provision of services throughout the EC. It is worth noting however, that the second directive only applies to third country banks which are established in the EC in the form of subsidiaries. As far as the setting up of branches is concerned, each Member State is free to decide whether or not to admit third country banks; even if they do, such branches may only operate within the territory of the State concerned, whereas a subsidiary can operate throughout the EC. American banks are already well-established on the European market (mainly in London). In recent years, however, they have lost market shares and in 1988 accounted for only 7% of the volume of international loans to the non-banking sector (i.e. excluding interbank loans), whereas European and Japanese banks each accounted for one third of the total. Owing to

their highly fragmented nature, American banks operating in Europe will probably lose certain market shares, to the benefit of the various large European groups currently being formed. They are going to have to focus their efforts on certain large-scale services and those markets where they already have a firm footing.

The impact of 1992

With the introduction of the free movement of capital on 1st June 1990, European regulations are seeking to open up financial markets while at the same time ensuring protection for depositors, investors and insureds. The main objective is mutual recognition, between Member States, of the various provisions governing controls. What this means in effect is that a single authorisation procedure in any one Member State is sufficient to enable a bank, even if it is a subsidiary of a third country bank, to carry on its business anywhere within the EC. The most important texts as far as financial institutions are concerned are as fol-

lows:

- ❖ Stock markets: directive 85/611/EEC, of 1st October 1989, on undertakings for collective investment in transferable securities and the directive proposal (COM/88/778) on investment services, the directives on public share offer prospectuses and on insider trading, as well as the directive proposal on the requisite amount of capital of firms offering investment services and banks.
 - ❖ Banks: the second co-ordinating directive relating to access to the activities of credit institutions (89/646/EEC), the directives on the equity of credit institutions (229/89/EEC) and on the solvency coefficient of banks (647/89/EEC), as well as the directive proposal on the supervision of banks on a consolidated basis (COM(491)90).
 - ❖ Insurance: directive 88/357/EEC concerning direct insurance other than life insurance, a text which introduces unrestricted provision of services, particularly as regards large risks was adopted on 22 June 1990 (at the same time as the freeing of capital markets) and directive 90/619/EEC on life insurance, which is due to come into effect in 1993.
- The adoption of the various directives is a sign that the financial markets are now opening up completely and the different Member States are preparing to do away with any remaining legislative and statutory barriers. The ultimate aim is to have a cohesive set of European banking laws, at least as far as institutional problems are concerned. Price Waterhouse has estimated the potential modification in the price of several financial products after technical barriers (regulations) and exchange controls have

been abolished. According to these calculations, the average reduction in price for the EC, excluding Portugal, Greece, Ireland and Denmark, would be approximately 10% on average, i.e. 0.7% of the GNP.

According to the Cecchini report, the deregulation of financial services should lead to an average price reduction of 1.4%, and produce an increase in the GNP of around 1.5%. Spain may well see the largest cuts in prices (34%); Italy, France, Belgium and West Germany will see average reductions, with the smallest cuts occurring in Luxembourg, the United Kingdom and the Netherlands. A breakdown of the potential price reductions is shown in figure 4.

Outlook

The completion of the integration process in the financial services sphere is one of the primary objectives of the programme outlined by the single European market, since its effects will be felt throughout the rest of the European economy as a whole. Investors will have access to a wider range of financial instruments and will be able to diversify their portfolios. Lenders will enjoy similar advantages, insofar as they will have a wider range of financial sources to choose from in order to limit the risks.

The deregulation of financial markets and, in particular, the abolition of exchange controls will result in net gains, since investments will gravitate towards the most attractive offers, regardless of the country of origin. The resulting capital flows will serve to standardise interest rates and real profit margins, and will increase the marginal yield rate of capital throughout the entire Community.

Finally, the internationalisation of the Euro-

pean market should also bring about reductions in costs and hence too, the price of most financial services, thanks to greater diversification in terms of both products and risks (owing to the increased size of the market). The result should be a reduction in the mediation costs of banks, insurance companies and other financial institutions. A number of studies have assessed the likely size of these price reductions in the various Member States, and it seems that much will depend on the current competitiveness of the sector as well as the relative stringency of the regulations currently in force.

German and British banks are no doubt among the best placed to benefit from European deregulation, since they already offer a wide range of financial services and have a good, overall knowledge of the European market.

Another important decision adopted within the EC in December 1989 is that which requires all banks to have a minimum solvency ratio of 8% by March 1993. Many banks fall short of that figure, which means they will have to either reduce their loans or increase their capital.

The growth in insurance business will be encouraged by two main factors: innovation with regard to products, particularly in the case of life insurance and the forging of closer links between banking and insurance. Further moves aimed at deregulating and restructuring the sector should also play an important role.

The wave of acquisitions and alliances which has swept the insurance sector over the past few years will continue, as firms seek to find the critical mass that will enable them to play a significant role on an international level. By means of external

growth, therefore, various countries have produced a small number of national champions capable of representing them in the international arena.

It remains to be seen what effect changes in the Eastern bloc, German reunification and the crisis in the Gulf will have. The first sign - which was definitely not taken into account in the projections for 1990 - was the 30% increase in the turnover of German insurance firms in the field of life insurance in 1990.

Written by: Sema Group Management
Consultants

The institutions operating on the stock exchanges are showing a tendency towards concentration with the approach of 1992. The banks and institutional investors should play the most important role in the future. Whatever the result, the changes which the single market should introduce are the liberalisation of movements of capital and the freedom to perform services.

The increasing volume of securities handled on the Stock Exchange makes technological investments, training and modernisation relative to the infrastructure of the stock exchanges essential to enable them to face the challenges of the future. Cooperation is developing between the big stock markets with a view to installing supervisory structures for stock exchange transactions and an official European list.

Definition of stock exchanges

Stock exchanges are based on a series of mechanisms or places by means of which financial products, called "securities", are negotiated. Their economic function is to gather the excesses and surpluses of the economy (savings) and to channel them towards the bodies which need them. This function is accomplished through the intervention of financial intermediaries.

The stock markets may be grouped into different categories, the most important of which are:

- ❖ capital markets (long and medium term instruments) and the money markets (short term instruments);

- ❖ primary markets (issues of securities) and secondary markets (within which dealing in these securities takes place);
- ❖ regulated and non-regulated markets; the stock exchanges constitute a typical example of a regulated market - the operations taking place there are subject to specific dealing rules;
- ❖ spot markets, in which the operations and payments are carried out in cash (i.e. immediately) and forward markets (in the future), where the dealings have to do with securities which will be remitted later, and which will therefore be paid at the agreed time or upon remittance of those securities.

Activities On the primary market, the activities have to do with the subscription and distribution of issues; they are paid for by the authorised institutions (commercial or investment banks, or commercial banks in integrated banking systems).

With regard to the secondary market, the activities consist of operations relative to existing securities. There may be several types of dealing:

- ❖ brokerage;
- ❖ trading on own account;
- ❖ market-making;
- ❖ brokerage and dealing in futures and options.

One particular activity is that carried out by the undertakings for collective investment in transferable securities; these enable private investors to invest in transferable securities by spreading the risks over a large number of different securities, entrusting the portfolio management to professionals.

The last group of activities covers the management of portfolios and investments and investment advice.

The institutions The function of institutions operating on the securities markets is to act as a connecting link between those who produce surpluses and those who are looking for finance. One of their tasks is to transform financial assets and liabilities in order to adapt them more to the requirements and wishes of savers and people looking for finance.

There are different types of institutions and enterprises; moreover, their character, legal status and functions vary according to the regulations in force in the different Member States.

Others apart from the specialist institutions operating as investors on the securities markets, such as banks, mortgage credit institutions, pension funds, unit trusts, insurance companies, as well as the debentures investment services of big enterprises, also play a very important role on the stock exchanges, in that they represent a large share of debenture holding and trading.

Current situation

1989 marks a clear increase of stock ex-

change activity in the EC which can be characterised by the following indicators (measurements for the EC-10):

- ❖ stock market capitalisation of domestic stock: 1 876 316 million ECU, i.e. an increase of 26.7% in comparison with 1988;
- ❖ volume of share dealings, 1 322 399 million ECU, i.e. an increase of 72.4%;
- ❖ par value of bonds and debentures quoted on stock exchanges, 3 048 137 million ECU, i.e. an increase of 7.1%;
- ❖ par value of newly listed gilts (EC-9), 504 973 million ECU, i.e. an increase of 14.5%;
- ❖ number of firms whose shares are quoted on the stock exchange, 6,370, i.e. an increase of 2.4%;
- ❖ number of firms newly listed, 450, i.e. an increase of 13.9%.

This increase is higher than that recorded in New York and especially in Tokyo. London, the stock markets of the Federal Republic of Germany and Paris retain their high position (36%, 16% and 15% respectively) of market capitalisation of the EC-10. The Gulf crisis in 1990 and probably in 1991 is once more slowing down this rising market trend.

Regulatory framework

This market has developed in a specific way to meet local requirements, thus creating market-specific characteristics. This is why it is not possible to speak of a European stock market, but instead twelve different markets, which makes any comparison between the latter and the markets of the outside countries difficult. The entry into force on 1st July 1990 of the Community Directive (88/361) on the complete liberalisation of movements of capital has laid the foundation stones for

Table 1
Stock exchange
Par value of bonds and debentures listed on FIBV exchanges, 1989

	Domestic		International	
	1989	89/88 %	as % of total	as % of total
Amsterdam	118456	9.7	93.1	6.9
Barcelona	56901	7.6	90.8	9.2
Brussels	88046	8.8	97.9	2.1
Copenhagen	145988	6.8	96.0	4.0
Federation of				
German stock exchanges	692557	8.0	85.9	14.1
Italy	419769	19.2	96.1	3.9
London (*)	425961	0.7	63.0	37.0
Luxembourg	726336	1.6	0.2	99.8
Madrid	59995	8.4	97.7	2.3
Paris (*)	314128	11.5	N/A	N/A
EC 10	3048137	7.1	(*) 63.2	(*) 36.8
New York	1302580	-4.3	98.3	1.7
Tokyo	908024	4.2	97.5	2.5

(*) Domestic private sector includes Eurobonds of UK companies.

International bonds include foreign Eurobonds, Irish gilts and overseas company fixed interest.

(*) Official market

(*) Without Paris

Source: FIBV (Fédération Internationale des Bourses de Valeurs)

a single capital and financial services market within the EC.

Dealing in securities is covered by strict regulations in all the Member States. The object of these regulations is to ensure an adequate level of protection for the investor and satisfactory working of the capital markets. The regulations also cover issues of securities, the persons or establishments which may act as intermediaries in securities operations and the structural and operational rules of investment trusts. There are also organisations responsible for supervising securities business and checking that the rules of prudence and advertising are observed.

The type of institution acting as an intermediary in the issuing of transferable securities varies from one Member State to another. Strictly speaking, there is no line of legal demarcation between the activities of the commercial banks and securities activities; the commercial and investment banks are the main actors on these markets and take care of the management or subscription of new issues of debentures.

Primary markets The European Directive (89/298/EC) dealing with the coordination of the requirements relative to drawing up, to the necessary checks and to the methods of distribution of the prospectuses which have to be published when securities are put up for sale or offered to the public for subscription was adopted on 5.5.1989.

Secondary markets The regulations on securities trading are complex and differ substantially from one Member State to another. With a view to harmonising the different regulations, the EC has adopted a series of Directives for coordination of the conditions relative to admission of transferable securities to Stock Exchange listings (Directive

79/279/EC), prospectuses which must be published for authorisation of debentures on the official listing (Directive 80/390 EC) and which harmonise the information which the firms whose stock has been authorised on the official listing must publish every half-year (Directive 82/121/EC).

Persons or institutions wishing to negotiate transferable securities must generally be authorised to do so by the stock market control organisation of the Member State concerned. However, the rules establishing the conditions of such authorisation, with the exception of contract and price regulations, vary considerably from one Member State to another. For example, in many Member States (including Belgium, Portugal and, until the introduction of recent reforms, France, Greece and Spain), only natural persons could be authorised to exercise the function of stockbroker, who, in certain cases, also had to have the nationality of the country concerned. In a single country (the Federal Republic of Germany), a bank licence is also required to receive and execute orders on the stock exchange.

"Junior markets" also, generally, exist within the stock exchanges, for debentures issued by small and medium-sized enterprises and which involve less legal requirements. These junior markets may be regulated or non-regulated. The securities quoted on the stock exchange may also, as a general rule, be the subject of trading off the floors, on a parallel market, with or without the intervention of a stockbroker. The volume of securities exchanged off the floors is even greater, in certain countries, than that of the securities exchanged on the floor of the stock exchange.

Unit trusts The types of institutions of unit trusts for investment in transferable securities also differ from one Member State to another; the Directive relative to the Ucit (85/611/EC) (Undertakings for collective investment in transferable securities) lays down basic common rules concerning the authorisation, control, structure and activities of Undertakings for collective investment in transferable securities of a type other than "closed", as well as on the information which these undertakings are required to publish. A series of provisions will facilitate the marketing of their shares in all the Member States.

Public offers of acquisition The European Commission wishes to limit the barriers likely to stand in the way of public offers of acquisition (POA), since it considers that the POAs constitute, generally, a positive practice in view of the big market in that they contribute to a selection of the most competitive enterprises and the restructuring of the European enterprises, which is essential in order to improve their international competitiveness. The proposal of the Thirteenth Directive on Public Offers of Acquisition is designed to harmonise the rules governing POAs in the EC.

Nevertheless, certain barriers obstructing uniform application of this text throughout the whole of the Community continue to exist. This is why the Commission has proposed new measures to the Council with a view to:

- ❖ (a) strengthening the principle of proportionality between capital and the right to vote ("one share one vote");
- ❖ (b) prohibiting the acquisition of its own shares by a company submitting a POA and;
- ❖ (c) extending the rules limiting acquisition of its own shares by a company in

Table 2
Stock exchange
New listings of bonds and debentures at par value

Million ECU	1988				1989			
	Total	Domestic private sector	Domestic governmental sector	International	Total	Domestic private sector	Domestic governmental sector	International
Amsterdam	19 735	2 576	13 703	3 456	20 568	1 896	16 064	2 608
Barcelona	13 727	2 770	10 448	509	5 759	3 463	2 296	0
Brussels	12 432	396	11 903	133	16 629	159	15 765	705
Federation of German stock exchanges	118 422	61 980	37 277	19 165	153 352	98 476	36 920	17 956
Italy	103 079	1 473	100 877	729	83 379	587	82 649	143
London (1)	N/A	N/A	14 198	N/A	1 423	N/A	1 423	N/A
Luxembourg	108 792	251	23	108 518	158 763	231	13	158 519
Madrid	15 783	3 687	12 096	0	8 689	5 180	2 851	658
Paris (2)	49 045	11 611	37 434	0	56 411	11 163	45 248	0
EC 9	(3) 441 015	(3) 84 744	237 959	(3) 132 510	504 973	(3) 121 155	203 229	(3) 180 589
Tokyo	212 641	44 458	166 973	1 210	140 613	44 640	93 351	2 622

(1) Domestic private sector includes Eurobonds of UK companies.
 International bonds include foreign Eurobonds, Irish gilts and overseas company fixed interest.
 (2) Official market
 (3) Without London.
 Source: FIBV

acquisitions made by subsidiaries of that company.

Supervisory bodies Cooperation is developing between the big stock exchanges for the installation of supervisory structures for securities trading. In France, the Commission des Opérations en Bourse (COB) [Stock Exchange Operations Commission], which has signed agreements for close cooperation with the American stock exchanges authority (SEC) and forward markets authority (CFTC), is examining agreements of the same type with Italy (Consob) and Japan.

At present, cooperation is international before it becomes European. Two countries: the Federal Republic of Germany and Luxembourg, do not yet have a control commission for securities trading.

The European listing, the Euroquote project and SEAQ The European Commission wishes to see the stock exchanges take initiatives to equip themselves with the necessary tools for the development of the

Europe of 1992, which will become the leading economic unit in the world.

Two items are on the agenda in the Fédération des Bourses [Foreign of Stock Exchanges] of the EC: the Euroquote project and Eurolist.

Although the Euroquote project should be operational very quickly (it consists of a computer network which will link together the systems already operating in the different stock markets), the Eurolist project is far more delicate. In fact, it raises the question of rationalisation of the structure of the European market and makes control and information on Stock Exchange operations indispensable. It is important to recall that the United States took ten years to build similar, efficient structures.

A third project being studied by the Federation of Stock Exchanges of the EC concerns a market of blocks, which would be used by the institutional investors for the big transactions, which at present often take place

out of the stock exchanges.

Market structure

There is no strict specialisation inside the Community by institutions conducting dealing activities. On the one hand, a tendency to de-specialisation and the elimination of the institutional barriers, with the object of stimulating competition. On the other hand, the legislation proposed by the Community (mainly the Second Banking Directive (89/646/EC) and the draft directive on investment services of 16th December 1988, modified in 1989) aims to instigate a global banking system, within which operations relative to transferable securities are regarded as forming an integral part of banking services. A move, therefore, towards a development of conglomerates to cover all financial services and capable of working in a very broad spectrum of stocks and shares activities. In certain Member States, it is the banks which dominate the stock markets, either as advisers, as subscribers on the primary

Table 3
Stock exchange
Market value of equity shares of
domestic companies, 1989

	Million ECU	1989/88 %
Amsterdam ⁽¹⁾	129 431	40.5
Barcelona ⁽²⁾	93 327	30.8
Brussels ⁽³⁾	62 866	24.8
Copenhagen ⁽⁴⁾	33 723	46.5
Federation of German stock exchanges	306 307	42.5
Italy ⁽⁵⁾	136 963	18.6
London ⁽⁶⁾	682 858	12.6
Luxembourg ⁽⁷⁾	45 824	15.9
Madrid	102 682	32.3
Paris ⁽⁸⁾	282 335	48.4
EC 10	1 876 316	26.7
New York ⁽⁹⁾	2 425 686	20.2
Tokyo ⁽¹⁰⁾	3 555 524	9.2

⁽¹⁾ Including investment funds of 19 000 million ECU.

⁽²⁾ Excluding investment funds.

⁽³⁾ Number of existing or issued shares.

⁽⁴⁾ Excluding investment funds and including domestic and foreign companies.

⁽⁵⁾ Listed shares only.

⁽⁶⁾ All equity shares incorporated in the UK.

⁽⁷⁾ Excluding investment funds of 8 530 million ECU.

⁽⁸⁾ Official market.

⁽⁹⁾ Common and preferred domestic issues.

⁽¹⁰⁾ Common stocks including new common stocks,

preferred stocks if listed.

Source: FIBV

market, as intermediaries on the secondary market, or as securities firms which are more often subsidiaries of the banks. This is particularly the case with the British stock market, where the main actors are investment banks or commercial banks which are either subsidiaries of securities firms, transatlantic portfolio firms (usually Japanese or American), or subsidiaries of banks, or again, independent establishments.

In the next few years, concentration of the market in the hands of the biggest institutions will probably be seen.

Size of the market

Values of debentures in circulation

No homogeneous data are available on the value of debentures in circulation in the Member States. The only comparable available data concern the value of debentures quoted on the different Stock Exchanges.

Table 3 gives the par value of bonds and debentures quoted on the main stock exchanges of the Community and shows the development of the European money markets in comparison with 1988. Although the stock exchanges of London, the Federal Republic of Germany and Luxembourg are still predominant, it is interesting to note the high increases recorded by the stock exchanges of Paris (+48.4%), Copenhagen (+46.5%), of the stock markets of the Federal Republic of Germany (+42.5%) or Amsterdam (+40.5%), all the stock markets of the EC-10 having increased by 26.7%.

This increase is clearly higher than the increase recorded in Tokyo (9.2) and New York (20.2).

Volume of transactions in transferable securities

The volume of transactions constitutes an important indicator of stock exchange business. The figures given in Table 4 indicate that the most active stock exchanges are those of the Federal Republic of Germany and the United Kingdom. The 1988/89 growth was 72% for the EC 10, 22% for New York, 10% for Tokyo. In the EC, London shows a particularly strong increase. More in-depth analysis of these volumes of transactions indicates that the German stock markets reflect a clear preponderance of domestic firms, whilst the London stock exchange shows a large presence of foreign firms.

Number of firms with shares quoted on the stock exchange

This number has increased in the EC-10 from 6 221 in 1988 to 6,370 in 1989, under the effect of the increase of foreign companies. Some markets have remained stable or even decreased (London). The number of authorised companies in 1989 (450) is clearly higher

than that in 1988 (395).

Degree of internationalisation of securities markets in the Community

The degree of openness of securities markets is relative to each Member State. It depends on numerous factors such as:

- ❖ the influence of exchange controls, where these continue to exist (Ireland, Spain, Portugal, Greece), which prevent any dealing in foreign stock and which also imply less interest by institutional investors to operate on domestic markets where they are always at a disadvantage;
- ❖ the degree of regulation of the market, especially rules on securities dealing (for example, fixed commissions), rules on the structure and operation of investment companies and persons authorised to carry out transactions and, in certain cases, the legal conditions enabling natural persons to accede to the activities of a stockbroker.

Outlook

Although the stock exchange had some record years during the decade of the 1980s with an initial sign of difficulties at the time of the crash of October 1987, the 1990s are likely to modify that trend, by bringing it back to the industrial reality. A very strong determination is seen on the part of the national and international authorities to develop control structures. For instance, the different authorities of the international money markets are forming alliances to enable them better to respect a certain deontology of the stock exchange world.

The present state of the international economy lends itself to evolution of the stock exchange as a tool of financing expansion

Table 4
Stock exchange
Volume of trading in equity shares ⁽¹⁾

(million ECU)	1988			1989		
	Total	Domestic companies	Foreign companies	Total	Domestic companies	Foreign companies
Amsterdam ⁽²⁾	25 655	25 510	145	44 773	44 367	406
Barcelona	4 131	4 131	0	4 316	4 316	0
Brussels	8 935	6 943	1 992	10 567	7 666	2 901
Copenhagen ⁽³⁾	3 921	N/A	N/A	12 709	N/A	N/A
Federation of German stock exchanges ⁽⁴⁾	310 636	292 210	18 426	664 013	631 819	32 194
Italy ⁽⁵⁾	26 727	26 727	0	38 151	38 151	0
London ⁽⁶⁾	310 082	249 136	60 946	411 406	288 177	123 229
Luxembourg ⁽⁷⁾	84	60	24	135	106	29
Madrid	19 286	19 286	0	31 651	31 651	0
Paris ⁽⁸⁾	57 601	54 492	3 109	104 678	100 410	4 268
EC 10	767 058	678 535	84 642	1 322 399	1 146 663	163 027
New York ⁽⁹⁾	1 146 784	1 101 634	45 150	1 400 359	1 339 193	61 166
Tokyo ⁽¹⁰⁾	1 923 961	1 918 631	5 330	2 122 249	2 104 555	17 694

⁽¹⁾ Excluding investment funds.

⁽²⁾ Including stocks, claims and warrants of 502 million ECU. Excludes intra-market dealing.

⁽³⁾ Including off board trading and foreign companies.

⁽⁴⁾ Including off board trading and a non quantifiable part of intra-market dealings.

⁽⁵⁾ Shares listed on the official market only.

⁽⁶⁾ Including off board trading, investment funds and intra-market dealing as follows:

(million ECU)	1988	1989
Domestic companies	100 739	113 804
Foreign companies	4 022	N/A
Total	104 761	N/A

⁽⁷⁾ The market value is the sum of the transactions made by the Stock members for their customers or for their own accounts during opening hours. Any transaction counts for one. Exclude intra-market dealings.

⁽⁸⁾ Including off board trading. Official market.

⁽⁹⁾ Including investment funds and all issues traded during year.

⁽¹⁰⁾ Domestic common stocks including new common stocks, preferred stocks (if listed).

Source: FIBV

Table 5
Stock exchange
Number of companies ⁽¹⁾ with equity shares % listed on FBIV exchanges

(million ECU)	1988			change in total 1989/88	1989		
	Total	Domestic companies	Foreign companies		Total	Domestic companies	Foreign companies
Amsterdam	371	166	205	0.5	373	168	205
Barcelona	322	322	0	9.0	351	351	0
Brussels	337	186	151	0.3	338	185	153
Copenhagen ⁽²⁾	266	259	7	-0.4	265	257	8
Federation of German stock exchanges ⁽³⁾	1 083	609	474	7.4	1 163	628	535
Italy ⁽⁴⁾	211	211	0	2.8	217	217	0
London ⁽⁵⁾	2 389	1 804	585	-1.3	2 357	1 758	599
Luxembourg	197	52	145	3.6	204	54	150
Madrid	369	369	0	13.0	417	417	0
Paris ⁽⁶⁾	676	459	217	1.3	685	462	223
EC 10	6 221	4 437	1 784	2.4	6 370	4 497	1 873
New York	1 542	1 466	76	0.1	1 544	1 458	86
Tokyo	1 680	1 571	109	2.0	1 713	1 597	116

⁽¹⁾ Excluding investment funds.

⁽²⁾ Excluding unit trusts.

⁽³⁾ Freiverkehr companies are included in domestic and foreign companies.

⁽⁴⁾ Excluding suspensions - no investment funds listed.

⁽⁵⁾ Data include some companies that only have fixed interest securities listed. Irish companies are included in foreign category.

⁽⁶⁾ Official market only, excluding second market.

Source: FIBV

Table 6
Stock exchange
Number of companies newly authorised ⁽¹⁾
to list equity shares listed on FIBV exchanges

		1988			1989	
	Total	Domestic companies	Foreign companies	Total	Domestic companies	Foreign companies
Amsterdam	9	2	7	19	11	8
Barcelona	25	25	0	42	42	0
Brussels	11	2	9	11	4	7
Copenhagen	5	5	0	14	13	1
Federation of German stock exchanges	88	14	74	116	25	91
Italy	14	14	0	7	7	0
London	163	129	34	136	90	46
Luxembourg	13	4	9	17	5	12
Madrid	46	46	0	61	61	0
Paris ⁽²⁾	21	5	16	27	11	16
EC 10	395	246	149	450	269	181
New York ⁽³⁾	100	100	0	90	77	13
Tokyo	65	40	25	37	27	10

⁽¹⁾ Excluding investment funds.

⁽²⁾ Official market.

⁽³⁾ In 1988, total includes 2 preferred companies; in 1989 only one.

Source: FIBV

and development. In fact, even if a major repercussion of the Gulf crisis is the freezing of current capital and depression of all the money markets, it remains no less

true that the opening-up of Eastern Europe offers new future prospects. Furthermore, the advance towards a European financial space necessitates the setting-up

of adequate institutions to cope with these fundamental changes.

**Written by: Sema Group Management
 Consultants**

The harmonisation of banking regulations will cause vast and profound repercussions on the sector, some of which have already started to make themselves felt. Nevertheless, although to a certain extent a relative unification has taken place (especially with regard to the circulation of capital), the profound heterogeneities of the European banking markets cannot be completely resolved by the adoption of unifying regulations.

Definition of the sector

Banking business consists of taking deposits and lending them out or investing them. This definition of the basic activity of the banking institutions is the one contained in the Council's First Directive on banking activity (77/780/EC). The credit institutions - that is the term used in the Directive - which conduct this type of activity have to be authorised by the competent authorities of the Member States. Insofar as the Directive requires annual publication of the list of credit institutions, authorised by the Community. Certain credit institutions which do not fall under the scope of the Directive and certain others which although subject to the Directive, do not appear in this list. In order further to increase the profitability of capital, the banks are launching a series of fee-generating activities, such as the provision of management advice, insurance broking and estate agency services. The size of banks and the spectrum of their activities are particularly variable. Generally, those which have more diversified sources of finance and which work at international level are bigger than those which count only on deposits as their sole source of finance and which restrict their activities to the na-

tional market. It should, however, be noted that a good many savings institutions, especially those situated in the Federal Republic of Germany and Italy, are amongst the biggest banks in the world.

The credit institutions can be regrouped into major categories:

- ❖ commercial banks, some of which are universal banks (represented at Community level by the European Banking Federation);
- ❖ savings institutions (represented by the Savings Banks Group of the EC);
- ❖ cooperative banks or mutual banks (represented by the Association of Cooperative Banks of the EC);
- ❖ specialist institutions (represented by several different federations according to the particular specialisation, such as the EC Mortgage Federation, the European Federation of Building Societies, the Federation of Savings and Credit for Housing).

The place occupied on the markets by each type of institution varies very clearly from country to country. For instance, although the savings institutions in the Federal Republic of Germany, Italy and, to a lesser extent, in Spain, have retained a very pronounced regional structure, by becoming geographically very localised, small

universal banks, in France and Belgium they have amalgamated to form large national networks (Ecureuil, CERA) which compete directly with the commercial banks.

Furthermore, the notion of a "commercial bank" does not generally correspond to its being situated on a given market. It sometimes refers to retail banks, sometimes to medium and long term banks. This differentiation is, therefore, based more on the mechanisms of collection of funds and the legal structure of the banks than on their actual activities.

Current situation

On the eve of the integration of the European banking markets, the common tendency is towards a strengthening of efficiency, diversification and size through mergers, takeovers and, to a lesser extent, cooperation agreements with suitable associates. On the other hand, the necessity to effect a strictly internal recasting of banks' organisational structures, both from the geographic and sectorial aspects, appears to be less widespread.

Taking the European Community in its entirety, the trend is towards privatisation of State-owned or State-controlled banks.

This is the case in France, where the nationalisation process of 1982, after suffering a reversal at the end of the 1980s, now records a status quo, as well as in other countries where State control of banks goes back slightly further in time.

Where the public sector is the owner, it tends to be concentrated on specialist sectors and, in particular, on institutions offering longer-term investment finance.

Regulatory background

The influence of the government in this sector assumes three different forms:

Table 1
Banking and finance - Financial Chequerboard of Europe

BANKS	NUMBER OF BRANCHES
BEGIQUE/BELGIE	
Generale de Banque	1 212, of which 7 in EC countries
Banque Bruxelles Lambert	995, of which 6 in EC countries
Kredietbank	718, of which 7 in EC countries
BR DEUTSCHLAND	
Deutsche Bank	1 510, of which 108 in EC countries
Dresdner	1 280, of which 10 in EC countries
Commerzbank	1 510, of which 108 in EC countries
ESPAÑA	
Banco Español Central de Credito (Banesto et central)	Estimated 5 870, of which 30 in EC countries
BBV (Bilbao et Vizcaya)	3 425, of which 45 in EC countries
Central	2 840, of which 25 in EC countries
Banesto	3 030, of which 5 in EC countries
Hispano	1 760, of which 20 in EC countries
FRANCE	
BNP	2 225, of which 75 in EC countries
Credit Lyonnais	3 095, of which 500 in EC countries
Société Générale	1 866, of which 66 in EC countries
Credit Commercial de France	430, of which 15 in EC countries
ITALIA	
Banca Nazionale Del Lavoro (BNL)	432, of which 7 in EC countries
Banca Commerciale Italiana (BCI)	488, of which 7 in EC countries
Banco di Roma	378, of which 4 in EC countries
Istituto Bancario San Paolo di Torino	442, of which 29 in EC countries
UNITED KINGDOM	
Barclays Bank	4 200, of which 214 in EC countries
National Westminster Bank	3 690, of which 200 in EC countries
Midland Bank	2 666, of which 65 in EC countries
Lloyds Bank	3 240, of which 63 in EC countries

Source: Sema Group Management Consultants

- ❖ control of entry to sector (authorisation requirements);
- ❖ continuous supervision of prudential management of authorised credit institutions (including the powers to withdraw that authorisation);
- ❖ a monetary and credit policy.

The authorisation requirements are determined by all the Member States according to the provisions of the First Banking Directive; supplementary requirements are contained in the Second Banking Coordination Directive (89/646/EC).

A further Directive, which requires all the

Table 2
Banking and finance - Market concentration and share of foreign institutions, (1) end of 1987
 (% of total assets)

(% of total assets)	Market Share absorbed by the largest four banks (2)	Market Share absorbed by foreign institutions (3)
Belgique/België	42	46
Danmark	47	1
BR Deutschland	15	4
Hellas	64	
España	21	11
France	42	16
Irland	74	11
Italia	25	3
Luxembourg	24	91
Nederland	69	10
Portugal	57	3
United Kingdom	27	60

(1) "Foreign institutions" include branches of foreign banks, and establishments totally or majority owned by foreign banks
 (2) End of 1986 for Belgium, Denmark, France, FR Germany and Spain.
 Figures based on unconsolidated balance sheets
 (3) End of 1986 for Ireland, including the largest banks.
 Sources: OCDE; European central banks and national banking associations

banks in all the Member States to have an identical solvency ratio, was adopted on 18th December 1989 (89/647/EC). This ratio was fixed at 8%. This means that the capital must represent at least 8% of the risks, in order to limit losses in the event of the debtor's insolvency. Other measures adopted to date include the following:

- ❖ the initial capital endowment must be a minimum of 5 million ECU;
- ❖ shareholders and direct and indirect associates must be obvious. Any change of shareholder must be approved by the national authorities, who can object to them within three months;
- ❖ participation in a non-financial enterprise is limited to 15% of the capital. Total participation may not exceed 60%;
- ❖ subsidiaries specialising in certain activities forbidden to the parent company in certain member States (consumer credit, leasing credit, factoring) may benefit from the Single European Act subject to three conditions, 1) the subsidiary must be at least 90% owned by the parent company, 2) the parent company must stand as

guarantee, 3) the results of the two enterprises must be totally consolidated.

Continuous and effective supervision of prudential management of the business of credit institutions is regarded as essential by all the Member States, and is actively carried out in an increasingly harmonised fashion under Community legislation.

The banks devote considerable resources to the analysis of the probable directions which policies will take. Nevertheless, their commercial decisions are only directly subject to constraints by government policy in special circumstances, for example in circumstances of a credit squeeze or restriction on foreign borrowings.

Structure of the banking sector

France and the Federal Republic of Germany alone combine almost two thirds of the total number of the credit institutions of the Community, a direct consequence of their important public and mutual banking business. In the Federal Republic of Germany and Italy the number of cooperative banks is very high.

In the United Kingdom, foreign establishments represent 60% of the market.

Banks' assets amount to almost 20% of the total of the EC.

Structural changes, mergers and amalgamations

It is generally expected that the banking sector in Europe will undergo important structural changes during the next ten years, which should lead to increased concentration of the sector.

The concentration movements work in different ways depending upon the nature of the internal markets.

In France, as the markets are occupied by a small number of large networks (retail) and by a variety of specialist investment banks, not many merger or takeover operations have taken place. At national level, the only notable developments have concerned savings institutions and mutual banks, which are gradually reducing the number of their affiliated members. These are therefore "intra-network" mergers.

From the point of view of international development, the big institutions are generally proceeding to create foreign subsidiaries (the French banks today are those which have the most branches outside the national territory) or by alliance with foreign enterprises.

In the United Kingdom, the big banks (except possibly for Barclay's Bank) are in the process of gradually winding up their networks of retail bank outlets in Europe. The low stock market value of the credit institutions makes them very vulnerable to takeovers from foreign investors. For instance, Morgan Grenfell was taken over in 1988 by the Deutsche Bank, and the Scandinavian Bank Group by the Skandinaviska

Table 3
Banking and finance - Banks' assets

(billion ECU)	1981	1982	1983	1984	1985	1986	1987	1988	1989
Belgique/België									
Commercial banks	110.9	116.1	134.7	162.7	172.5	187.5	200.0	219.2	242.6
Other financial institutions	3.4	3.1	3.1	3.3	3.3	3.6	3.7	4.1	4.2
General savings funds (deposits)	10.4	9.7	10.1	11.0	12.5	13.1	13.2	15.2	N/A
Danmark									
Commercial banks	17.8	20.3	25.1	33.4	42.1	49.5	53.1	54.7	N/A
Other monetary institutions	8.3	9.0	11.0	13.7	15.7	19.2	18.6	19.0	N/A
Other credit institutions (1)	48.0	50.1	55.2	63.4	73.0	N/A	N/A	N/A	N/A
BR Deutschland									
Credit institutions	787.8	888.1	961.6	1 038.8	1 092.6	1 265.5	1 327.3	1 397.0	1 514.2
(including building societies)	52.1	58.1	61.9	65.3	67.1	69.2	68.0	64.4	64.4
Hellas									
Commercial banks	16.6	18.4	19.6	22.4	20.2	21.2	20.9	24.4	N/A
Specialized credit institutions	11.3	13.9	14.6	15.3	12.7	13.5	14.1	15.0	N/A
España									
Commercial banks	152.6	162.5	159.3	203.6	204.3	224.4	246.9	300.2	353.0
Other credit institutions	N/A	18.5	20.9	26.4	26.6	26.3	27.8	32.4	33.0
France									
Credit institutions	555.2	626.0	674.6	727.9	N/A	N/A	N/A	N/A	N/A
Ireland									
Commercial banks	12.9	9.2	10.6	11.6	11.9	13.2	13.8	15.7	19.0
Other credit and financial institutions	4.8	6.6	7.2	8.2	8.8	8.3	9.1	9.2	N/A
Italia									
Commercial banks (2)	236.4	270.2	308.5	352.7	356.4	391.3	391.7	420.3	N/A
Specialized credit institutions	82.0	96.8	105.9	119.2	117.3	121.3	N/A	N/A	N/A
Luxembourg									
Credit institutions	108.2	116.8	127.7	146.7	151.6	165.4	179.3	205.0	238.8
Nederland									
Credit institutions	168.0	185.1	195.9	212.2	224.2	247.1	259.0	317.4	342.6
Portugal									
Credit institutions	N/A	22.3	21.8	26.0	28.0	29.2	29.9	35.2	
United Kingdom									
Banks in the financial sector	581.2	674.6	835.7	983.7	951.0	964.5	1 040.5	1 251.1	1 448.7
EC 12	2 954.0	3 317.3	3 703.1	4 182.2	4 290.5	4 740.6	4 992.7	5 618.3	6 307.6
USA									
Commercial banks	N/A	N/A	N/A	N/A	2 797.6	2 628.0	2 184.3	2 549.0	2 902.7
Savings institutions	N/A	N/A	N/A	N/A	1 448.4	1 309.8	1 156.2	1 382.4	1 589.2
Total	N/A	N/A	N/A	N/A	4 246.0	3 937.8	3 340.5	3 931.4	4 491.9
Japan									
Commercial banks	N/A	N/A	N/A	1 983.0	2 210.7	2 569.1	3 124.2	3 676.4	4 048.7
Other credit institutions	N/A	N/A	N/A	1 670.4	1 812.0	2 114.4	2 529.3	2 551.0	2 762.7
Total	N/A	N/A	N/A	3 653.4	4 022.7	4 683.5	5 647.5	6 227.5	6 778.5

(1) Principally outstanding bonds of mortgage credit institutions

(2) Estimated and almost certainly over-stated

(3) Excludes business of foreign bank branches

(4) 9/89

(5) Estimates

(6) Excluding business of foreign bank branches

Source: IMF, International Financial Statistics, 01/88, 02/89, country pages; US Industrial Outlook 1989

Enskilda Banken in 1990.

In Spain, merger operations mainly concern savings institutions, and take place at regional levels (Macaixa-Caja of Barcelona in 1989, Caja de Ahorros Municipal of Bilbao, Caja de Ahorros Vizcaiana in 1990).

The biggest merger recorded up to the present in Europe was that carried out by the Banco de Bilbao with the Banco de Vizcaya.

In Italy, a regulatory framework compels limitation of development of numerous small and medium sized banks. Here again, merger mechanisms appear at regional level, and the big banks are endeavouring to consolidate their position on the national market.

The most spectacular merger operations have taken place in the Netherlands and Denmark. These, in the case of both countries, are mergers between big banks. In the Netherlands, of the five leading banks, four have merged two-by-two (NMB-Postbank, ABN-Amro). A similar situation has appeared in Denmark as a result of, inter alia, the merger between SDS Privatbanken and Andelsbanken.

It can therefore be noted that the European strategies of a majority of banks consists mainly of protecting themselves against the risks of eruption on their market of large foreign establishments, as well as against takeover threats.

One country is an exception in this area: the Federal Republic of Germany. This situation in fact results from certain peculiarities of the German market. With relatively little centralisation, this market is occupied by some commercial banks, State banks, cooperative banks and large-sized savings institutions. The latter two control the major part of retail business. Although very re-

gional, the Sparkassen (savings institutions) are, in fact, very profitable universal banks, which do not seem to want to merge with each other, and which are not very vulnerable to takeover threats. Nevertheless, with a weak capital structure and no competition in their market, they show little development. On the other hand, the big commercial banks (Deutsche Bank, Commerzbank, Dresdner Bank), since it is difficult for them to extend on the retail market and since the profitability of their traditional activities shows a reducing trend, have adopted aggressive policies of cross-border growth. The first to take this action, the Deutsche Bank, has obtained for itself, through successive takeovers (Morgan Grenfell, Hispano-Americano, Banca d'America e d'Italia), the first truly European distribution network. More recently, as a result of the reunification, the Commerzbank has become the leading German bank firmly established in the former GDR (over 200 branches), whilst strengthening - through the Europartners network - its relations with other big European banks.

These international developments, however, only concern the biggest institutions, which are the only ones with the necessary capital to carry out such strategies. The small countries of the EC, whose financial markets are still hampered by ponderous regulations (Greece, Portugal), will probably experience some difficulties in adapting themselves. Since their national banks are not very competitive, these countries have, until now, restricted the access of foreign banks to their market.

It is to be hoped that before these markets open up for foreign banks, the domestic institutions will have been able to

Table 4
Banking and finance
The top 15 banks worldwide, 1989
(Capital in billion Ecu)

Dai Ichi Kangyo	305.7
Sumitomo Bank	278.73
Fuji	274.98
Mitsubishi Bank	272.74
Sanwa	268.24
Industrial Bank of Japan	194.81
Crédit Agricole	181.33
BNP	173.08
Tokai Bank	172.33
Citicorp	170.09
Norinchunkin	166.34
Crédit Lyonnais	158.1
Mitsui	154.35
Barclays	153.02
Bank of Tokyo	152.1

Source: 'The Banker'

improve their position, thanks to the implementation of appropriate rationalisation and restructuring programmes.

The second banking Directive

At the moment, there is a considerable difference between the sectors of activities accessible to credit institutions in the different Member States. For instance, banks established in the United Kingdom can freely conduct a broad spectrum of activities, whereas banks established in Greece can only conduct a limited number of activities. The other Member States are situated somewhere between these two extremes, but with greater similarity to the British system than to that of Greece. The second Directive relative to banking business (COM (87) 715) adopted in December 1989, will enable banks to offer a very wide range of services in all the Member States. Foreign banks may consequently be authorized to conduct activities in the EC countries which are not permitted to the banks of those countries. This is known as the "European passport for the banks".

Cross-border activities and international activities

The activity of the banks of the Community continues to increase: operations in the countries of origin, operations in other Member States and with the residents of those countries, and operations in the outside countries and with the residents of those countries.

The statistics for evaluating the degree of commitment of banks outside their home-country boundaries are supplied by the Bank for International Settlement ("Inter-ownership", International Banking Developments, BIS quarterly publication). These statistics, unfortunately, make no distinction between intra-group operations and operations with the outside countries.

During recent years, the American banks have reduced their international activity, whereas the Japanese banks have shown rapid expansion.

From the strictly analytical point of view, it is current practice not to consider intra-group transactions, since these can be regarded as an internal movement of funds rather than a basis of real activity.

Other statistics established by the BIS, related to the domestic base country of banks, rather than the nationality of the ownership, indicate the share of retail banking outlets and subsidiaries set up abroad in the cross-border business of the banks in the Community. In the nine countries of the Community (excluding Portugal, Greece and Ireland), the consolidated volume of cross-border business of the banks established in their domestic base country is clearly higher than that of the business carried out by all the banks, foreign and domestic, in these same coun-

tries. The only exceptions are the United Kingdom and Luxembourg, which accommodate a great many foreign banks. Retail outlets of foreign banks constitute the majority of the banking institutions in the United Kingdom, whereas in Luxembourg, subsidiary establishments of foreign banks are more usual.

Although incomplete, the statistics clearly show that the international activity of the banks in the Community is basically carried out by the commercial banks. Other credit institutions are at present increasingly carrying out cross-border activities. This is particularly the case with Danish mortgage banks in the Federal Republic of Germany and in the United Kingdom, or with building societies, United Kingdom mortgage credit institutions in Spain.

Mortgage credit

The role of credit institutions in the financing of residential and non-residential property building constitutes one of the most important contributions to investment within the economy of the Community. In

1986 the value of outstanding mortgage loans in the member States reached 985 billion ECU.

In Denmark, France and the United Kingdom, the market is dominated by specialist mortgage credit institutions, but it is more evenly distributed between the different types of credit institutions. The distribution of markets may, however, undergo some important changes. In the United Kingdom the commercial banks have considerably increased their market share by granting second mortgages and the building societies have only recently regained 50% of their market by granting second mortgages.

This sector is, at the present time, characterised by a low level of cross-border activity.

Classification by size of the banks in the Community

According to statistics set up by "The Banker" journal (July 1990), of the 1000 top global banks classified according to their assets, 440 are credit institutions in the

Table 5
Banking and finance
Consolidated ⁽¹⁾ international ⁽²⁾ claims of member state and other banks ⁽³⁾, 1987-1988

	Billion ECU	1987 % of total	Billion ECU	1988 ⁽⁴⁾ % of total
Belgique/België	82.9	2.5	85.9	2.3
Danmark	23.9	0.7	27.2	0.7
BR Deutschland	266.2	7.9	288.3	7.7
España	28.3	0.8	34.2	0.9
France	288.9	8.6	317.3	8.4
Italia	141.9	4.2	163.0	4.3
Luxembourg	10.7	0.3	18.4	0.5
Nederland	92.1	2.7	104.3	2.8
United Kingdom	194.8	5.8	211.2	5.6
EC 9	1 129.8	33.6	1 249.8	33.3
USA	498.3	14.8	543.4	14.5
Japan	1 192.2	35.4	1 369.0	36.4
Total	3 364.3	100.0	3 756.4	100.0

⁽¹⁾ Claims booked in head offices, branches and subsidiaries worldwide

⁽²⁾ Foreign and domestic currency claims on non-residents and foreign currency claims on residents

⁽³⁾ Numbers and percentages are rounded and may not sum to totals.

⁽⁴⁾ 06/88

Source: BIS, International Banking Developments, 2/88, 2/89, statistical annex, p. 25, table 7

Community. for determining the solvency of banks and
 Declared capital and reserves are another recommended by the Basle Banking Super-
 criterion for evaluation. These are the visors' Committee in its text referring to
 basic factors proposed by the Commission the convergence of minimum requirements

for capital and reserves required for
 banks. The situation is slightly modified
 when assets are used to set up a classifi-
 cation of the international banks.

Table 6
 Cross-border ⁽¹⁾ claims of banks located ⁽²⁾ in Member States and other countries ⁽³⁾
 Banking and finance

	1987		1988 ⁽⁴⁾		1989 ⁽⁴⁾	
	Billion ECU	% of total	Billion ECU	% of total	Billion ECU	% of total
Belgique/België	126.4	3.9	120.8	3.2	147.0	3.2
Danmark	13.1	0.4	16.7	0.4	19.4	0.4
BR Deutschland	158.1	4.9	174.2	4.6	243.7	5.3
España	19.6	0.6	20.6	0.5	24.7	0.5
France	204.4	6.3	233.3	6.1	303.5	6.6
Irland	4.1	0.1	4.5	0.1	7.7	0.2
Italia	48.6	1.5	53.5	1.4	57.4	1.3
Luxembourg	139.9	4.3	159.5	4.2	207.9	4.6
Nederland	88.4	2.7	103.6	2.7	136.7	3.0
United Kingdom	671.8	20.8	747.3	19.6	838.7	18.4
EC 10	1 474.4	45.6	1 634.0	42.9	1 986.7	43.5
USA	391.9	12.1	473.7	12.4	544.0	11.9
Japan	442.6	13.7	620.5	16.3	712.1	15.6
Total	3 231.1	100.0	3 810.0	100.0	4 566.1	100.0

⁽¹⁾ Foreign and domestic currency claims on non-residents.
⁽²⁾ Domestically-owned and foreign-owned branches and subsidiaries.
⁽³⁾ Numbers and percentages are rounded and may not sum to totals.
⁽⁴⁾ December
 Source: BIS, International Banking Developments, 2/88, 2/89, 5/90

The impact of 1992 and outlook

From July 1990, a single market of financial services opened up for eight countries of the European Community. Spain and Ireland will join this group on 1st January 1993, as well as, probably, Portugal and Greece, provided the situation of the balances of payments permits this. Liberalisation measures will have considerable effects: savings will benefit from more advantageous prices. Financial resources will be used more efficiently in the different countries and sectors, and this will result in a raising of income levels and employment in Europe.

Pressures on the competition The de-regulatory measures taken by the Community will result in a selective and differentiated increase of competition (or of concentration), with a possible improvement of profit margins in regions or on products for which strong pressures on those offered have been previously seen. It will probably be necessary to abandon the traditional sectors of interest which do not enable an adequate increment value to be realised. Table 10 gives an idea of the relative level of profit margins. The Greek, Italian and Portuguese markets show a low density of banks and are characterised, however, with the exception of Italy, by low profitability levels (inflation-adjusted). At the other end, we find Spain and Belgium (Luxembourg being a special case), two countries with vast networks of banks and which are characterised by moderate

Table 7
 Banking and finance - Nationality of World's Largest Banks by Size of Assets, 1988

Largest 10		Largest 500	
Japan	7	EC	170
France	2		
USA	1	Of which:	
		BR Deutschland	47
		Italia	32
Largest 100		France	21
		United Kingdom	16
		España	18
EC	39	Danmark	9
		Belgique/België	9
		Nederland	5
		Luxembourg	5
Of which:		Portugal	4
BR Deutschland	10	Hellas	3
France	9	Irland	2
Italia	8		
United Kingdom	5	Japan	104
Nederland	4	USA	81
Belgique/België	2	Switzerland	11
España	1	Austria	8
		Canada	7
Japan	31	Sweden	8
USA	12	Korea	12
Canada	5	Taiwan	12
Switzerland	3	India	7
Australia	3	Australia	7
Others	7	Others	72

Source: The Banker, July 1989

levels of profitability.

Products and services Despite the decline in numbers of non-interest-paying current accounts, raising of consumer deposits is still, nevertheless a vital activity for the commercial banks. It is expected that the overall level of outstanding credit will only increase very moderately (from 3 to 9%) during the next ten years. Commercial lending and consumer lending will continue their growth, unlike operations of sovereign lending and international money market lending. The banks will continue to dominate the enterprises market, even if the profitability of the traditional products and services will experience a certain fall. To counterbalance this lack of profit, banks will develop new and more profitable activities. Computerisation will become increasingly important in the development of marketing strategies.

It is estimated that by 1995, 75% of private customers will regularly use the electronic cash dispensers instead of

approximately 50% today. In 1995, over half of personal customers will be able to use electronic funds transfer at point of sale.

The European and other banks are increasingly offering financial products to meet the specific requirements of their customers. For example, loans granted in several currencies and the possibility of converting floating loans to fixed-rate loans. At the same time, banks are increasingly offering services which are not shown on their balance sheet (off-balance-sheet business), but which enable customers to reduce the charges on their borrowings or to offset the money brokerage risks and interests to which they are subject.

Risk management In the future, the

Table 8
Banking and finance - Top Ten Community Credit Institutions by Assets, 1988

	Country	Assets (billion ECU)	World rank
1. Crédit Agricole	F	181.3	8
2. Banque Nationale de Paris	F	166.6	12
3. Crédit Lyonnais	UK	160.1	14
4. Barclays Bank	F	151.3	16
5. Deutsche Bank	UK	151.0	17
6. National Westminster Bank	D	144.4	19
7. Société Générale	F	127.1	23
8. Groupe Ecureuil	F	123.2	26
9. Dresdner Bank	D	109.7	27
10. Compagnie Financière de Paribas	F	102.8	28

Source: The Banker

Table 9
Banking and finance
Ten Community Credit Institutions by Published Capital and Reserves, 1988

	Country	Published capital (billion ECU)	World rank
1. Crédit Agricole	F	16.5	4
2. Barclays Bank	UK	15.0	7
3. National Westminster Bank	UK	13.7	8
4. Deutsche Bank	D	11.9	9
5. Compagnie Financière Paribas	F	11.1	12
6. Banque Nationale de Paris	F	8.7	17
7. Crédit Lyonnais	F	7.8	22
8. Société Générale	F	7.7	24
9. Dresdner Bank	D	7.6	26
10. Rabobank	NL	7.4	27

Source: The Banker, July 1990

majority of bankers will be ready to take more risks in the majority of the types of loans. Nevertheless, an increase in the risk of fraud, as a result of the increased computerisation of the sector, is not expected. Better management of information should enable banks to accept more risk without, at the same time, actually increasing the risks. In the 90s, availability of capital will constitute one of the main factors of success.

Markets and behaviour This "standardisation" of banking activities in Europe, made inevitable by the approach of 1992, is nevertheless faced with important differences between domestic markets.

In fact, in addition to the differences resulting from the diversity of the economies of the member countries, heterogeneities still exist, relative to the ratio of customers to money in general and to banking activity

in particular.

A leading differentiating factor has to do with the use of methods of payment (Tables 13 and 14). At the end of 1988, in fact, the amount of money in circulation, in relation to money supply M1, varied from 14% in the United Kingdom and Italy, to over 33% in the Federal Republic of Germany, in fact contrasting the countries of northern continental Europe (Federal Republic of Germany, Benelux), where the use of cash is still preponderant, with countries with an older banking tradition (France, United Kingdom, Italy), where the use of cashless methods of payment (cheques, cards) have become more customary.

The countries where cash is more or less no longer used have substituted it with

Table 10
Banking and finance - Number of Credit Institutions in Member States

BELGIQUE/BELGIE	End-1980	End-1986	End-1987
1. Commercial banks	83	88	85
Of which:			
Incorporated under Belgian law	58	59 ⁽¹⁾	54
Incorporated under foreign law	25	29	31
2. Private savings banks	30	34 ⁽²⁾	32
3. Other institutions	N/A	53	46
Of which:			
Public law credit	6	6	6
Others	N/A	47	40
Total	N/A	175	163

⁽¹⁾ Of which: 33 foreign bank subsidiaries: other EC countries 12, Japan 8, USA 6, others 7

⁽²⁾ 392 authorized savings banks in 1986, 396 in 1987 were affiliated to CERA, a cooperative society, which is included as one of the savings banks.

DANMARK	End-1980	End-1986	End-1987
1. Commercial banks	74	79	81
Of which:			
Incorporated under Danish law	74	73 ⁽¹⁾	76
Incorporated under foreign law	0	6	5
2. Savings banks	165	147	140
3. Cooperative credit institutions	N/A	N/A	37
4. Other institutions	N/A	18	23
Of which:			
Mortgage credit	6	6	5
Others	N/A	12	18
Total	N/A	244	281

⁽¹⁾ Of which: 3 foreign-owned bank subsidiaries (2 USA)

BR DEUTSCHLAND	End-1980	End-1986
1. Commercial banks	243	317
Of which:		
Incorporated under German law	N/A	259 ⁽¹⁾
Incorporated under foreign law	N/A	58
2. Savings banks	611	597 ⁽²⁾
3. Cooperative banks	4 237	3 367 ⁽²⁾
3. Other institutions	221	98
Of which:		
Mortgage credit (including building societies)	69	67
Others	152	31
Total	5 312	4 379

⁽¹⁾ Of which: 56 (legally independent) banks majority-owned by foreign banks: other EC countries 27, USA 8, Japan 6, others 15

⁽²⁾ Including 12 regional and national central institutions which represent the individual savings banks

⁽³⁾ Including 5 regional central banks and one central institution acting on behalf of individual cooperative institutions

massive use of the cheque (France being an extreme case in this area; over 62% of transactions there are carried out by cheque). On the other hand, the countries where the use of cash is more widespread operate transfers and deductions. It should be borne in mind, however, that cash payments are by far the most important. From the point of view of customer behaviour, two contrasting cultures exist within the Community: in Northern Europe, contact payments are mainly made in cash and larger payments are made by transfer or deduction; in France, the United Kingdom and Spain, more payments are made by cheque.

This has a considerable influence on the potential development of the card. This, in fact, is mainly used as a contact method of payment in France, the United Kingdom and Spain. In Italy, its use is still marginal. A French household of three people holds over 8 accounts, generally with at least two different institutions. This situation in France is the result of privileged savings accounts of the "Livret A" ('A' book) type. Italy is the extreme case, where a household holds scarcely more than one account. This enables us to classify the European markets into highly competitive markets (France, United Kingdom), where the offer of new services and products is a condition sine qua non for any bank wishing to become established there. On the other hand, in the markets of Northern Europe, or a fortiori, Italy, the use of new products such as cards can give a bank a decisively competitive advantage.

HELLAS		End-1980	End-1986	End-1987	End-1988 ^(*)
1. Commercial banks	28	35	35	32	
Of which:					
Incorporated under Greek law	N/A	16	16	12	
Incorporated under foreign law	N/A	19	19	20	
2. Savings banks	0	0	0	1	
3. Cooperative banks	0	0	0	0	
4. Other banks	6	9 ^(†)	3		
Total	34	44	38		

([†]) Of which: 2 not yet under scope of Directive 77/780/EEC and 5 exempted institutions

(*) Source: Eurostat-Dafsa (4th quarter 1988)

(†) Post savings banks

ESPAÑA		End-1986	End-1987	End-1988
1. Commercial banks		135	137	139
Of which:				
Incorporated under Spanish law		97 ^(†)	97	
Incorporated under foreign law		38	40	
2. Savings banks		79	79	78
3. Cooperative banks		142	133	131
4. Other banks		260	288	
Of which:				
Mortgage credit institutions		24	22	
Official credit institutions		4	4	
Finance houses		232	262	
Total		616	637	

([†]) Of which: 7 foreign bank subsidiaries: other EC 4, USA 3

FRANCE	End-1980	End-1986	End-1987	End-1988 ^(*)	End-1989 ^(*)
1. Commercial banks	387	386	384	394	408
Of which:					
Incorporated under French law	N/A	330 ^(†)	320		
Incorporated under foreign law	N/A	56	64		
2. Savings banks ^(‡)	480	422	384	364	301
3. Cooperative banks	190	192	190	190	178
4. Other banks	N/A	1 080	1 090	1 096	1 091
Of which:					
Finance companies	N/A	1 049	1 059	1 067	1 059
Specialized financial institutions	N/A	31	31	31	32
Total	N/A	2 080	2 048	2 046	1 978

([†]) Of which: 89 foreign-owned subsidiaries

([‡]) Caisses d'épargne et de prévoyance and caisses de crédit municipal

IRELAND (1)	End-1980	End-1986	End-1987
1. Commercial banks	40	39	38
Of which:			
Incorporated under Irish law	N/A	33 (2)	32
Incorporated under foreign law	N/A	6	6
2. Savings banks	4	-	-
3. Cooperative banks	N/A	16	16
4. Other institutions	2	2	2
Total	N/A	57	56

(1) Credit unions and friendly societies outside scope of Directive 77/780/EEC

(2) Of which: 8 foreign bank subsidiaries: 7 other EC, 1 USA

ITALIA	End-1980	End-1986	End-1987	End-1988 (1)
1. Commercial banks	314 (1)	268 (2)	291 (3)	
Of which:				
Incorporated under Italian law	289	229	254	
Incorporated under foreign law	25	39	37	
2. Savings banks	89	90	87	85
3. Cooperative banks	653	717 (4)	727	726
4. Other institutions	99	96	96	
Of which:				
Specialized financial instit.	87	89	89	
Other	12 (5)	7	7	
Total	1155	1172	1201	

(1) Of which: 158 banche popolari

(2) Of which: 101 banche popolari have cooperative form; 1 foreign bank subsidiary (EC)

(3) Of which: 132 banche popolari

(4) Not including the banche popolari which also have cooperative form

(5) Probably not comparable with 1986 figure

(6) Source: Banca d'Italia

LUXEMBOURG	End-1980	End-1986	End-1987
1. Commercial banks	115	115	121
Of which:			
Incorporated under Lux. law	N/A	98 (1)	104
Incorporated under foreign law	N/A	17	17
2. Cooperative banks	70	58	53
3. Other banks	N/A	28	29
Of which:			
Mortgage credit	N/A	3 (2)	3 (2)
Others	20	25 (1)	26
Total	N/A	201	203

(1) Of which: at least 65 foreign-owned (the imprecision is the result of insufficient information on ownership)

(2) Of which: 2 German branches

(3) Mainly foreign-owned (insufficient information)

NEDERLAND	End-1980	End-1986	End-1987
1. Commercial banks	82	83	83
Of which:			
Incorporated under Dutch law	63	64 ⁽¹⁾	64
Incorporated under foreign law	19	19	19
2. Savings banks	62	N/A	58
3. Cooperative banks	1 ⁽²⁾	1	1
4. Other banks	N/A	29	30
Of which:			
Mortgage credit institutions	7	8	8
Other capital market instit.	N/A	2	2
Other (mainly intermediaries in securities market)	21	18	20 ⁽³⁾
Total	N/A	175	172

⁽¹⁾ Of which: 18 foreign-owned subsidiaries (7 EC, 7 Japan, 3 USA, 1 other)

⁽²⁾ Central, policy-making institution (Rabobank) having 1 865 affiliated banks at end-1986, 1 851 at end-1987

⁽³⁾ Including Postbank NV

PORTUGAL	End-1980	End-1986	End-1987	End-1988
1. Commercial banks	12	21	21	22
Of which:				
Incorporated under Port. law	9	12	13	16
Incorporated under foreign law	3	9	8	6
2. Savings banks	4	4	4	3
3. Cooperative banks ⁽¹⁾	145	202	211	222
4. Other banks	18	13	13	13
Of which:				
Investment banks	1	2	2	2
Other	17	11	11	11
Total	179	240	249	260

⁽¹⁾ Correspond to Agricultural Mutual Credit Cooperatives, which are of relatively small dimension and are not included, for the time being, in the Monetary Survey computed by the Banco de Portugal.

UNITED KINGDOM	End-1980	1986	End-1987
1. Authorized banks	330	588 ⁽¹⁾	580
Of which:			
Incorporated under UK law	N/A	334	330
Incorporated under foreign law	N/A	254	250
2. Savings banks	17	N/A	N/A
3. Cooperative banks	1	N/A	N/A
4. Other banks	312	N/A	N/A
Of which:			
Building societies	273	164	163
Finance houses	38	N/A	N/A
National Girobank	1	⁽²⁾	⁽²⁾
Total	660	N/A	N/A

⁽¹⁾ Of which: 254 foreign branches. Of the 334 other credit institutions 86 were foreign-owned subsidiaries and consortium banks. Of the 67 subsidiaries, 14 were EC-owned, 20 US-owned, 4 Japanese-owned and 29 other; 3 EC banks had stakes in the 19 consortia.

⁽²⁾ By 1987, name changed to Girobank plc and included in authorized bank category.

Sources: EC Commission, DG XV; EUROSTAT; FR Germany: Bundesbank

Table 11
Banking and finance - Estimate of potential falls in banking product prices as a result of completing the internal market (*)

	B	D	E	F	I	L	NL	UK
Consumer credit	-41	136	39	105	N/A	-26	31	121
Credit cards	79	60	26	-30	89	-12	43	16
Mortgages	31	57	118	78	-4	N/A	-6	-20
Letters of credit	22	-10	59	-7	9	27	17	8
Foreign exchange	6	31	196	56	23	33	-46	16
Travellers cheques	35	-7	30	39	22	7	33	-7
Commercial loans	-5	6	19	-7	9	6	43	46

(*) Percentage differences in prices of financial products compared with the average of the four lowest observations
Source : Price Waterhouse

Table 12
Banking and finance - Bank profitability, 1989

	Rate of return on capital	Rate of return on assets (before tax)
Belgique/België	13.22	0.43
Danmark	2.06	0.10
BR Deutschland		
Hellas	13.12	0.59
España		
France		
Ireland	23.25	1.25
Italia		
Luxembourg	1.83	0.06
Nederland	14.42	0.69
Portugal	14.03	0.58
United Kingdom		
USA		
Japan		

(*) Average 1989 to average 1988
Source: The Banker 7/89, Eurostat

Table 13
Banking and finance - Share of currency in circulation in M1 and M3 and as a percentage of GNP

	Percentage of narrow money stock (M1)		Percentage of broad money stock (M3)		Percentage of GNP	
	1978	1988	1978	1988	1978	1988
Belgique/België	42.4	32.7	-	-	11.6	7.5
France	19.8	15.6	8.3	6.1	6.2	4.2
BR Deutschland	32.1	33.4	11.6	12.0	6.5	6.7
Italia	15.6	14.3	7.8	6.0	7.3	5.2
Nederland	30.9	29.6	9.9	9.1	7.3	7.7
United Kingdom	30.0	14.1	16.0	6.6	6.6	3.2
Switzerland	35.0	31.9	11.3	7.7	12.7	9.4
United States	27.0	26.8	6.5	5.4	4.5	4.4
Japan	27.0	31.5	6.8	5.3	9.1	9.6

Source: Sema Group Management Consultants

Table 14
Banking and finance - Relative importance of cashless payment instruments
as a percentage of total volume of transactions in 1988

	Cheques	Payment by credit card	Payment by debit card at POS	Paper-based credit transfers	Paperless credit transfers	Direct debits
Belgique/België	31.0	1.2	6.7	41.8	12.3	7.0
France	62.6	-	11.4	1.5	15.0	9.5
BR Deutschland	9.9	0.7	0.0	27.4	25.3	36.7
Italia	49.2	1.2	0.1	43.8	3.7	2.0
Nederland	17.8	0.5	0.3	38.2	27.0	16.8
United Kingdom	54.7	12.4	0.2	8.7	13.4	10.6
Switzerland	13.0	4.0	0.8	29.2	49.6	3.4
United States	84.2	14.0	0.1	-	1.2	0.5
Japan	5.8	11.6	-	12.4	27.8	42.4

Source: Sema Group Management Consultants

Table 15
Banking and finance - Relative importance of transferable deposits and number of accounts at end-1988

	Value of transferable deposits (USD billions)	Value of transferable deposits per capita(USD)	Number of accounts (millions)	Number of accounts per inhabitant
Belgique/België	20.8	2 094.0	10.2	1.0
France	559.4	10 042.0	154.7	2.8
BR Deutschland	161.7	2 625.0	60.5	1.0
Italia	268.0	4 730.0	21.2	0.4
Nederland	38.3	2 609.0	15.4	1.1
United Kingdom	365.9	6 419.0	138.1	2.4
La Suisse	37.8	5 713.0	-	-
United States	583.0	2 358.0	120.0	0.5
Japan	1 038.5	8 455.7	-	-

Source: Sema Group Management Consultants

Written by: Sema Group Management
Consultants