



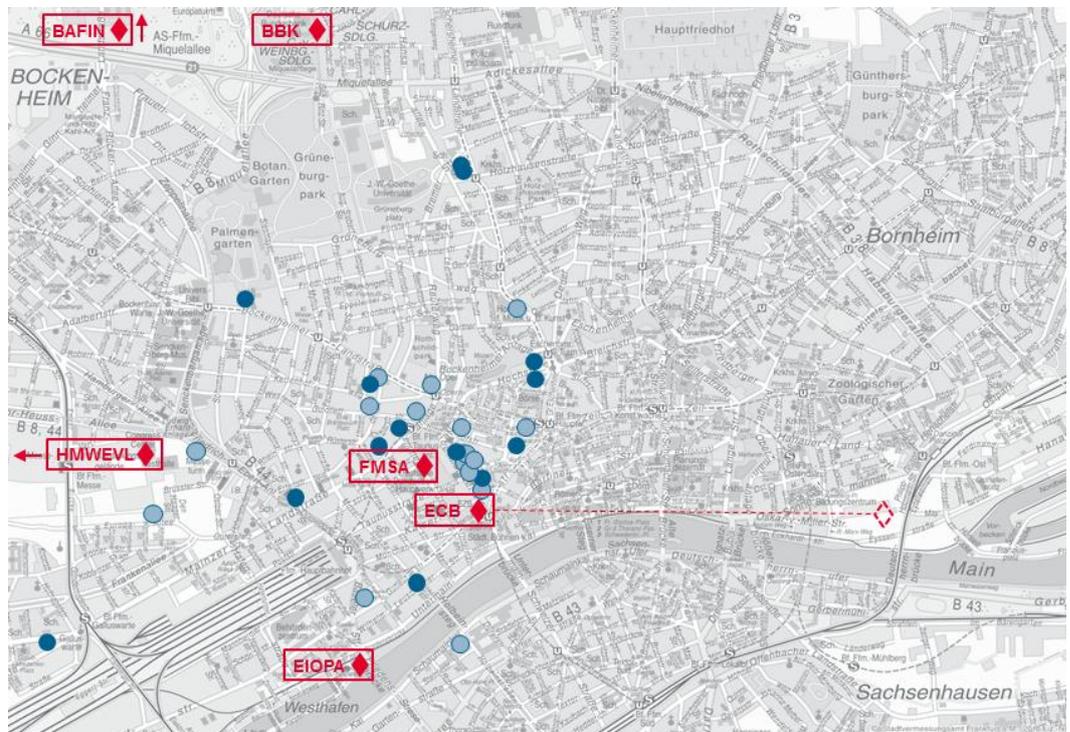
# FINANCIAL CENTRE FOCUS

20 March 2014

## Frankfurt: Hub of finance and supervision

The system of regulation and supervision in Europe is being revolutionised in order to promote financial stability and avoid future crises. Frankfurt, which is already a location for a number of supervisory institutions, plays an important role in this and is finally advancing to become the capital of European financial supervision. This is because the European Central Bank, which has been crucial in contributing towards the internationalisation of Germany's financial centre since the end of the 1990s, will assume its new task as the euro area's bank regulator at the end of the year. This is a clear signal for the financial centre of Frankfurt, which is sharpening its profile and developing an ever-denser network of supervisors. But Frankfurt will only be able to strengthen its position on an international level if regulation is pursued with a sense of proportion and does not compromise the business of the banks. In the on-going development of the European supervisory mechanism, it may be possible to leverage considerable synergies by concentrating more strongly on fewer institutions at one central financial location. As an internationally significant financial centre with an outstanding focus on supervision, Frankfurt is predestined for the bundling of these forces.

### Several supervisory institutions in Frankfurt's financial centre region\*



Sources: Geographic base data: © Hessische Verwaltung für Bodenmanagement und Geoinformation, © Stadtvermessungsamt Frankfurt am Main (as of 01.2010), Helaba Research;

\* Deutsche Bundesbank (BBK), Federal Financial Supervisory Authority (BaFin), Federal Agency for Financial Market Stabilisation (FMSA), Exchange Supervisory Authority within the Hessian Ministry of Economics, Energy, Transport and Regional Development (HMWEVL), European Insurance and Occupational Pensions Authority (EIOPA), European Systemic Risk Board (ESRB) at the European Central Bank (ECB). The circles denote the Frankfurt offices of banks that will be under direct ECB supervision in the future (dark blue: domestic; light blue: foreign).

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The global financial and economic crisis can be attributed to a complex interplay between a large number of factors, one of which was insufficient regulation and supervision. In order to promote financial stability, to reinstall trust in financial institutions and markets as well as to avoid future crises, the system of regulation and supervision in Europe is being developed further.<sup>1</sup> A lack of financial stability can incur vast economic costs, since a resilient and efficient financial infrastructure is critical for economies to function.

Frankfurt already location for several supervisory institutions

In Frankfurt's financial centre region, as the centrepiece of the German financial sector, there are already several supervisory institutions, some of which are also involved in regulatory discussions and plans on national and international levels. A number of Frankfurt-based supervisory authorities are represented in international committees, specifically the Deutsche Bundesbank (BBK), the Federal Financial Supervisory Authority (BaFin), the Federal Agency for Financial Market Stabilisation (FMSA), the Exchange Supervisory Authority within the Hessian Ministry of Economics, Energy, Transport and Regional Development (HMWEVL), the European Insurance and Occupational Pensions Authority (EIOPA) and the European Systemic Risk Board (ESRB) which is located under the umbrella of the European Central Bank (ECB). In general, these institutions differ in their focus and scope:

Current responsibilities of supervisory institutions in the financial centre of Frankfurt

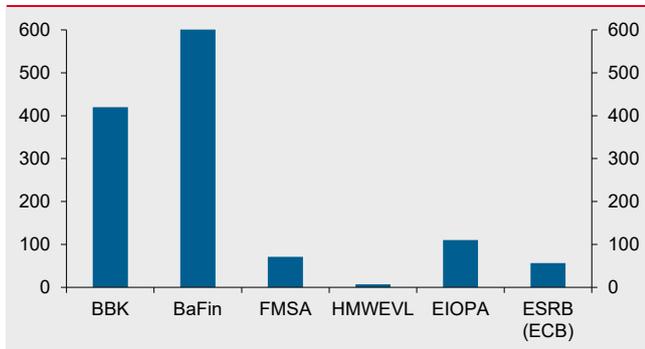
	Focus			Scope		
	Banks	Insurance companies	Stock exchange	Hesse	Germany	Europe
BBK	X				X	
BaFin	X	X	X		X	
FMSA	X				X	
HMWEVL			X	X		
EIOPA		X				X
ESRB (ECB)	X	X	X			X

Source: Helaba Research

Since the turn of the millennium, the number of supervisors in the German financial centre has grown significantly with the effect that an ever-denser network has arisen. New institutions with supervision as the primary focus of their activities have located to the financial centre region of Frankfurt and successively increased their workforces.

Numerous supervisors in German financial centre

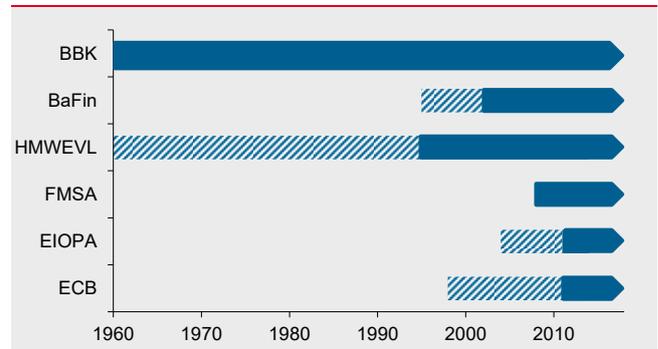
Employees\* in supervisory institutions in financial centre region of Frankfurt



Sources: Institutions, Helaba Research; \* Employees with regulatory or supervisory tasks, end of 2013

Frankfurt's history as a hub of supervision

Supervisory institutions in financial centre region of Frankfurt\*



Sources: Institutions, Helaba Research; \* operating in or near Frankfurt in this structure (solid line) or previously in a different form (dashed line)

<sup>1</sup> Regulation refers to directives and standards for financial institutions; supervision denotes their monitoring. In practice these also go hand in hand.

Regular exchange of information in banking community

Being in close vicinity to one another makes it possible to have regular and intensive contact between the various institutions and also to the numerous domestic and foreign financial institutions in Frankfurt. The incentive for banks to have a presence in Frankfurt is increased by being in close proximity to the relevant decision-making processes and by being able to maintain contacts in passing. With the expansion of the European regulatory and supervisory architecture, the financial centre of Frankfurt will increasingly sharpen its profile and finally advance to become the capital of European financial supervision.

**Bundesbank: Decade-long anchor of stability in Frankfurt**

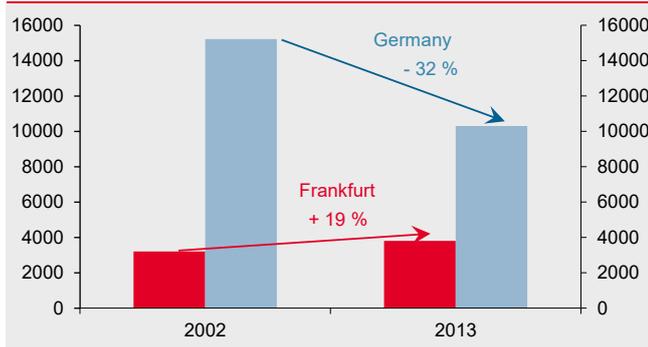
Since its establishment in 1957, the Deutsche Bundesbank has been headquartered in Frankfurt close to the banking district. Meanwhile, it also occupies several office spaces directly in the city centre. As the central bank of the Federal Republic of Germany, the Bundesbank is assigned a range of tasks. It is independent of government instructions and has always been focused on stability. As a member of the Eurosystem, it has been responsible for monetary policy in the Eurozone since 1999, closely working together with the ECB and the other national central banks. Thus, the primary objective of the Bundesbank is to keep the general level of prices stable. Additional core competencies include the analysis of the international financial and currency markets to prevent crises, banking supervision in co-operation with BaFin, guaranteeing a smooth processing of non-cash payment transactions and ensuring the provision of notes and coins. The Bundesbank carries out research in all areas of its activities and maintains close operational contact to European and global organisations.

Overseeing financial stability in Germany

In the supervision of banks in Germany, which is performed jointly with BaFin, the Bundesbank is in charge of the on-going monitoring of all credit institutions and financial service providers (auditing solvency, liquidity and risk management). In the scope of its macro-prudential mandate, its area of responsibility includes overseeing the stability of the German financial market as a whole and reporting its findings to the Financial Stability Commission, whose members also include BaFin, the Federal Ministry of Finance and the FMSA<sup>2</sup>. In addition, the Bundesbank collaborates on the development of national and international directives in the area of banking supervision. In this respect, it does not only perform continuous supervisory activities, but also supplies its expertise on an ad-hoc basis in the drafting of new statutory ordinances and supranational standards.

**Bundesbank structural reform: focusing its presence**

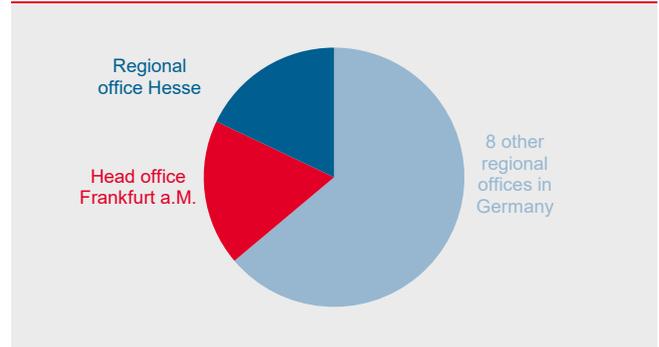
Bundesbank employees in Frankfurt (head office, regional office, branch)\*



Sources: Deutsche Bundesbank, Helaba Research; \* Permanent staff

**Concentration of banking supervision in Frankfurt**

Bundesbank employees involved in banking supervision\*



Sources: Deutsche Bundesbank, Helaba Research; \* Permanent staff

As a consequence of European monetary union, structural reforms at the Bundesbank were instigated in 2002 in order to meet its changed requirements as a national central bank subordinated to the ECB. In the course of this structural change, the Bundesbank made significant reductions to capacity across Germany and, at the same time, completed extension work to its Frankfurt head

<sup>2</sup> Basis is the Financial Stability Act, which came into force at the beginning of 2013. The Bundesbank has been publishing a report on financial stability since 2003.

Workforce  
concentrated  
in Frankfurt

office. By the end of 2013, the number of branches had declined by two thirds to just over 40 and its permanent workforce across Germany had most recently fallen to around 10,300. The simultaneous trend towards focusing its activities on Frankfurt is reflected in an almost 20 % growth in staffing levels by the end of 2013. As a result, there are now a total of 3,800 employees in the head office, regional office and branch in Frankfurt, of whom 460 have been assigned supervisory duties, divided equally between the regional office and the head office. Thus, nearly 40 % of the total of around 1,300 banking supervisors at the Bundesbank can be found in Frankfurt, far more than in any other regional office. More stringent requirements for banks, prompted by the crisis, resulted in the Bundesbank being strengthened in its supervisory role and in a corresponding increase in its need for staff. Consequently, the number of banking supervisors in Frankfurt grew by an above-average 10 % (all of Germany: 5 %) in 2013. Due to its proximity to Frankfurt's financial centre, the Bundesbank keeps a close eye on many banks that it supervises.

Responsible for banking  
supervisory measures

### BaFin: All-encompassing financial supervisory authority in Bonn and Frankfurt

BaFin has been responsible for the supervision of banks, insurance companies and securities trading in Germany ever since the three corresponding federal supervisory agencies were merged in 2002. Dividing supervisory tasks was no longer in keeping with the times, since the various different financial service providers were increasingly competing for the same customers with similar products. A single, universal supervisory body is intended to safeguard the functionality, stability and integrity of the financial markets across all areas. In doing so, BaFin comes under the legal and functional supervision of the Federal Ministry of Finance so that, although it enjoys operational independence in discharging its responsibilities, it has certain obligations to inform and consult. At the same time, it is concerned with consumer protection by following up enquiries from the public or complaints about banks.

In terms of banking supervision, BaFin is responsible for any measures arising from an audit of a financial institution by the Bundesbank. There is a regular exchange of information between both supervisory bodies, on a day-to-day basis as well as in the Financial Stability Commission. Within the EU, this dichotomy is an exception.<sup>3</sup> Similarly to the Bundesbank, BaFin is also involved in a wide range of international committees developing harmonised regulations for the financial markets.

### BaFin: Constant expansion of workforce...

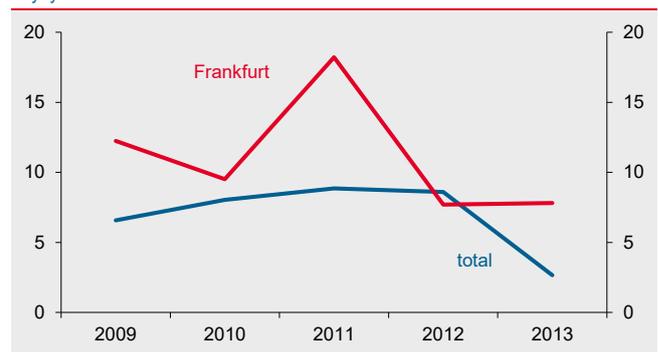
Number of employees (at year end)\*



Sources: Federal Financial Supervisory Authority, Helaba Research;  
\* before 2008 statistics were not compiled by location

### ...was particularly strong in Frankfurt

% yoy



Sources: Federal Financial Supervisory Authority, Helaba Research

At the end of 2013, around 70 % of the 2,400 BaFin employees were working in Bonn in the two areas of banking and insurance supervision, 650 people in the supervision of securities trading in Frankfurt. The equivalent federal supervisory authority formerly had its head office in Frankfurt not

<sup>3</sup> In 13 of the 28 EU nations, the central bank acts as the banking supervisor, in 14 nations this task is carried out by an independent authority.

far away from the stock exchange.<sup>4</sup> Continuous growth in the scope of its tasks has been accompanied by a rapid expansion in its workforce for a number of years, particularly in the German financial centre. From 2008 to 2013, it rose by an impressive 70 % in Frankfurt and by 30 % in Bonn.

### FMSA: From “fire brigade” to longer-term stabilising institution

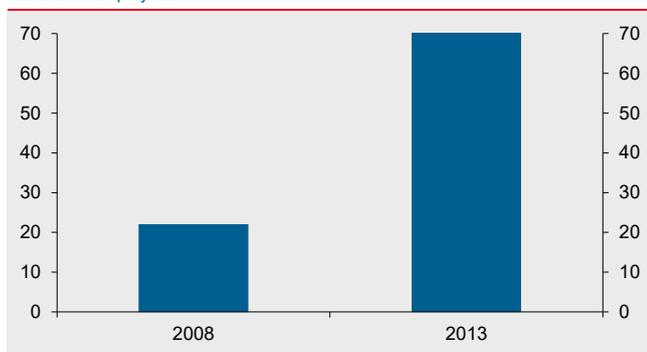
As an immediate reaction to the financial market crisis, the German federal government established the Federal Agency for Financial Market Stabilisation in the autumn of 2008 and located it to the premises of the Bundesbank’s central administration in Frankfurt’s financial district. It exchanges information with the Bundesbank, BaFin and the Federal Ministry of Finance within the Financial Stability Commission, in which the FMSA does not have voting rights, however. The FMSA is less of a regulatory or supervisory authority but more of an institution to stabilise the financial markets. Due to its growing list of tasks, the FMSA had increased its staff from an initial number of just over 20 to around 70 employees by the end of 2013.

Management of bank  
rescue fund in Frankfurt

Originally the FMSA was tasked with managing the government’s Financial Market Stabilisation Fund (Soffin), which grants guarantees or provides capital injections to banks upon application so that financial difficulties can be solved independently and at an early stage. Of the EUR 400 billion in guarantees and EUR 80 billion in recapitalisation funds made available for these measures, a maximum of EUR 168 billion or around EUR 30 billion respectively was drawn. In particular, the FMSA supported ailing banks after the outbreak of the crisis, but in the years that followed fewer and fewer funds were required. In 2013, German banks no longer had any recourse to guarantees in order to refinance themselves on the capital markets; there were EUR 17 billion in recapitalisation funds outstanding at the end of the year. The timeframe for Soffin measures, financed by tax revenues, is currently limited to the end of 2014, having previously been extended on two occasions.<sup>5</sup>

### FMSA: Workforce grows with tasks

Number of employees

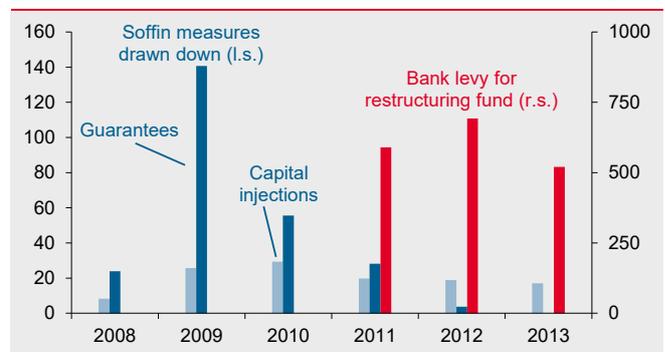


Sources: FMSA, Helaba Research

### First Soffin, meanwhile restructuring fund too

EURbn

EURm



Sources: FMSA, Helaba Research

2011 saw the role of the FMSA change:<sup>6</sup> Having been conceived as a sort of “fire brigade” for banks it was now given the longer-term task of managing the restructuring fund financed by the bank levy. This rescue fund was intended to be equipped with a total of EUR 70 billion and to be used in future to restructure vulnerable, systemically important banks. It is also designed to absorb any further losses incurred by Soffin. German banks are required to contribute to the fund every

<sup>4</sup> While the federal supervisory authorities for banks and insurance companies were originally located in Berlin in 1962 and 1951 respectively, and were transferred to the Rhineland as a result of the Berlin/Bonn Act in the year 2000, the federal supervisory authority for securities trading had been located in Frankfurt continuously since 1995.

<sup>5</sup> See also the 3<sup>rd</sup> Financial Market Stabilisation Act, which came into force at the beginning of 2013

<sup>6</sup> See also the Restructuring Act, which came into force at the beginning of 2011

year, regardless of the performance of their business. To date, the fund has amassed EUR 1.8 billion, equating to an annual amount of around EUR 600 million. So the FMSA will stay in Frankfurt's financial district considerably longer than initially planned.

### Hessian Exchange Supervisory Authority occupies central position within Germany

Furthermore, there is an exchange supervisory authority in Frankfurt's financial centre region, which, in common with its counterparts in other German states, is situated within the Hessian Ministry of Economics, Energy, Transport and Regional Development (HMWEVL) in Wiesbaden. It works closely with the Trading Surveillance Office of the Frankfurt Stock Exchange and with BaFin, responsible for the supervision of securities trading, both of which also have offices in the financial centre. In 1995, exchange supervision was organised in its current structure when the second Financial Market Stabilisation Act came into force. Since then, around 10 employees in the Ministry have been involved in exchange supervision.<sup>7</sup> As befits Frankfurt's unique significance in the German stock market landscape, the Hessian exchange supervisory authority occupies a central position, inasmuch that any relevant supervisory-related developments usually take place in Frankfurt, albeit exchange supervisory authorities in Germany have an essentially equal status to one another. In any case, the state government of Hesse is aware of the importance of the German financial centre and this is expressed in its targeted promotion of the area, just as the city of Frankfurt is active in supporting the financial centre of Frankfurt, as well.

Relevant supervisory-related developments usually in Frankfurt

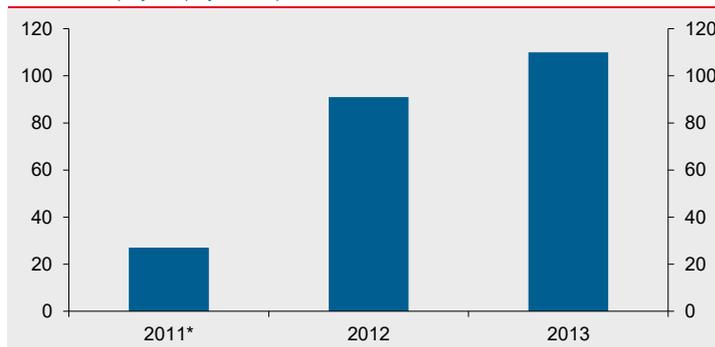
### EIOPA: Sights set on European insurance companies from Frankfurt

The European Insurance and Occupational Pensions Authority is another important independent institution within the framework of European financial supervision. With strong political support, EIOPA was created at the start of 2011 in Frankfurt as one of three EU financial supervisory authorities, with analogous bodies for bank and securities supervision, EBA and ESMA, located in London and Paris, respectively.<sup>8</sup> EIOPA's task is to contribute to the stability of the financial system as well as market and product transparency and to offer security to insurance policyholders and occupational pension schemes. To this end, it draws up technical regulations or implementation standards and can deliver warnings or recommendations in relation to individual insurance companies, even though direct supervision remains on a national level.

Integral part of supervisory system in Europe

### EIOPA appreciates Frankfurt's international flair

Number of employees (at year end)



Sources: EIOPA, Helaba Research; \* at time of establishment

<sup>7</sup> Initially, there was an additional supervisory team directly on the trading floor, which has been disbanded.

<sup>8</sup> On the basis of the 2009 Larosière report, the previous three European agencies were upgraded to authorities on a micro-prudential level, whilst retaining a distribution among different locations, and on a macro-prudential level the EU European Systemic Risk Board under the umbrella of the ECB was established. EBA und ESMA employed around 150 and 140 people at the end of 2013, respectively.

This means that EIOPA is a central component on a micro-prudential level within the European System of Financial Supervision (ESFS) to which the macro-prudential European Systemic Risk Board, residing within the ECB, belongs (see page 7). The fact that EIOPA and the ECB, which work closely together in the area of financial stability, in particular, are situated in close proximity to one another encourages communication between them. Similarly, the European and the German insurance supervisory authorities are in regular contact with each other and, occasionally, meetings with the Bundesbank also take place. BaFin is involved in numerous working groups and task forces, which are aimed at supporting the full-time employees of the European authority in their work. The number of EIOPA employees has quadrupled since it was founded and 110 specialists were employed in the centrally located Westhafen Tower in Frankfurt at the end of 2013. Thus, in a space of a few years, it has established itself as a supervisory institution with far-reaching significance in Frankfurt's financial centre, which it appreciates thanks to its international flair and central location in the heart of Europe.

ECB promotes internationalisation of financial centre

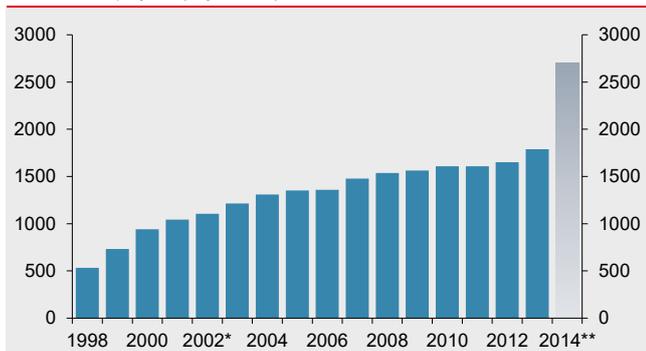
**ECB: Importance grows with new role**

The European Central Bank moved into its premises in the middle of Frankfurt's banking district at the end of the 1990s. This was a decisive factor in enhancing Frankfurt's position in competition with other international financial centres. After all, the ECB is a long-term "asset" for the German financial centre, which has promoted the internationalisation of Frankfurt. It has provided a long-lasting boost to Frankfurt's attractiveness for big-hitters in the financial community and academics from Germany and elsewhere, since many people want to be close to Europe's authority on monetary policy. As an independent central bank, the primary goal of the ECB is to guarantee price stability and thereby protect the value of the euro. In addition, it has amassed a bundle of other supranational tasks (foreign exchange transactions, portfolio management, payment transactions, bank notes, statistics, financial stability and supervisory questions). From a starting point of just over 500 employees, the central bank has made significant increases to its workforce over the years and most recently employed around 1,800 people.

The ECB is involved in a number of international working committees and exchanges information on a regular basis with various organisations in Frankfurt, including the Bundesbank and EIOPA. Since 2011, the ECB has also been the home of the European Systemic Risk Board (ESRB), which assesses risks on a macro-prudential level in the scope of the ESFS, created in response to the crisis (see page 6). The ESRB is closely intertwined with the respective national macro-prudential supervisory bodies, such as the German Financial Stability Commission. The ESRB secretariat was established for day-to-day operations within the ECB, for which the central bank made a total of more than 50 employees available. Here, findings from the macro-prudential supervisory bodies of various national and European institutions, which are in charge of the detailed technical analysis of the data, are collated. On this basis, the ESRB is able to issue warnings and recommendations to counter systemic risks at an early stage.

**ECB as employment powerhouse – thanks to new role**

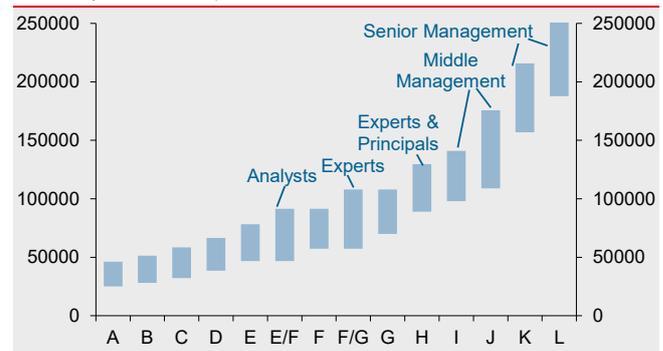
Number of employees (at year end)



Sources: ECB, FAZ, Helaba Research; \* full-time equivalents; \*\* estimate

**Attractive salary structure in Eurotower**

ECB salary levels in EUR p.a.



Sources: ECB, Helaba Research

ECB supervision sends powerful signal for financial centre

European banking supervision, which will be established at the ECB by the end of this year, is a milestone in the history of the European regulatory and supervisory architecture and, consequently, sends out a powerful signal for the financial centre of Frankfurt. With the unified European Single Supervisory Mechanism (SSM), a central component of the banking union is thus a fait accompli; only a common liquidation or restructuring mechanism and, at the very least, a harmonisation of deposit protection schemes in Europe are still pending. The aim of the future supranational supervisory body, under the auspices of the ECB, is to create a uniform, Europe-wide framework and, as far as possible, to prevent financial crises by having a detailed view of the micro-economic level. Regulations such as technical standards will remain the task of the European banking institution EBA and its approximately 150 employees located in London. From November, the ECB will be supervising banks from its Frankfurt base. The most senior body of the new authority has already met and official arrangements for co-operation with the existing supervisors have been made. The aim is to achieve a balance between centralisation and subsidiarity as a basic principle of future banking supervision in Europe.

Joint teams are being formed, made up of national and European supervisors, for the direct supervision of around 130 systemically important credit institutions (“Joint Supervisory Teams”). Although the ECB is co-ordinating them and has the authority to make decisions, initially most employees will most likely come from national authorities. In any case, national authorities will continue to be responsible for the vast majority of the approximately 6,000 smaller institutions. However, even in these cases the ECB has the last word and, if necessary, will be able to assume direct supervision of a bank. In the construction of the new authority, and particularly in its three-stage stocktaking (consisting of risk assessment, balance sheet review and stress test), which the roughly 130 systemically important banks will be subject to, the ECB will fall back on the expertise of the existing supervisory bodies as well as external auditors.

Ambitious aim: 1,000 new employees in 2014

Parallel to the intensive “health check” of the banks, another mammoth project is in full swing: 1,000 new posts must be filled within a very short space of time. 770 employees for supervisory duties and 230 for supporting tasks (such as IT, human resources, statistics and legal services) are being sought. Having completed the appointment of the management team, recruitment is now being successively pushed forward. This spring, the aim is to fill almost half of the posts – an ambitious timeframe. Most of the new ECB employees will probably come from the national supervisory authorities. But experts from private industry could be interesting for the ECB, in order to use their experience on the other side of supervision. There is no fixed nationality quota. However, it is likely that sufficient highly-qualified specialists from every euro member state will be recruited into the new institution, so that it can take the specifics of each country into account in fulfilling its role as the banking supervisory authority. In addition, salary levels also play a not insignificant role in individual countries in relation to the opportunities the ECB offers. The conditions for many are broadly attractive; for example, the salary of specialists is around EUR 100,000 p.a., plus allowances and subsidies. Apart from that, the level of tax and insurance deductions for EU personnel is quite low. Against this backdrop, it is likely that many people will relocate to Frankfurt in the near future and supervisors from the nearby Bundesbank or BaFin may find the prospect of a post at the ECB attractive as well.

### **The effect of the ECB on the financial centre of Frankfurt**

The expansion of the regulatory and supervisory framework in Europe changes the role of two institutions already located in Frankfurt – Bundesbank and BaFin. Within the framework of European banking supervision, these institutions will continue to exert a large influence for many years to come, in the same way as other national central banks. After all, it will take time before co-operation between the institutions runs smoothly, the new “ultimate supervisor” has been fully installed and is able to independently fulfill all central requirements. The ECB will need wide-ranging support from the national supervisory authorities until its workforce has gradually reached the planned 1,000 employees, since a whole host of tasks will arise in the run up to the launch, and

particularly at the time of the launch itself at the end of the year. But even afterwards the Bundesbank and BaFin, as the two pillars of German banking supervision, will remain of crucial importance to the financial system. They will retain some of their tasks and will receive new ones, which will require more co-ordination.

New jobs at other Frankfurt supervisory institutions

In this respect, both the Bundesbank and BaFin are also currently expanding their supervisory staff: On the one hand to support the European institution and, on the other hand, to compensate for an expected move by many of their employees to the ECB. Nevertheless, these additional posts at BaFin will primarily be created in Bonn, where the banking section of the all-encompassing supervisory authority has its head office. As can already be observed today, new recruitment at the Bundesbank, on the contrary, is concentrated in Frankfurt, especially since there has been a move to centralise operations on the German financial centre since its structural reforms were completed. With the expansion of the European regulatory and supervisory framework, the FMSA and EIOPA will also increasingly gain in importance, so that their range of tasks could increase and they may have an even greater need for additional employees. The possibility may also arise for the FMSA to be integrated into the European banking supervision, whereby there would be recourse to Soffin to plug any capital shortfalls in German banks after the ECB stress test is concluded. Moreover, the commercial banks also need more employees in order to meet the demands of a number of detailed supervisory requirements. In this way, the additional staffing needs of the players in Frankfurt – above all the ECB – will cushion redundancies as a result of restructuring in the bank towers. For the end of 2015, we still expect a total number of 61,300 bank employees in the Frankfurt city area which, based on the last available level, only represents a “net” reduction of around 1,000 jobs or a fall of 1 ½ per cent.<sup>9</sup>

Network becoming denser – intensified exchange of information

Overall, the network of supervisors in the financial centre of Frankfurt is becoming denser and is also likely to be reflected in the academic infrastructure or in the range of conferences. The two prestigious Frankfurt higher education establishments, the Goethe University and the Frankfurt School of Finance & Management, have been expanding in the area of regulation/supervision for many years. At the Goethe University’s House of Finance, founded in 2008, the International Center for Insurance Regulation has been established and it maintains a dialogue with EIOPA. Furthermore, the cross-university Frankfurt Institute for Risk Management and Regulation (FIRM), in which a number of players in Frankfurt’s financial centre as well as the State of Hesse are involved, assumed its research and teaching activities in 2010. Together with the financial centre initiative “Frankfurt Main Finance”, FIRM organises a regular international congress on the current discussion about regulation. Frankfurt, which is after all rather modest in size, promotes communication between supervisory bodies, financial players and academics from around the world and this should benefit financial market supervision in a practical and targeted way. This increases the motivation for financial institutions located outside of Frankfurt to maintain an office here, if nothing else. Frankfurt is becoming more and more a place to be for domestic and foreign players. Of the approximately 130 European banks under direct ECB supervision, around 30 already have an office in Frankfurt, of which 8 of a total of 24 German banks from this group (see map on page 1).

Soon it also will be clearly visible among the city’s skyline that the ECB will be pursuing both its important areas of responsibility separately from one another. In future, there will be two ECB towers in Frankfurt: After it has been thoroughly refurbished, the current Eurotower in the city centre will house the European supervisory authority, as soon as the signature building of European monetary policy in Frankfurt’s Ostend district is ready to be used. Whilst the supervisors will then be sitting opposite the bank towers in the city centre, the new ECB building, which is already considered a landmark of European policy, will provide the impetus for the transformation of Frankfurt’s East End. In order that the district, which has been industrial in character up to now, develops into an attractive location near the city centre, the area around the Ostbahnhof and the

<sup>9</sup> See Helaba Research “The largest banks in Frankfurt’s financial centre” (November 2013)

ECB is being completely redesigned and expanded. With the construction of roads, bridges, squares as well as an area with green spaces and a variety of leisure activities, the face of the Ostend will be completely changed. Many restaurants and shops are likely to locate to this quarter.

Long-term enhancement  
of location by ECB

The growing importance of the ECB will spill over to the German financial centre in the long term. Frankfurt, which is already a location for a number of supervisory institutions, is finally advancing to become the capital of European financial supervision. Just as the choice of Frankfurt as the city of the euro had far-reaching implications in the 1990s, the consequences of this decision in Frankfurt's favour will become ever more apparent over the course of time. The local financial centre is becoming increasingly international and sharpening its profile as a centre of supervision, and this occurring at a time when the European regulatory and supervisory architecture is being expanded. The upgrading of the ECB will strengthen the position of the German financial centre in the international financial community, especially since neither of the two European financial centre competitors, London and Paris, can point to a corresponding "institutional cluster". In future, Frankfurt will move even more into the spotlight of financial affairs as the ECB assumes its dual role as the authority for monetary policy and supervision in Europe. From now on, the markets as well as the financial press will place Frankfurt even more in their focus.

Press ahead with  
concentration of super-  
vision in Frankfurt

Yet for all the delight over regulatory and supervisory authorities increasingly locating to Frankfurt, it should be kept in mind that this will only be an advantage if a sense of proportion is maintained when it comes to regulation. If financial institutions are regulated "to death", supervision would be no more than an empty shell, because the long-term success of a financial centre does not only require a clear profile, but also and especially a thriving banking sector. Ultimately, the expansion of the regulatory and supervisory framework is a cost factor for the banks, on the one hand to finance these institutions and, on the other hand, to fulfill their burgeoning requirements. As Frankfurt's profile as a European centre of supervision is increasingly hailed, it is important to bear this in mind. In terms of the future development of the European supervisory mechanism, the existing structure of institutions should be re-examined in order to organise supervisory structures as efficiently as possible and in consultation with the banks. It may be possible to leverage considerable synergies by concentrating more strongly on fewer institutions at one central financial location. As an internationally significant financial centre with an outstanding focus on supervision, Frankfurt is predestined for the bundling of these forces.

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