On January 1 of this year, physical euro notes and coins began to circulate for the first time. After 40 years of dreaming and 20 years of concerted planning, the euro has become a part of economic life and financial decision-making across the European Union’s 12-member Economic and Monetary Union (EMU, or the so-called Euro-zone) and around the world.

Abandoning their historic currencies and forging a new currency was both costly and risky for the EMU nations. The costs covered everything from the establishment of a new system of central banks and a new system for clearing and settlement among Euro-zone banks to the re-denomination of all financial claims and instruments, and, of course, the design and issuance of new euro notes and coins. In addition, there was the political cost of ceding “irrevocably” national monetary policy to a collective European Central Bank of unproven competence and uncertain political legitimacy. Despite the daunting magnitude of these changeover costs, European policymakers concluded that the costs would be paid once, and the benefits—such as lower transaction costs, lower exchange rate risk, improved transparency of markets for all products and services,
greater depth of financial markets across Europe, and greater capital mobility--would be perpetual.

As economists predicted, however, in the three years since the launch of the euro at the beginning of 1999 and its formal introduction as a medium of exchange at the beginning of 2002, the ramifications seem to have gone well beyond locking exchange rates and moving systematically toward using a single currency across a larger market. A single currency means a single (“one size fits all”) monetary policy for EMU countries. The new European Central Bank has worked hard to articulate a clear statement of that policy and persuade the market that it is on a disciplined course, but not an overly restrictive one. The introduction of the euro has already affected the nature of trading arrangements in all financial markets including currency, fixed-income and equity markets. These new arrangements are posed to impact the competitiveness of financial institutions and raise related questions concerning the design of European corporate funding and investment strategies, as well as the design and implementation of a coherent system of prudential and financial market regulation --an area where the EU has lagged. And broadening the investor base for European companies may further impact the nature of corporate governance and managerial policies as European firms consolidate in response to the larger marketplace.

Against this background, it is timely to assemble academic researchers, government policymakers and private market participants to present current research on the impact of the euro on both European and global financial markets. In this conference, sponsored by the NYU Salomon Center, Session 1 begins with an overview of the impact of the euro on Europe’s financial markets. We then offer research studies that analyze the underlying determinants of euro exchange rates and techniques for measuring the risk of the euro. In Session 2, we focus on the impact of the euro on European fixed income markets, examining the impact on both the primary, new-issue market and the secondary trading markets. In Session 3, we turn to research into the euro’s impact on European equity markets, both from the investor’s and the corporate governance viewpoint. The conference concludes with a roundtable discussion centered on the prospects for a single stock exchange in Europe and the larger impact of the euro on the international financial system.

Organizer:
Richard M. Levich, Professor of Finance and International Business,
NYU Stern School of Business
Friday, April 5, 2002

8:00   Registration and Continental Breakfast

8:25   Welcoming Remarks

8:30   SESSION I:  THE EURO AND MACROECONOMIC IMPLICATIONS
       Chair:  Ingo Walter, NYU Stern School of Business

       “The Impact of the Euro on Europe’s Financial Markets”
       Gabriele Galati and Kostas Tsatsaronis, Bank for International Settlements

       “Exchange Rates and Capital Flows”
       Robin Brooks, Hali Edison, Manmohan S. Kumar, and Torsten Sløk, International Monetary Fund

       “Stability in the Euro? A Tail View Perspective”
       John Cotter, University College of Dublin

       Discussants:  Nick Sargen, JPMorgan Securities
                     Richard Levich, NYU Stern School of Business
                     Stephen Figlewski, NYU Stern School of Business

10:15  Refreshment Break

10:30  SESSION II:  THE IMPACT OF THE EURO ON FIXED INCOME MARKETS IN EUROPE
       Chair:  Roy Smith, NYU Stern School of Business

       “The Cost of Barriers to Entry: Evidence from the Market for Corporate Euro
       Bond Underwriting”
       João A.C. Santos, Federal Reserve Bank of New York and
       Kostas Tsatsaronis, Bank for International Settlements

       “Defining Benchmark Status: An Application Using Euro-Area Bonds”
       Peter G. Dunne and Michael J. Moore, Queen’s University, Belfast;
       and Richard Portes, London Business School

       “The Effect of Monetary Unification on German Bond Markets”
       Hans Dewachter, Center for Economics Studies and Erasmus University
       Rotterdam; Marco Lyrio and Konstantijn Maes, Center for Economics
       Studies, Belgium

       Discussants:  Ingo Walter, NYU Stern School of Business
                     Lasse Pedersen, NYU Stern School of Business
                     Anthony P. Rodrigues, Federal Reserve Bank of New York
12:15  Lunch

1:30  **SESSION III: EUROPEAN EQUITY MARKETS, CAPITAL STRUCTURE AND CORPORATE GOVERNANCE UNDER THE EURO**

*Chair:* John Doukas, NYU Stern School of Business

“The EMU and Strategies of Asset Allocation”
Paul Ehling and Sofia B. Ramos, HEC-University of Lausanne

“Capital Structure and the Euro”
Arturo Bris, Yale School of Management; Yrjö Koskinen, Stockholm School of Economics; and Mattias Nilsson, Yale School of Management

“Are European Corporations Fleecing Minority Shareholders?”
José C. Guedes, Universidade Católica Portuguesa, and Gilberto Loureiro, Universidade do Minho, Portugal

**Discussants:**  Yangru Wu, Rutgers University
Bernard Yeung, NYU Stern School of Business
Randall Morck, University of Alberta

3:15  Refreshment Break

3:30  **SESSION IV: ROUNDTABLE DISCUSSION: “A SINGLE STOCK EXCHANGE WITH A SINGLE CURRENCY?”**

*Chair:* Richard Levich, NYU Stern School of Business

Gikas Hardouvelis, National Bank of Greece
Dimitrios Malliaropoulos, University of Piraeus
“EMU and European Stock Market Integration”

Richard Portes, London School of Business
“The Euro and the International Financial System”

Michael R. Rosenberg, Deutsche Bank Securities
“Implications of the Euro for the U.S. Dollar”

**Closing Remarks**

4:30  Reception

The conference will be held in the main auditorium at the Henry Kaufman Management Center, 44 West 4th Street, New York City--part of the New York University Leonard N. Stern School of Business. The School is accessible via the N, R (to 8th Street), A, B, C, D, E, F (to West 4th Street) or #6 (to Astor Place) subway routes.
REGISTRATION FORM

CONFERENCE ON
THE EURO: VALUATION, HEDGING & CAPITAL MARKET ISSUES

April 5, 2002

Conference Fee: $ 400 (Academics & Government Regulators: $275)

Conference fee includes all materials, breakfast, lunch, refreshments and reception

Advance reservations are necessary and must be made by Monday, April 1

For additional information, call (212) 998-0700   Fax (212) 995-4220

To register, complete the form and mail together with a check payable to New York University to: New York University Salomon Center, Stern School of Business, 44 West 4th Street, Suite 9-160, New York, NY 10012

Name: _________________________________________________________________

Affiliation: ____________________________________________________________

Address: _____________________________________________________________

Telephone: ___________________________ Fax _______________________________

Email: __________________________________________________________________

Enclosed is a check for (check one) ____$     ____$

Please reserve ____ place (payment is in process)