# European Capital Markets Institute

## Event Report • 2011 Annual Conference

**27 June 2011 • Palace of the Academies • Brussels**

# Unravelling the Puzzle

## Challenges for Global Asset Allocation

To address *Challenges for Global Asset Allocation*, the 2011 ECMI Annual Conference brought together keynote speakers Luigi Zingales, Ian Domowitz and Ed Fishwick, with senior EU policy-makers and market practitioners. This report summarises the academic expertise and industry views presented at this special event.

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# Unravelling the Puzzle

## Challenges for Global Asset Allocation

### 2011 ECMI ANNUAL CONFERENCE

**27 June, Palais des Académies, Brussels**

### Event Report

The 2011 ECMI Annual Conference brought together well-known capital market experts from industry and policy making, to discuss the challenges for global asset allocation in four sessions:

1. The Global Outlook in Asset Allocation: Where will systemic risk reside?
2. Funding Corporate Governance: Opportunities and challenges coming from debt markets
3. Asset Management at a Crossroads: Do we need new regulatory and theoretical foundations for a better asset allocation?
4. Economic and Regulatory Challenges for Capital Markets: The results of liberalisation and future steps





### Key Ideas

- ***Session 1.*** The eurozone debt crisis is here to stay. Only stronger long-term actions, such as strengthening the single market, can provide relief. Systemic risk for Western economies may also come from the commodities markets (in particular, oil prices) and the US budgetary position.

- ***Session 2.*** A good corporate governance system must be capable of dealing with bad news in a transparent manner and channelling this information into prices. Creating the right incentives is a complex exercise that entails actions at different levels. It is difficult to induce shareholders to become engaged and may need to be supported by further regulatory actions.

- ***Session 3.*** Asset allocation theories need an overhaul. Volatility is only a measure of risk and not a suitable tool with which to forecast risk. Returns are mainly driven by events that we cannot model with traditional allocation theories (they are not normally distributed). How can we better equip ourselves to face liquidity risks?

- *Session 4.* The structure of capital markets has undergone sweeping changes thanks in part to the liberalisation process started by MiFID. The benefits of a more competitive environment must now be passed on to final users, such as retail investors. More should be done to ensure that competition delivers on its promises, e.g. by reinforcing intellectual property rights and discouraging anti-competitive market practices.

# Session 1: Global Outlook in Asset Allocation

**Panellists**

- **Olivier de Bandt**, Director of Business Conditions and Macroeconomic Forecasting, Banque de France, and Associate Professor of Economics, Paris X Nanterre
- **John Berrigan**, Director, Macro-financial Stability, European Commission
- **Anton Brender, C**hief Economist, Dexia Asset Management
- **Karel Lannoo**, Senior Research Fellow, European Capital Markets Institute (moderator)

After the financial turmoil and the economic crisis, financial institutions have arguably become more cautious in the way they allocate assets and manage risk. Imbalances remain both in private and public balance sheets and uncertainty about systemic risk lurks behind many policy decisions. The first session of the conference explored where systemic risk is likely to reside in the coming years and whether more action is needed to ensure financial stability.

Olivier de Bandt of the French central bank argued that the increased indebtedness of the euro area countries is leading to lower post-crisis GDP growth levels. During the crisis the average public debt level increased, whereas the private debt stabilised and has slightly decreased since the second half of 2010. Although the countries undertook consolidation plans on a large scale, the average public debt will most likely stay above the critical threshold vis-à-vis the GDP growth, i.e. above 80%, with strong differences among euro area countries. Mr de Bandt also looked at the evolution of housing prices, and confirmed the link between global international aspects of crises and domestic prices. In most countries housing prices dropped while affordability increased during the crisis, but in some countries, like France, prices have increased and affordability has decreased. This opposite trend may need further investigation.

Anton Brender of Dexia Asset Management built three potential scenarios in which systemic risk can emerge: the eurozone debt crisis, a shock in oil prices and the US fiscal situation. He argued that the euro area sovereign debt is the most severe source of systemic risk at the moment. He showed that there is a discrepancy between euro area countries' risk premia (CDS), and contagion within groups of countries with low (AT, DE, FI, FR, NL), medium (BE, ES, IT) and high (GR, IE, PT) risk premia. This distribution may suddenly change however as risk premia are inherently very volatile, especially for France, Spain and Greece.

On the developments in the oil market, Mr Brender showed that world demand for oil products decreased at the beginning of the crisis, but the medium/long-term trend is certainly upward. At the same time, due to unrest in North Africa and the Middle East and a lack of unity within OPEC, there are strong risks of oil-supply constraints. A sudden increase in the oil price can lead to a rise in inflation and lower economic growth. Finally, he mentioned the risks surrounding the US federal government debt. The high budget deficit and consequently the fast-growing debt are clearly unsustainable and may bring about a strong depreciation of the US dollar in the longer run. Despite this higher demand for funds, the risk premium on treasury bonds has decreased due to the intervention by the Federal Reserve.

John Berrigan of the European Commission stressed the importance of current measures taken to tackle the financial and sovereign debt crisis. To minimise the impact of future crises, a European Systemic Risk Board (ESRB) has been formally approved as a system of early warning on systemic risk. Other measures are in the pipeline to increase the absorptive capacity of the financial sector and reduce the likelihood of future state interventions. Temporary measures have been put in place, such as lighter conditions for state aids to financial institutions during the crisis and a European Financial Stability Facility (EFSF) to assist euro area countries. The latter will assume a more prominent role when the European Stability Mechanism (ESM) will be introduced by mid-2013.

Despite these measures, Mr. Berrigan argued that strengthening the single market should be the priority in order to reduce economic imbalances within the euro area. This will not be an easy task, however, given the current sentiment among eurozone countries.

# Session 2: Funding Corporate Governance

**Keynote speech**

- **Luigi Zingales**, Professor of Entrepreneurship and Finance, Chicago Booth School of Business

**Panellists**

- **Carmine Di Noia**, Deputy Director General, Assonime
- **Claudia Kruse**, Head of Governance and Sustainability, APG All Pensions Group
- **Florencio López de Silanes**, Professor of Finance, EDHEC Business School (moderator)

In the keynote speech, Prof. Zingales focused on how to devise a good corporate governance system that is able to minimise the likelihood of scandals and crisis. He pointed to two major issues revealed by the financial crisis:

1. Excessive risk-taking behaviour on the part of managers/shareholders and
2. Incompetent and/or uninformed and/or ineffective boards.

He then argued that the former was not necessarily the result of a shift in risk since there were many instances where managers lost money in the crisis (e.g. Lehman Brothers). He pointed in particular to three corporate governance failures:

1. *Debt holders did not constrain managers who are typically overly optimistic (it is one of the reasons why they are hired!).* They expected full protection from the government. Debt markets can actually constrain managers through: the quantity of finance, price and covenants (managers hate the inclusion of strong conditions in contracts). He proposes a system that allows regulators to intervene early and in particular, to impose haircuts on long-term debt if the financial institution is not well capitalised. The triggering system should be a mechanism of early warnings based on CDS spreads.


2. *Failure of governance systems to uncover bad news* (what he called the 'Laocoön syndrome'). Bad information does not necessarily flow into prices and still today we do not have an efficient system for aggregating information to induce better decision-making and make reputation work. Reputational mechanisms are not enough. There is a need for efficient financial markets and the possibility to feed bad news into markets through short-selling and CDSs. Other important aspects are: a market for news (media); a modicum of employee entrenchment (to make sure that people have enough power to say something different from what the board wishes to hear); and independently appointed directors (not by the CEO or in general by managers) to avoid a Board

becoming too homogeneous in its composition.

3. *'Group think' by boards.* There are few incentives to deviate and more incentives to conform.

In implementing these strategies, however, he pointed out major challenges such as identifying which minority shareholders should be entitled to sit on the board or the risk of balkanisation of boards if there is no clear identity, or the excessive short-termism of directors.

Finally, he concluded that the best way to motivate people to report negative information is to create positive career incentives for people who report bad news ('minority directors'?).

The subsequent panel discussed the importance of active corporate governance. Drawing on her experience with APG, Mrs Kruse illustrated how a dedicated corporate governance activity is part of the responsible investment process. Engagement with companies by actively exercising voting rights aims at guaranteeing sustainability of corporate policies in the long-term.


While Mr Di Noia emphasised the limited role of transparency, he stressed the importance of simplifying the flow of information, in particular towards retail shareholders. He also discussed the results of the Assonime survey on slate voting in Italy. Minority shareholders did not present lists for the Board of Directors in 60% of total listed companies and the average quorum when presenting the list was just 2.1%. In more than 90% of the cases, only two lists were submitted.

# Session 3: Asset Management at a Crossroads

**Keynote speech**

- **Ed Fishwick,** Managing Director and Co-head of Risk & Quantitative Analysis, BlackRock

**Panellists:**
- **Fabrice Demarigny**, Global Head Capital Markets, Mazars, former Secretary General, CESR
- **Sergio M. Focardi**, Founding Partner, Intertek Group, and Professor of Finance, EDHEC
- **Daniel Lehmann**, Managing Director, Allianz Global Investors
- **Tilman Lueder**, Head of Unit, Asset Management, European Commission
- **Robert Parker**, Chairman, ICMA Asset Management and Investors Council, and Senior Adviser, Credit Suisse (moderator)

Ed Fishwick gave an overall picture of the asset management industry by first illustrating its current market size. European markets are worth roughly $16 trillion, more or less the same size as the US market ($16.215 trillion). The composition of Europe's portfolio is usually rather conservative, with investments mainly in fixed income and money markets. The landscape is highly diversified by country and the institutional segment counts on average for 60% of total client assets, while the retail segment is roughly 40%. In this landscape, exchange-traded funds (ETFs) are becoming an important part of the industry.

Major market trends are reshaping the asset management industry, among them the growing allocation to alternatives investments, the underfunding crisis facing pension plans and financial reforms. In addition, Fishwick stressed the easily adoptable investment framework of traditional allocation strategies for an optimal portfolio, which assume that markets are fairly priced, risk aversion is constant over time and returns are normally distributed. These assumptions are particularly tested during times of crisis and growing risks and they are further undermined by market uncertainties.

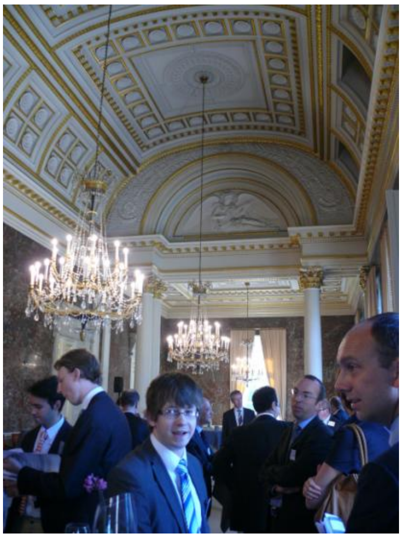
Surprisingly, volatility has returned to unusually low levels, even though Europe's economies are no less risky than they were three years ago. In effect, volatility is only one of the measures of risk and in many cases is not useful (e.g. in forecasting events). Correlations with other asset classes are also very volatile. Risk composition changes over time.

Mr Fishwick showed that, on a historical series from 1926, returns have been driven by unexpected growth. 'Noise', which is uncorrelated with anything that can be modelled, drove returns in the last century more than any other variable. For instance, volatility for bond and equities in 1995 versus 2000 was basically the same, but it changes radically where first moments averages are located. There should be a rethinking of allocation theories, and in particular of the way in which asset managers perceive risk ('when' is a crucial variable for assessing risk). Flexible risk management is crucial. Risk should be deliberate, diversified and scaled.

The subsequent panel discussion responded to a number of the points made by Mr Fischwick. In particular, Bob Parker agreed that volatility is a useless measure by itself and we should rely more on dynamic allocation theories, which take into account other potential risks (e.g. Greece defaulting).

Prof. Focardi highlighted the importance of understanding local trends in equities markets and designing models that take into account diverse market structures. Returns are not normally distributed and the risk of contagion effects is always around the corner.

Tilman Lueder stressed that "the financial sector has not been at the service of the real economy". The European Commission will promote the contribution of the financial sector through two major initiatives: the launch of a consultation exercise on venture capital financing (the AIFMD is not enough); and the promotion of more socially responsible investments by investing in firms operating in niche industries. Other inititiatives, such as UCITS V and regulation of alternative investments, are already well advanced.



Fabrice Demarigny picked up on Mr Fishwick's point about the impact of noise on returns by asking how much of that would be explained by regulatory changes. He argued that about the impact of the ongoing re-regulation is uncertain. In particular, he mentioned that we are undergoing a massive flow of new regulation that does not necessarily address the problem of the shadow banking system.

Daniel Lehman issued a warning about liquidity risks and their implications for asset allocation. Asset managers should show this information to clients by creating different scenarios for them and managing liquidity in a different way than has been the case in the recent past. Trust and performance are key to the success of the industry in the long term.

# Session 4: Economic and Regulatory Challenges for Capital Markets

### Keynote speech

- **Ian Domowitz**, Managing Director, ITG, and former Professor, Northwestern University

### Panellists

- **Jeremy Grant**, Editor, FT Trading Room (moderator)
- **Raj Mehta**, Executive Director, Principal Strategic Investments, Goldman Sachs
- **Peter Randall**, CEO, Equiduct
- **Kay Swinburne**, Member of the European Parliament
- **Steven Travers**, Head of Regulatory Law and Strategy, London Stock Exchange
- **Diego Valiante**, Research Fellow, European Capital Markets Institute
- **Tatjana Verrier**, Head of Unit - Financial Services Antitrust, DG Competition

Ian Domowitz discussed the implications of market structure regulation for competition and costs. He illustrated the beneficial effects of MiFID in terms of liquidity and efficiency, as well as execution costs (both spreads and commission costs). However, costs went up slightly for broker-dealer execution and for some dark pool execution services. In the end, not enough beneficial effects have been passed on to final users such as retail investors. The exchanges business looks more like a technology company, although they always considered themselves as a financial institution.

Technological developments have boosted a convergence between broker-dealers' re-intermediation services and exchanges' re-bundling activities. Likewise, regulators continue to struggle with the legal definitions of market aspects that are the result of these technological developments (e.g. high-frequency trading). Finally, the financial crisis has mitigated the effect of the regulatory attempt to encourage competition. In effect, downward pressures on volumes is destroying nascent MTFs' efforts due to fixed costs and fostering consolidation, with exchanges taking over the 'independents'.


The panel discussion focused mainly on:

1. How to improve competition in the somewhat oligopolistic market structure
2. How to promote secure and more efficient trading systems
3. How to make technological advances and innovation work to the advantage of a broader group of investors (e.g. retail investors) that do not participate due to barriers hindering access to capital markets

MIFID is said to increase liquidity and efficiency, but regulators seem to be lost in the

process of allocating proper definitions, and this is the focus of the industry criticism.
Tatjana Verrier was convinced that no matter what type of market structure is adopted, it is fundamental to set the right conditions to foster efficiency and competition. The Commission will need to look more closely into market practices pursued by the financial services industry; here there is often no conflict between competition and stability. The Commission will also look into the conflictual area of intellectual property rights, and in particular to those products considered as a benchmark for other financial instruments.

Kay Swinburne stressed that systemic risk reduction is still on top of the agenda. A level playing field needs to be created in order to increase efficiency. Regulation is pivotal to promoting consumer protection, and this cannot be set aside because many people are incapable of making their own investment decisions, so proper and independent advice is crucial. On the question about regulatory convergence between the US and the EU, Mrs Swinburne stated that the EU will not follow the US blindly. She also mentioned that London, being the financial centre of Europe, must be protected against other emerging markets, such as Asia.

According to Peter Randall, current regulation is far from clear. An environment with excessive regulation affects trading platforms. He also noted that not enough has been done to make investment tools more accessible to ordinary consumers who are still not adequately protected. Mr Randall deemed these initiatives to be still insufficient.

Raj Mehta agreed that a well-designed regulatory landscape is fundamental, especially to foster innovation and development. Competition is certainly healthy. Regarding the current MiFID revision, his view was that it has gone too far, in the sense that it has created some regulatory confusion.

Diego Valiante argued that the process of liberalisation that started with MiFID must go on. Stronger actions by regulators and competition authorities should continue in order to pass the benefits of competition on to final users, such as retail investors. Europe should not necessarily follow the US on every aspect, and regulatory changes should be designed around the model designed by the Markets in Financial Instruments Directive. In effect, most of the regulation needed is already there and must be implemented in the correct way (e.g. best execution). Areas of expansion should be the transparency of non-equity financial instruments, but the approach should be different from equity transparency requirements, as market structures are profoundly different.

Finally, Steven Travers argued that the focus on market structure is somehow excessive and that we should look more closely at the duties and their implementation, which is currently not satisfactory.

There was general scepticism about the prospect of all regulations being in place by the end of 2012.

# Speakers' Biographies

## Keynote speakers

**Luigi Zingales**

Luigi Zingales is an expert on the theory of the firm, the relationship between organisation and financing and the decision to 'go public'. Recently, he has been involved in developing the best interventions to cope with the aftermath of the financial crisis. He also co-developed the Financial Trust Index, which is designed to monitor the level of trust that Americans have in their financial system. In addition to holding his position at Chicago Booth, Zingales is currently a faculty research fellow for the National Bureau of Economic Research, a research fellow for the Center for Economic Policy Research, and a fellow of the European Governance Institute. He is also Director of the American Finance Association and an editorialist for Il Sole 24 Ore, the Italian equivalent of the Financial Times. Zingales also serves on the Committee on Capital Markets Regulation, which has been examining the legislative, regulatory, and legal issues affecting the functioning of public companies.

His research earned him the 2003 Bernácer Prize for the best young European financial economist, the 2002 Nasdaq award for best paper in capital formation, and a National Science Foundation Grant in economics. His work has been published in the Journal of Financial Economics, the Journal of Finance and the American Economic Review.

**Ian Domowitz**

Ian Domowitz is the CEO of ITG Solutions Network and a Managing Director at ITG (Investment Technology Group). Prior to joining the company in 2001, he served as the Mary Jean and Frank P. Smeal Professor of Finance at Pennsylvania State University and previously he was the Household International Research Professor of Economics at Northwestern University.

A former member of the NASD's Bond Market Transparency Committee, Domowitz also served as Chair of the Economic Advisory Board of the NASD. Ian Domowitz has held positions with Northwestern's Kellogg Graduate School of Management, Columbia University, the Commodity Futures Trading Commission, the International Monetary Fund and the World Bank. He is currently a Fellow of the Program in the Law and Economics of Capital Markets at Columbia University. His publications in the field of finance are numerous and he is ranked amongst the top 5% authors at IDEAS, the largest bibliographic database dedicated to Economics.

**Ed Fishwick**

Ed Fishwick is a Managing Director and Global Co-Head of Risk & Quantitative Analysis at BlackRock. He is also co-chair of the Global New Products Committee, a member of the European Executive Committee and the Global Operating Committee of the firm. He is also a member of the Editorial Boards of the Journal of Asset Management and the Journal of Portfolio Management, and is a member of the Management Committee of the London Quant Group.

Fishwick has worked in quantitative finance for over 20 years in London, New York, and Boston. Previously he was Head of Risk Management & Investment Process Development at AXA Investment Managers, and Director of Research at Quantec. He studied undergraduate and postgraduate economics at the universities of Liverpool and Cambridge respectively. He is the author of a number of papers and has served on the Board of Trustees of the Global Association of Risk Professionals.

## Discussants

**Olivier de Bandt**

Olivier de Bandt is Associate Professor of economics at the University of Paris X Nanterre. He is currently Director of Business Conditions and Macroeconomic Forecasting at the Bank of France.

Olivier de Bandt's research by mainly deals with economics of banking, international economics, analysis of business cycles, macroeconomic forecasts and econometrics. He is also the co-editor with Heinz Hermann and Guiseppe Parigi of "Convergence or Divergence in Europe?" published by Springer Verlag.

**John Berrigan**

John Berrigan was appointed Director for Financial Stability at the European Commission's Directorate-General for Economic and Financial Affairs in April 2010.

After completing studies at University College, Dublin, Berrigan worked for a number of years in the Irish civil service before joining the Commission in 1986. Since then, he has worked mainly in the fields of monetary and financial economics and was Head of the Unit for financial sector analysis for 10 years before taking up his present assignment. He also worked at the International Monetary Fund for several years in the mid-1990s.

**Anton Brender**

Anton Brender is Associate Professor at Paris-Dauphine University, Director of Economic Research at Dexia Asset Management. He is a member of the Cercle des économistes, a French think tank founded in 1992.

Brender is Ph.D. in Economics by Paris I and has published extensively, including at the Centre of European Policy Studies – Global Imbalances and the Collapse of Globalised Finance (2010). This book, co-authored by Florence Pisani, also economist at Dexia Asset Management, considers the increase in the intensity of international transfers of savings and the wave of innovations that have changed the way savings and the risks associated with their investment can be transferred.

**Karel Lannoo**

Karel Lannoo is CEO of the Centre for European Policy Studies and General Manager of the European Capital Markets Institute. As a Senior Researcher, he has published several books and numerous articles in specialised magazines and journals on EU, financial regulation and corporate governance matters. He spoke at several European Parliament and European Commission hearings and participated in studies for national and international bodies.

Lannoo holds a baccalaureate in philosophy and an MA in history from the University of Leuven, Belgium and obtained a postgraduate in European studies from the University of Nancy, France. He is also an independent director Bolsas y Mercados Españoles (BME), the company that runs the Spanish stock exchanges.

**Claudia Kruse**

Claudia Kruse is Head of Governance & Sustainability at APG All Pensions Group, with over €270 billion under management. Her expertise encompasses both corporate governance and sustainability and has published on both topics. She has worked both in the sell-side (JP Morgan Securities) and the buy-side (F&C Investments).

Kruse was named Rising Star of Corporate Governance by the Millstein Center for Corporate Governance and Performance at the Yale School of Management in 2008. She chairs the Integrated Business Reporting Committee of the International Corporate Governance Network, is a member of the European Corporate Governance Institute, and a Fellow of the Royal Society of Arts in the UK.

**Carmine Di Noia**

Carmine Di Noia is Deputy Director General and Head of Capital Markets and Listed Companies at ASSONIME, the Association of the Italian corporations. He is also member of the consultative committee of Borsa Italiana (London Stock Exchange Group), the legal committee of European Issuers, the board of the Italian XBRL Association and the working group of the Italian Corporate Governance Committee.

He teaches Corporate Governance and Financial Market Law and Economics at LUISS-Guido Carli University in Roma. He received a Ph.D. in Economics at the University of Pennsylvania, USA, and a doctorate in Economic Theory and Institutions at the University Tor Vergata in Rome, Italy.

**Florencio López de Silanes**

López de Silanes is professor of Finance and Law, and Director of Corporate Governance Research Program, EDHEC Business School in France. He is one of the world's five most cited academics on business and economics topics. A co-author of the LLSV index, he taught at Harvard, Yale and the University of Amsterdam before moving to EDHEC Grande Ecole in France.

López de Silanes is academic member of the Board of the European Capital Markets Institute. He is also a research associate at the National Bureau of Economic Research and a member of the Academic Board of the Fraser Institute. In 2003, the World Economic Forum’s Management Board selected him as one of the 100 young outstanding international leaders for business and society.

**Sergio Focardi**

Sergio M. Focardi is a professor of finance at EDHEC Business School in France, and a founding partner of the Intertek Group. He is on the editorial board of the Journal of Portfolio Management and has co-authored numerous articles and books, including the Research Foundation of CFA Institute monographs as well as award-winning books on financial modelling of the equity market.

Most recently, Focardi co-authored “Investment Management after the Global Financial Crisis”, with Frank J. Fabozzi of the Yale School of Management, and Caroline Jonas of the Intertek Group.

**Tilman Lueder**

Tilman Lueder is the Head of the Asset Management Unit at the Directorate General for Internal Market and Services of the European Commission. Recently appointed to this post, he was previously head of the Copyright Unit at the European Commission. In his agenda the implementation of the Alternative Investments Managers Directive and the reform of UCITS IV. He also holds responsibilities in the Package Retail Investment Products work-stream and in some of the policies in the Single Market Act.

Lueder has developed most of his career in the European institutions but he has also worked in private practice. From 2002 to 2005, he was the Commission’s spokesman for antitrust policy.

**Daniel Lehmann**

Daniel Lehmann is member of the board at Allianz Global Investors KAG and Managing Director in Allianz Global Investors Europe. In this function he is responsible for the areas Product Development and Product Management of the European mutual fund range of Allianz Global Investors.

Prior to joining Allianz Global Investors in 2006, Lehmann was Product Manager at Deutsche Bank Private and Business Clients. He is now actively engaged in the work of the European Capital Markets Institute and the Centre for European Policy Studies on asset management regulation, in the framework of the task force “Rethinking Asset Management”.

**Fabrice Demarigny**

Fabrice Demarigny is Head of Capital Market Activities and Partner at Mazars group since 2008. He worked for eleven years in the French Securities Market Authority (AMF) before being appointed in 2002 the Secretary General of the Committee of European Securities Regulators (CESR).

In 2009, the French Minister of Economy Christine Lagarde asked Mr. Demarigny to consult and propose measures for an EU Listing 'Small Business Act'. The work was presented at the Centre for European Policy Studies in Brussels and published by the European Capital Markets Institute.

**Robert Parker**

Robert Parker is Chairman of the Asset Management Committee of the International Capital Markets Association and Senior Adviser at Credit Suisse. He is a member of the Chairman's Board of Credit Suisse as well as Credit Suisse's Investment Committee. Prior to joining Credit Suisse in 1982, he worked at N M Rothschild & Sons and Lloyds Bank International in France in Corporate Finance.

Robert Parker was one of the founding members of CSFB Investment Management and a member of the Advisory Boards of the European Institute and Funds Europe and is a member of the Advisory Council of the UK Society of Investment Professionals.

**Tatjana Verrier**

Tanya Verrier is Head of the financial services antitrust unit at the Directorate-General for Competition at the European Commission. Among her priorities is the intention of Commissioner Joaquin Almunia to work closely with financial regulators to promote fair, stable and efficient financial markets. Verrier has also worked as an advisor to the Commission in the field of financial services regulation.

Previously she worked at the Deutsche Börse Group in Frankfurt am Main and with OECD on issues of consumer financial education. Tatjana Verrier's research is focused on the liquidity in capital markets.

**Kay Swinburne**

Kay Swinburne was elected as the Conservative MEP for Wales in June 2009 and is currently coordinator of her parliamentary group at the Economics and Monetary Committee in the European Parliament and on the Special Committee on the Financial, Economic and Social Crisis. She joined politics after a successful career in investment banking, which gives her in-depth knowledge of the global financial markets.

Her political action is concerned about how quickly the European Union is responding to financial service regulation without having properly looked at the impacts of what it is doing. She believes that the EU should work within a global framework with the United States and the G20.

**Peter Randall**

Peter Randall is the Chief Executive of Equiduct Systems. He started his career in investment research and was named a leading analyst by Euromoney when he was at James Capel. He spent an extended time in Asia with the joint venture between Sanford Bernstein and James Capel where he was responsible for quantitative sales, after which he became the MD of Thamesway and then CEO of Instinet in Asia.

Randall relocated to Instinet Europe in 2005 and was responsible for delivering the MiFID compliant Chi-X platform. He latterly served as CEO of Chi-X Europe Limited.

**Raj Mehta**

Raj Mehta is Executive Director in the Principal Strategic Investments (PSI) group at Goldman Sachs and co-heads the team in London. PSI's mandate is to lead and manage strategic investments for the Securities Division; focus on market structure strategy and initiatives; and assist the Division in expanding into new businesses and geographies.

Mehta joined Goldman Sachs in 2004. Prior to joining the firm, he held executive roles in Strategy and M&A with 724 Solutions and Deloitte Consulting.

**Steven Travers**

Steven Travers is currently Head of Regulatory Law & Strategy at the London Stock Exchange. As a solicitor, he has worked both in private practice and in-house, in the UK, Hong Kong and Dubai. He has been associated with the London Stock Exchange in a variety of roles, including Head of Strategy and Head of Legal, until he left in 2001, when he worked as a consultant and adviser on securities and financial services matters.

He rejoined the Exchange in 2008 and became Head of Regulatory Law and Strategy the following year. He has also worked in the voluntary sector; he managed the British Council in Gaza and is a director of a number of UK charities.

**Diego Valiante**

Diego Valiante, Ph.D. has been a Research Fellow at the European Capital Markets Institute and the Centre for European Policy Studies since 2009. His specialties are financial and securities regulation, capital markets, market structure, competition policy, and corporate governance. He has published extensively and is involved in working groups of experts on capital markets.

Valiante holds a BSc in Economics and an MSc in Law and Economics from LUISS – Guido Carli in Rome, both degrees summa cum laude. He also received the LL.M. Master in Law and Economics from Hamburg and Bologna University, and the Ph.D. in Law and Economics from LUISS University.

**Jeremy Grant**

Jeremy Grant is Editor of the Financial Times Trading Room publication. He was previously financial regulation correspondent for the Financial Times in Washington. Mr. Grant joined the Financial Times in London in 1998, as editor of the pages focused on European corporate news and analysis. He previously worked for the newspaper as a stringer from Vietnam in 1994, where he established the Financial Times's first bureau in Hanoi.

Grant was previously employed by Reuters in Hong Kong from 1990 to 1993. He also served as business and arts reporter for the Sunday edition of the South China Morning Post.

## Special intervention

**René Karsenti**

René Karsenti is Chairman of the European Capital Market Institute and the President of the International Capital Market Association. He joined ICMA from the European Investment Bank where he was Director General of Finance. He was also the Treasurer of the European Bank for Reconstruction and Development in London from its inception and held various senior positions in the treasury organisations of the World Bank Group in Washington.

Karsenti is a member of the Strategic Committee of Agence France Trésor and a member of the Investment Advisory Committee of the Food and Agriculture Organization.

# About ECMI

## *Informing policy on European capital markets*

**In the aftermath of the recent financial crisis, the G20 has committed to leave no area of the financial markets unregulated. As a result, a sweeping wave of regulatory initiatives has made policy research on European capital markets even more important. The European Capital Markets Institute (ECMI) conducts original research into European capital markets, thereby informing current debate and policy-making. Through its various activities, ECMI acts as a focal point for interaction between market participants, policy-makers and academics.**

ECMI was established as an independent non-profit organisation in 1993, in a collaborative effort by the European Federation of Financial Analysts Societies (EFFAS), the Federation of European Securities Exchanges (FESE) and the International Capital Market Association (ICMA). Membership of the institute is composed of private firms, regulatory authorities and university institutes. Since 2005, ECMI has been managed and staffed by the Centre for European Policy Studies (CEPS), a highly reputed, independent think tank in Brussels.

Through the publication of commentaries and policy briefs, ECMI analyses the latest regulatory developments and puts forward proposals at the vanguard of regulatory debates. ECMI also produces detailed research reports on key policy issues and market developments. In addition to conducting in-house research, ECMI responds to calls for proposals from external entities and hosts contributions from high-profile external researchers.

ECMI regularly organises workshops, seminars and task forces on a variety of issues facing European capital markets. Participation in ECMI events offers the chance to take part in workshops with senior business representatives and regulators on critical themes; to size up market developments that will shape the future of European capital markets and to network with lobbyists and academics from the regulatory community.

In addition, ECMI compiles a yearly statistical package with a substantial set of charts and tables that trace the evolution of European capital markets over time. Bond, equity and derivatives markets are also covered in the package, together with asset management related data. This gives members a 'one-stop shop' or broad snapshot of where European capital markets stand. The package compares trends across asset classes, market segments and countries, so as to track market growth, integration and convergence. All data is presented in intuitive and visually appealing forms.

ECMI also produces a quarterly newsletter. The purpose is to inform members of recent and upcoming research projects, task forces, conferences and meetings, and other relevant information on European capital markets.

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