



Activities Report

European Capital Markets Institute

A large, abstract geometric graphic composed of several overlapping, semi-transparent polygons in shades of blue, purple, red, and grey, creating a complex, crystalline structure that spans the width of the page.

2012

Capital Markets for Growth

TABLE OF CONTENTS

1.	Message from Chairman and General Manager	1
2.	Overview.....	2
3.	Task Forces.....	3
A.	Supporting Long-Term Investing and Retirement Savings.....	3
B.	Price Formation in Commodities Spot and Derivative Markets	3
C.	Rethinking Asset Management	4
4.	Research Publications	5
A.	A Legal and Economic Assessment of European Takeover Regulation	5
B.	Prospects and Challenges of a Pan-European Post-Trade Infrastructure.....	5
C.	Will the PRIIPs' KID live up to its promise to protect investors?	5
D.	Reviewing the EU's Market Abuse Rules.....	6
E.	Rethinking Asset Management: From Financial Stability to Investor Protection and Economic Growth...6	
F.	Setting the Institutional and Regulatory Framework for Trading Platforms: Does the MiFID definition of OTF make sense?	6
G.	The Euro Prisoner's Dilemma	6
5.	Conferences and Seminars.....	7
A.	The EU Takeover Bids Directive: Fit for Purpose?.....	7
B.	Unleashing Competition in Financial Market Infrastructure.....	7
C.	Moving Forward on Investor Protection	8
D.	CDS Credit Event Determination and the Systemic Importance of Sovereign CDS	8
E.	Independence in Financial Services - With ESMA Chair Steven Maijoor	8
F.	Market Structure and Investor Protection - Need for a wake-up call?	9
G.	Launch of the Task Force Report 'Rethinking Asset Management'	9
H.	Sovereign Bond Markets in State of Flux	10
	SPECIAL FEATURE: Annual Conference and Dinner-Debate	11
6.	Statistical Package	13
7.	Preview for 2013	14
8.	About ECMI.....	15
9.	Academia	16
10.	Researchers	17
11.	Selected Titles 2009-2012	18
12.	Joining ECMI.....	19
13.	Members	20

1. Message from Chairman and General Manager

As Chairman of the Board and General Manager of ECMI, it is our pleasure to introduce this report presenting the activities of the Institute in 2012 and its research programme for 2013 and beyond.

2012 has been a prolific year at ECMI. Most notable are its landmark publications on asset management and corporate governance. Published last April, *Rethinking Asset Management* is already established as a reference work on asset management regulation in connection with financial stability, investor protection and the real economy. More recently, *A Legal and Economic Assessment of European Takeover Regulation* is probably one of the most important studies ever commissioned on the subject, which is central to the system of corporate governance at large.

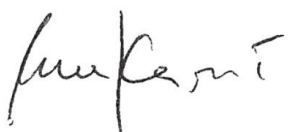
Both studies had in common their attention to the links between capital markets and the real economy. This crucial theme was also at the centre of the ECMI Annual Conference in 2012 «Capital Markets for Growth». The event was a great success both in terms of substance and agenda, enshrining the research agenda of ECMI for 2013 and beyond.

In 2013, ECMI will complete its recently launched project on long-term investing and retirement savings, putting forward concrete proposals to help Europe overcome both sluggish growth and the widening pension gap. And it will present a thorough report shedding light on the real drivers of price formation in commodity markets, drawing on a wealth of data gathered from market participants in the Task Force which took place in 2012.

Moreover, ECMI will continue to deliver insightful commentaries on current regulatory and market developments, together with a wealth of information, data and events for its diverse membership base.

2013 will also mark the 20th anniversary of ECMI, established as an independent non-profit organisation in 1993. ECMI has grown steadily over the past years, under the umbrella of CEPS (Centre for European Policy Studies), since 2005. The Institute is today in top condition, thanks to its strong in-house expertise, its independence and the quality of its research.

Let us end this note by congratulating the Institute for these achievements and wishing at least another 20 years of success informing policy in European capital markets.



René Karsenti - Chairman of the Board of ECMI
President of the International Capital Market Association



Karel Lannoo - General Manager of ECMI
CEO of the Centre for European Policy Studies



2. Overview

The European Capital Markets Institute (ECMI) is an independent research institute hosted and managed by the Centre for European Policy Studies ranked among the world's top think tanks. 2012 was a particularly successful year for ECMI in developing and disseminating new ideas to advance the policy debate in European capital markets, through its publications and events. In addition to two outstanding publications on investment management and corporate governance – *Rethinking Asset Management* and *A Legal and Economic Assessment of European Takeover Regulation* – ECMI continued to produce relevant commentary and policy briefs on issues currently affecting capital markets and policy-making. In so doing, the dissemination of its research reached peak with over 22,000 downloads and a 30% increase in online visits in 2012.

For the next twelve months, our research programme will focus on the impact of on-going bank deleveraging and collateral management policies on capital markets, as well as on the role of capital markets to finance economic growth and job creation. We will also follow the implementation process of upcoming legislation and continue to publish in-depth reports, such as the forthcoming one on commodities price formation based on extensive data analysis. To increase its visibility and outreach, ECMI will develop a series of roundtables and 'webinars' on selected topics on the policy agenda targeting the interests of its members. Our task forces and research seminars will follow an ambitious schedule throughout the coming year, led by a new project on long-term investing and the single market for personal retirement vehicles.

In this Activities Report, the reader will find a detailed account of the research projects, publications and seminars held by ECMI in 2012, together with a preview of its 2013 research programme and more information about the Institute, its researchers and governance.

THE YEAR 2012 AT ECMI IN NUMBERS



3. Task Forces

[Access content @ eurocapitalmarkets.org](http://eurocapitalmarkets.org)

A. Supporting Long-Term Investing and Retirement Savings

ECMI-CEPS Task Force | 2012-2013



Jointly organised by ECMI and CEPS, this project brings together market participants, international experts, academics and regulators in a discussion on long-term investing and long-term savings products, including private retirement savings. The ultimate purpose of this Task Force is to deliver a list of policy recommendations to strengthen both a) the single market for long-term savings, including private retirement

savings, and b) long-term investing in Europe, given its role in promoting growth and ensuring the provision of adequate retirement income.

The debate on these issues has gathered momentum prompted by the need to stimulate capital markets as a driver for growth in Europe, while strengthening the economic and social coordination of its member states. This Task Force comes at an opportune time, with the Green Paper on long-term investing coming up in 2013 and following the release of a White Paper on pensions earlier in 2012. One of the initiatives announced is the revision of the Directive on occupational pensions (IORP Directive). It also comes at the right moment to take stock of the impact of Solvency II and other prudential rules on the ability of institutional investors to make long-term investments. In addition, the Task Force feeds into the legislative processes related to the Single Market Act and investor protection.

The ability of retail and institutional investors to access long-term investment opportunities is crucial to foster much-needed growth and competitiveness in Europe, as well as to provide for adequate, safe and sustainable pensions for its citizens. The final report will be launched in the second half of 2013.

Chairman: Allan Polack, CEO of Nordea Asset Management

Rapporteurs: Karel Lannoo, Senior Research Fellow and General Manager, and Mirzha de Manuel Aramendía, Researcher

B. Price Formation in Commodities Spot and Derivative Markets

ECMI-CEPS Task Force | 2011-2013

This Task Force has brought together financial and non-financial firms with regulators and academics to shed light on the price formation mechanisms in spot and future markets. The group focuses on three major areas: trading, market abuse and competition. ECMI partnered with the Centre of European Policy Studies (CEPS) to engage the European institutions and the major experts in this area to provide input to this group. The final report will be launched in the first half of 2013.



The unstoppable race of commodity prices comes at a critical moment, when the European and US economies are struggling to regain the ground lost as a result of the recent financial crisis. The pronouncements by policy-makers and public opinion reflect the mounting worries and anger over commodity prices. Regulators worldwide have agreed in the G20 to address price volatility and are bringing forward a number of proposals to improve the regulation, functioning and transparency of commodity markets.

Chairwoman: Ann Berg, Leading Expert on Commodities and Senior Consultant, United Nations Food and Agriculture Organisation (UN-FAO)

Rapporteurs: Diego Valiante, Research Fellow and Head of Research at ECMI, and Christian Egenhofer, Senior Fellow, Centre of European Policy Studies (CEPS)

C. Rethinking Asset Management

ECMI-CEPS Task Force | 2011-2012

The Task Force Rethinking Asset Management was set up by ECMI and CEPS with the aim of conducting an in-depth research on four topics of immediate relevance for the European economy, the single market and investors: a) the future of the asset management industry after the financial crisis and the adoption of the Alternative Investment Fund Managers' Directive (AIFMD), b) product innovation in UCITS and the way forward to complete the single market and strengthen product integrity, c) the distribution of investment funds and other products to strengthen the choice and protection of (retail) investors and d) the contribution of the asset management industry to the economy and how to unleash its untapped potential. For this purpose, CEPS and ECMI brought together a wide range of stakeholders, including asset managers, custodian banks, academics, experts and policy-makers, under the chairmanship of Jean-Baptiste de Franssu, Chairman of INCIPIT and former President of EFAMA, and with the support of the CFA Institute, the global not-for-profit association of investment professionals. The final report of this Task Force was published in April 2012.

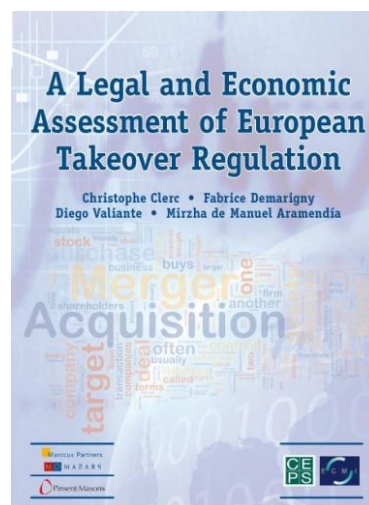
Chairman: Jean-Baptiste de Franssu, Chairman of INCIPIT and former President of EFAMA

Rapporteurs: Karel Lannoo, Senior Research Fellow and General Manager, and Mirzha de Manuel Aramendía, Researcher



A. A Legal and Economic Assessment of European Takeover Regulation

The legal review was conducted by Marccus Partners under the supervision of Christophe Clerc (now Managing Director of the Paris office of Pinsent Masons LLP) and Fabrice Demarigny (Chairman of Marccus Partners and Head of Capital Markets at Mazars). The economic study was carried out by ECMI, under the supervision of Diego Valiante (Research Fellow) and Mirzha de Manuel Aramendía (Researcher).



Unveiled by the European Commission on July 3rd, the proposed Regulation on key information documents (KID) for packaged retail investment products (PRIIPs) represents a step forward in enhancing the protection of retail investors and advancing the single market for financial services. While acknowledging in this Commentary that the KID is a commendable effort, ECMI Researcher Mirzha de Manuel Aramendía observes that pre-contractual disclosure is just one of the pieces in the jigsaw puzzle of investor protection and regrets that other pieces, such as MiFID and the IMD, are not so ambitiously constructed.

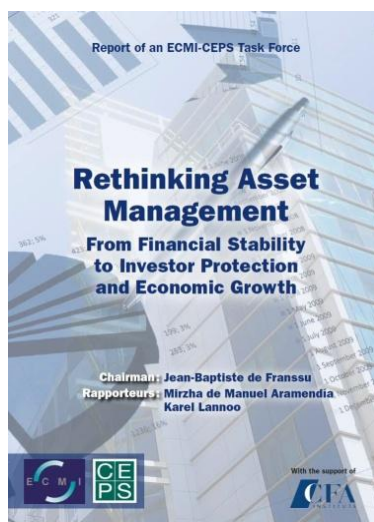
D. Reviewing the EU's Market Abuse Rules

ECMI Policy Brief No. 19 | May 2012

This ECMI Policy Brief argues that rules on market abuse should be technically well designed, proportionate and crystal clear, but also subject to more efficient and harmonised supervision than before. The paper focuses particularly on the draft Regulation. The use of a regulation is welcome, as (in integrated financial markets) abuses should be regulated in a harmonised manner by member states. It also criticises some of the draft provisions, including the new notion of inside information that should not be abused and the unchanged definition of inside information for listed companies that should be disclosed. The author, Carmine Di Noia, is Deputy Director General at Assonime, an association of Italian corporations.

E. Rethinking Asset Management: From Financial Stability to Investor Protection and Economic Growth

ECMI-CEPS Task Force Report | April 2012



Fresh prospects are opening for asset managers as Europe seeks to reduce its historical reliance on banking and to promote capital markets. But following the financial crisis, the industry faces a dual challenge: regaining investors' trust and coping with the post-crisis regulatory reform. Much rides on its ability to make investment funds deliver better results to its investors. Distribution remains the major stumbling block, but action is also needed to promote the contribution of asset management to the real economy and to preserve financial stability. In response to these challenges, CEPS and ECMI formed a Task Force composed of market participants, international experts, regulators and academics who met regularly throughout 2011 to closely examine the workings of the asset management industry and its role in the EU economy. This report draws the link between asset management and several key issues: financial stability, product integrity, investor protection and the real economy. It evaluates the discussions on product integrity in UCITS and 'shadow banking', as well as the many legislative proposals that are currently under consideration – including implementation of the

alternative investment fund managers Directive (AIFMD), the review of the markets in financial instruments Directive (MiFID II) and the packaged retail investment products (PRIIPs) initiative. In an effort to make these complex issues comprehensible to a broad group of readers, the author, Mirzha de Manuel Aramendía, combines clear language and straightforward introductions with detailed analysis and technical illustrations.

F. Setting the Institutional and Regulatory Framework for Trading Platforms: Does the MiFID definition of OTF make sense?

ECMI Research Report | April 2012

As discussions around the revision of MiFID are heating up, this paper by Diego Valiante tries to set a new regulatory and institutional framework for multilateral and bilateral execution mechanisms of complex financial instruments, such as OTC derivatives and fixed income products. The author argues that the current MiFID framework is equipped to capture a great deal of multilateral derivatives and fixed income trading, but the Directive fails to provide a complete definition of bilateral execution mechanisms and has narrowed it to mainly own account trading (ex: systematic internalisers).

G. The Euro Prisoner's Dilemma

ECMI Commentary No. 32 | February 2012

The last intergovernmental agreement among 25 countries and the ESM Treaty will set the ground for greater institutional coordination on fiscal policies among euro area member states. None of these decisions, however, will be able to pull the euro area out of this crisis. The eurozone is trapped in a classic prisoner's dilemma. The break-up of the euro remains unlikely but the exit strategy will continue to be led by a sequence of rational (but sub-optimal) decisions, which will make the process long and painful.

5. Conferences and Seminars

[Access content @ eurocapitalmarkets.org](http://eurocapitalmarkets.org)

A. The EU Takeover Bids Directive: Fit for Purpose?

ECMI-CEPS Publication Launch | 11 December, CEPS, Brussels



The CEPS-ECMI paperback *A Legal and Economic Assessment of European Takeover Regulation*, published jointly with the law firm Marccus Partners, was presented on the day before the European Commission unveiled its 'company law reform package' on December 12th. Speaking at the book launch, Ugo Bassi, the Commission's Director for Capital and Companies, discarded the possibility of an immediate reform of the Directive, highlighting the risk of worsening the current consensus. Instead, he announced that the Commission will work together with ESMA (European Securities and Markets Authority) to issue guidelines. The authors of the report questioned the merits of core aspects of the Directive, however, such as the high compensation to shareholders

imposed by the so-called 'mandatory bid rule'. Given wide cross-country differences in corporate control, the Directive leaves to member states the choice of applying key provisions, but Paul Davies of Oxford University argued that the choice should have been given to companies, in line with the conclusions of the empirical analysis carried out by ECMI.

Speakers

- Paul Davies, Allen & Overy Professor of Corporate Law, University of Oxford
- Ugo Bassi, Director, Capital and Companies, European Commission
- Christophe Clerc, Partner and General Manager Paris Office, Pinsent Masons
- Diego Valiante, Head of Research at ECMI and Research Fellow, CEPS
- Moderated by Fabrice Demarigny, Chairman of Marccus Partners and Head of Capital Markets, Mazars

B. Unleashing Competition in Financial Market Infrastructure

ECMI Membership Meeting | 26 June, CEPS, Brussels

The structure of the financial markets industry has undergone sweeping changes following the demutualization and the opening up of markets to competition for equities. New opportunities are emerging to expand this process to other asset classes to reap the benefits along a complex value chain. However, great challenges lie ahead for competition to deliver on its promise, and much will rely upon key requirements to be adopted by forthcoming regulations and material actions to be taken by



competition authorities to restrain anti-competitive practices. Xavier Rolet, CEO of the London Stock Exchange Group, discussed these important issues with Karel Lannoo, CEO of CEPS, and a selected audience at CEPS on June 26th. Unleashing competition in European capital markets would provide more efficient alternative funding sources to support the ongoing deleveraging process in the private sector.

Speakers

- Xavier Rolet, CEO, London Stock Exchange Group (LSE Group)
- Karel Lannoo, Senior Research Fellow and General Manager
- Diego Valiante, Head of Research, ECMI

C. Moving Forward on Investor Protection

ECMI-CEPS – Finance Watch | 18 September, European Parliament, Brussels

Investor protection is crucial to stimulate savings and investments and to promote sustainable economic growth. The EU is taking unprecedented actions to foster investor protection across sectors. Provisions to mitigate conflict of interest in selling practices in MiFID and pre-contractual disclosure under PRIIPs are important initiatives. However, more remains to be done, especially in the areas of product integrity, selling practices and ongoing contractual disclosure. Complexity and prudential rules represent a potential risk of misselling and demand comprehensive action. Best execution obligations are poorly applied in practice, while further actions are needed to ensure that diversified consolidated data solutions become more accessible.

Co-hosted by MEPs Giegold (Greens/EFA), Pietikäinen (EPP), Podimata (S&D), Schmidt (ALDE) and Swinburne (ECRG) and organised by CEPS-ECMI together with Finance Watch, this Q&A session brought together a large and representative audience at the European Parliament in Brussels, including, ESMA's Chairman Steven Maijor and representatives from several national supervisory authorities, who came to listen but also contributed actively to the discussion.

D. CDS Credit Event Determination and the Systemic Importance of Sovereign CDS

ECMI-CEPS Membership Meeting | 13 June, CEPS, Brussels



The Greek debt restructuring in July 2011 raised questions around the complexity of derivative contracts and the potential implications of a credit event. This seminar discussed the process through which the ISDA Credit Derivatives Determinations Committee decides whether a credit event has occurred, in specific factual circumstances, and the detail of standardised CDS contracts. The speakers assessed potential conflicts of interest in this process and how they are managed, and also examined political pressures therein, and what

these mean for market efficiency and integrity. The CDS business performs an important function in risk management for many different types of market participant. The debate also focused on the economics of the CDS market and the role of market transparency in limiting opacity and risks of contagion among financial and non-financial institutions.

Speakers

- David Geen, General Counsel, International Swaps and Derivatives Association (ISDA)
- Andrew Byatt, Vice-President, Depository Trust and Clearing Corporation (DTCC)
- Nicolas Gauthier, Directorate-General for Internal Market and Services, European Commission
- Moderated by Karel Lannoo, Senior Research Fellow and General Manager

E. Independence in Financial Services - With ESMA Chair Steven Maijor

ECMI-CEPS Membership Meeting | 6 June, CEPS, Brussels

Given the complexity and insufficient transparency of service providers in financial markets, market discipline alone is insufficient to ensure their independence. This cautionary view was expressed at an ECMI-CEPS event on June 6th by Steven Maijor, Chairman of the European Securities and Markets Authority (ESMA). Referring to audits, credit ratings and investment advice, Maijor favoured clearer rules to tackle the conflicts of interest arising from ownership structures and the bundling of professional services. Panellist MEP Wolf Klinz considered that hard disclosure and other practical steps could significantly improve advice and other services. On the rotation of audit firms, Maijor was convinced of its necessity, while Klinz



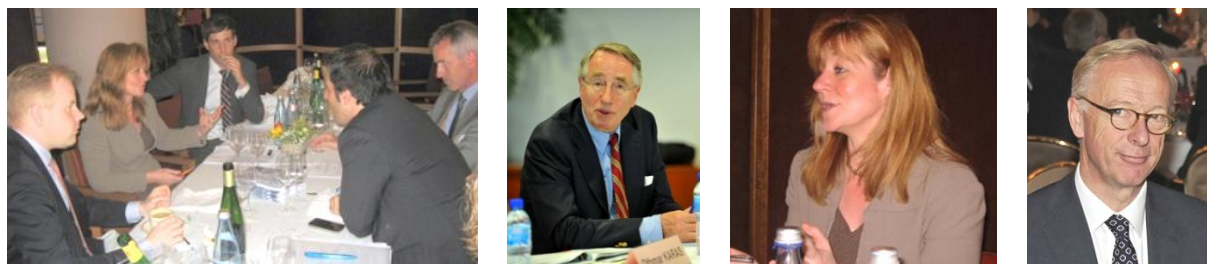
warned that it could make auditors less resilient to client pressures. Another panellist, Fabrice Demarigny (Mazars), observed that joint auditing would have the positive effect of creating more choice in the market and avoiding dependence on a small number of players. Tony Bromell (ICAEW) stressed that independence is central but that the quality of audits also depends on skills and training.

Speakers

- Steven Maijoor, Chairman, European Securities and Markets Authority (ESMA) [keynote speech]
- MEP Wolf Klinz, Group of the Alliance of Liberals and Democrats for Europe
- Donato Masciandaro, Chair in Economics of Financial Regulation, Bocconi University
- Fabrice Demarigny, Head of Capital Markets, Mazars, and former Secretary General, CESR
- Tony Bromell, Head of Integrity & Markets, ICAEW

F. Market Structure and Investor Protection - Need for a wake-up call?

CEPS Dialogue with EP Members | 23 May, European Parliament, Strasbourg



At the invitation of MEP Kay Swinburne, ECMI researchers met a group of MEPs for an informal discussion about ongoing regulatory reforms affecting market structure and investor protection, which took place at the European Parliament in Strasbourg on May 23rd. Karel Lannoo, Diego Valiante and Mirzha de Manuel emphasised the importance of getting reform right – reform that would both foster competition and resilience and significantly improve investor protection throughout the value chain. The dialogue was an opportunity for both ECMI and CEPS to present some of their recent publications to MEPs and to answer the many questions they raised on this topic.

G. Launch of the Task Force Report 'Rethinking Asset Management'

ECMI-CEPS Publication Launch

19 April, CEPS, Brussels | 7 June, CFA Institute, Paris



After a year-long research project, ECMI-CEPS launched its landmark report *Rethinking Asset Management* on April 19th in Brussels and later in Paris with the support of the CFA Institute. Speaking at the Brussels event, Tilman Lueder, Head of Unit at the European Commission, considered the report set the line for the long-term policy agenda and emphasised the opportunities opened by the AIMFD (Alternative Investment Fund Managers Directive) together with the importance of dealing with 'shadow-banking' to strengthen the industry. Mirzha de Manuel, author of the report, presented its main findings, including the empirical evidence pointing at widespread shortcomings in investor protection at the point of sale. Fellow panellists all agreed in the crucial importance of reforming distribution to promote competition, product integrity and lower fees – but doing so at the EU rather than national level to preserve the single market. The report examines the asset management industry and its links with financial stability, product integrity, investor protection and the real economy. It evaluates the many legislative proposals on the table – including the AIFMD implementation, MiFID II and PRIIPS – and the discussions on product integrity in UCITS and 'shadow banking'.

The presentation in Paris on June 7th focused on the chapters of the report addressing investor protection and product integrity. Delivering a keynote speech, Edouard Vieillefond, Managing Director of the French supervisory authority AMF, stressed that MiFID II and PRIIPs are steps in the right direction but represent a partial response to investor protection. In the considered view of many participants at the seminar, Europe needs to look beyond the current legislative proposals to better protect retail investors. Beyond banning inducements for some advisers, it was strongly felt that regulation should address the incentives built into the remuneration of all sales personnel. It should also better clarify the power to limit or ban the distribution of certain products. The discussion favoured hard disclosure, whereby investors would be informed periodically of distribution costs, as well as giving more weight to non-market risks in the Key Information Document (KID).

Speakers

- Jean Baptiste de Franssu, Chairman of INCIPIT, former President of EFAMA and Chairman of the Task Force
- Mirzha de Manuel Aramendía, Researcher at ECMI-CEPS (author of the report)
- Nitin Mehta, Managing Director for Europe, Middle East, and Africa, CFA Institute
- Tilman Lueder, Head of Unit, Asset Management, DG Internal Market and Services, European Commission
- Edouard Vieillefond, Managing Director, Autorité des Marchés Financiers
- Professor Marco Lamandini, University of Bologna, and Academic Member of the Board, ECMI
- Moderated by Karel Lannoo, Senior Research Fellow and General Manager

H. Sovereign Bond Markets in State of Flux

ECMI-CEPS Lunch Time Meeting | 6 March, CEPS, Brussels

As revealed in this ECMI research seminar, the equation “LTRO + ESM – PSI = LY” roughly captures investors’ perceptions of sovereign bond markets in Europe. In effect, the longer-term refinancing operations (LTRO) carried out by the European Central Bank and the future European Stability Mechanism (ESM) are easing the pressures in sovereign bond markets and are seen positively by market participants. Yet private sector involvement (PSI) in the rescue package for Greece is believed to have had the opposite effect, undermining market confidence despite reducing moral hazard. As a result of the interaction of these three factors, investors are expecting low yields (LY) in Europe, coupled with uncertainties about the future. To overcome this impasse, experts and investors present at this seminar favoured common issuance, introduced progressively over the medium term, in combination with structural reforms, to make the equation work to the benefit of member states and their citizens.

Speakers

- Peter Grasmann, Head of Unit, Economic Analysis of Financial Markets and Financial Stability, European Commission
- Nikolaos Panigirtzoglou, European Head, Global Asset Allocation and Alternative Investments, JP Morgan
- Steven Major, Global Head, Fixed Income Research, HSBC
- Daniel Gros, Senior Research Fellow and Director, CEPS
- Wim Boonstra, Chief Economist, Rabobank Group (moderator)



ECMI Dinner-Debate 2012

17 October 2012 • Bibliotheca Wittrockiana



To open its Annual Conference and thank members and friends, ECMI held a dinner debate the evening before at Bibliotheca Wittrockiana in Brussels. The evening brought together fellow speakers at the Conference, senior ECMI corporate members and high-level policy-makers from the European Commission, Parliament and national authorities who have cooperated with us over the past year.

María Teresa Fábregas, Head of Securities Markets, European Commission, kick-started an informal debate on the challenges for capital markets and the European economy, followed by comments from Pervenche Berès, MEP, S&D and John Berrigan, Director for Financial Stability, European Commission.

ECMI members had the opportunity to meet the keynote speakers of the ECMI Annual Conference in an informal setting, the Bibliotheca Wittrockiana, created by a passionate booklover and housing one of the most beautiful binding collections in the world.

ECMI Annual Conference 2012

Capital Markets for Growth

18 October 2012 • National Bank of Belgium



"We are not in a business as usual scenario, but one in which market panic could jeopardise the managed unwinding of the unsustainable policies of the past." This was the cautionary note sounded by Commissioner Olli Rehn in his keynote address to the 400 participants at the ECMI Annual Conference on October 18th in Brussels. Rehn's views were challenged by Paul de Grauwe (LSE and CEPS), who argued for asymmetric macro-economic policies, with creditor countries running moderate deficits to avoid a deflationary spiral. In a session on bank deleveraging and capital markets, Manmohan Singh (IMF) illustrated the risks of reducing collateral use (velocity) on the backbone of the financial system. Despite bank balance sheets remaining relatively stable under central bank intervention, the financial system is still shrinking under lower collateral velocity – which could, however, reduce interconnectedness and benefit financial stability; the issue thus is one of balance. In a session on reforming the structure of capital markets, Rodrigo Buenaventura of the European Securities and Markets Authority (ESMA) presented the key aspects of European Market Infrastructure Regulation (EMIR) and its implications for the business of central counterparties and trade repositories. The last session was dedicated to investor protection, where Carlos Tavares (Portuguese Markets Authority and ESMA) put numbers to the growth of complex retail investment products, for which no harmonised protection exists.

Key Ideas

- *Session 1. Macroeconomic outlook for the euro area: Which future without a «transfer» Europe?*

Despite the significant fiscal multipliers, the magnitude of the imbalances accumulated in the euro area over the past decade and its vulnerability to adverse market reactions should prevent any deviation from the agreed path to fiscal sustainability. There should be room however for member states with stable levels of debt to run small deficits, so as to ease adjustment and facilitate convergence.

- *Session 2. Deleveraging: What implications and role for capital markets in funding the European economy?*

Even though bank balance sheets remain stable (moderate bank deleveraging), the use of collateral has radically decreased since 2008 (significant deleveraging in capital markets). Lower use of collateral means less lubrication of markets and lower interconnection among financial institutions, which policy-makers have tried to mitigate through quantitative easing possibly at a higher cost. The overall implications of this process are not yet well understood.

- *Session 3. Capital market structure reforms: Will MiFID II and EMIR change the landscape for the better?*

The structure of European capital markets is undergoing profound changes due to comprehensive regulatory reform and innovation in markets. This process needs to balance the costs for investors of building up a more stable architecture with the need to realise a pan-European infrastructure to reap the benefits of the single market.

- *Session 4. Comprehensive investor protection: The Achilles' heel of the single market?*

Investor protection merits more attention as the driving force of a (not yet fully realised) single market for retail investment products. Regulatory fragmentation at national level is a threat to the single market project. Regulatory and supervisory reform should be more ambitious and broader in scope. Increased transparency should be complemented with measures addressing directly the incentives of intermediaries.

Keynote Speakers



- Olli Rehn, Commissioner for Economic and Monetary Affairs and Vice-President, European Commission
- Carlos Tavares, Chairman, CMVM and Vice-Chairman, European Securities and Markets Authority
- Paul De Grauwe, John Paulson Chair in European Political Economy, London School of Economics
- Manmohan Singh, Senior Economist, International Monetary Fund
- Rodrigo Buenaventura, Head of Markets Division, European Securities and Markets Authority

Conference Report

A full report of the ECMI Annual Conference is available at www.eurocapitalmarkets.org/2012AC together with the presentations of the speakers.

Organisers

The conference was organised by the European Capital Markets Institute (ECMI) in partnership with the Centre for European Policy Studies (CEPS) and the Belgian Financial Forum (BFF).

Sponsors



6. Statistical Package

Access content @ eurocapitalmarkets.org

The most comprehensive overview of Europe's capital markets

The 2012 Statistical Package offers users the most up-to-date information on the state of European capital markets in the aftermath of the financial crisis. As with last year's package, the contents are divided into six sections: equity market, debt securities market, exchange-traded derivatives market, over-the-counter derivatives market, asset management and global comparative data. Internal links, as well as a detailed table of contents, facilitate the internal navigation of the document; and the most important datasets are represented in charts in order to demonstrate trends visually.

The 2012 version includes disaggregated data on equity markets for each stock exchange belonging to the same group. The package also compiles, for the first time, a wide range of MiFID statistics for pan-European and national trading venues. Moreover, the debt securities section has been upgraded with data about securitisation and the section on exchange-traded derivatives now includes a complete stock and index options and futures overview. The asset management section has been enriched with data about pension funds and insurance companies. Finally, a new section on global comparative data presents a qualitative analysis by our senior staff of main global capital market trends.



The ECMI Statistical Package presents a comprehensive collection of relevant data on the dynamics of various segments of European capital markets, complete with graphical representations and explanatory commentary. It enables users to trace trends so as to highlight the ongoing transformations of capital markets, including the structural changes brought about by competitive forces, innovation and regulation. It represents an important step to overcome the existing fragmentation in data on the evolution of European capital markets by offering a 'one-stop-shop' for market participants, regulators, academics and students.

The package is available in PDF and Excel format at www.eurocapitalmarkets.org free of charge for ECMI members. Non-members may purchase it via the bookshop of CEPS at www.ceps.eu.

ECMI Statistical Package 2012

Provides:	Covers:
<ul style="list-style-type: none"> - Tables and figures using global comparative data - Qualitative analyses of main global capital market trends - Disaggregated data for more than 42 stock exchanges - 134 tables - 102 figures - Up to 21 years of data (1990-2011) 	<ul style="list-style-type: none"> - Equity market - MiFID statistics - Debt securities market - Exchange-traded derivative market - Over-the-counter derivative market - Asset management - Gross domestic product - Exchange rates - Global comparative data

7. Preview for 2013

In determining its research priorities for 2013 and beyond, ECMI is giving priority to the links between capital markets and economic growth. 2012 has marked a turning point for ECMI, enshrined in the title of its Annual Conference 'Capital Markets for Growth' and heralded by the start of its new Task Force on Long-Term Investing and Retirement Savings. In 2013 ECMI will further develop these themes, while continuing to monitor financial regulation and its impact on the institutional setting, capital markets and the asset management industry. ECMI will also present a landmark report on price formation in commodities markets, and continue to monitor the impact of the euro-area crisis in capital markets.

➤ Financial Regulation and Institutional Setting

- Financial regulation in the post-crisis period: European and international (IOSCO, BIS, FSB) policies to regulate and set standards in capital markets and financial services: principles of securities regulation, guidelines for market infrastructure and requirements for the margining of derivative trades.
- Evolution of the institutional setting of the new European Supervisory Authorities (ESAs)

➤ Financial Regulation and Markets

- Critical aspects of the currently proposed legislative proposals to review MiFID for level 1 and 2. Interaction with EMIR and broader market implications on market infrastructure developments (industry consolidation) and investor protection (investment advice, best execution, on-going disclosure)
- Implementation of EMIR, market developments and spill-over effects. Discussions on the establishment of harmonised global standards for margining of non-centrally cleared derivatives trades
- Introduction of a common market abuse regime for commodities and OTC financial instruments. A future EU harmonised regime for sanctions
- Equity and bond markets for corporate borrowers and SMEs, in the context of bank deleveraging
- Direct access by retail investors to capital markets, potential to revise the current regulatory and market setting
- Black swans; disentangling market crashes from tail risks
- Market microstructure given ongoing technological developments, looking at their benefits and drawbacks and how to further strengthen market microstructure
- Competition policy in financial markets services
- Legal underpinnings of European capital markets, including the harmonisation of securities law

➤ Commodities Markets

- Final drafting and presentation of the ECMI-CEPS Task Force Report on Price Formation in Commodity Spot and Derivative Markets. Analysis of international developments (IOSCO)

➤ Financial Regulation and Asset Management

- Product structuring to satisfy the need of investors for long-term capital accumulation and return generation
- Evolving business models in a low-return environment. Developments in the use of investment products
- Impact of prudential rules (Solvency II, IORP) on asset allocation and risk management, in connection to the debates around long-term investing, retirement provision and economic growth
- Single market for supplementary pensions, including a harmonised framework for personal pensions
- Implementation of the AIFMD and revision of UCITS (V and VI). Use of derivatives by UCITS
- Following the debate around MMFs, ETFs and other so-called 'shadow banking' activities/entities

➤ Institutional Developments in the Euro Area

- Developments with a broader impact on capital markets, such as the potential introduction of a money market in the euro area (t-bills)

8. About ECMI

[Access content @ eurocapitalmarkets.org](http://eurocapitalmarkets.org)

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 hosted 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 publishes contributions from high-profile external researchers.

ECMI regularly organises workshops, seminars and task forces on a variety of issues facing European capital markets. Membership in ECMI events offers participants the opportunity 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 practitioners and academics from the regulatory community.

In addition, ECMI compiles an annual 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.



Board of Directors

- René Karsenti, Chairman, ECMI
- Karel Lannoo, CEO, CEPS
- Philippe Breyer, Managing Director, Euroclear
- Joanna Cound, Managing Director, Government Affairs & Public Policy, BlackRock
- Fabrice Demarigny, Head of Capital Markets Activities, Mazars
- Godfried De Vidts, Head of European Affairs, ICAP
- Chris Golden, Chairman, EFFAS
- Gerry Cross, Managing Director, Advocacy, AFME
- Ramon Adarraga, Director, BME
- Claire Fargeot, Head of Standards and Financial Market Integrity, CFA Institute
- Stefano Caselli, Professor of Finance, Bocconi University
- Marco Lamandini, Professor of Commercial Law, University of Bologna
- Florencio López de Silanes, Professor of Finance and Law, EDHEC Business School
- Theo Vermaelen, Professor of Finance, INSEAD

9. Academia

In 2011 ECMI took a further step to increase the quality of its research and ensure its independence. By appointing four academic board members, ECMI consolidated its expertise on capital markets in Europe. Stefano Caselli, Marco Lamandini, Florencio López de Silanes and Theo Vermaelen actively contribute to the activities of the Institute by providing invaluable advice on research priorities and quality control. Their profiles, at the forefront of academic knowledge in financial markets, are both diverse and complementary, which no doubt enhances the outreach of ECMI's policy-oriented research.



Stefano Caselli is full professor of Banking and Finance at Department of Finance, Università Bocconi, where he's Academic Director of the MSc in Finance and of the Master in International Management-MIM for CEMS. He's also Director of the Executive Education Division for Banks and Financial Institutions at SDA Bocconi School of Management and research fellow of CAREFIN and ENTER, the research centres of Università Bocconi devoted to finance and entrepreneurship. He has several publications on private equity and venture capital, corporate finance, corporate banking, SMEs and family firms' financing.



Marco Lamandini's research interests are in the area of company law, corporate governance, banking law, securities law, and intellectual property. He obtained his law degree cum laude from the Università di Bologna, where he teaches commercial law, and a master of laws degree from London School of Economics and Political Science. He also teaches securities law at the Università Cattolica del Sacro Cuore in Milan. A visiting fellow at the Max Plank Institut in Munich, at Magdalene College in the University of Cambridge and at Boalt Hall, School of Law of the University of California at Berkeley, he does consulting work for the European Parliament.



Florencio López de Silanes 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 École in France. 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.



Theo Vermaelen is Professor of Finance at INSEAD and has taught at the University of British Columbia, the Catholic University of Leuven, London Business School, the University of California, Los Angeles and the University of Chicago. He has published several articles on corporate finance and investments in leading academic journals, including the Journal of Finance, the Journal of Financial Economics and the Journal of Banking and Finance. He is co-editor of the Journal of Empirical Finance, associate editor of the Journal of Corporate Finance and the European Financial Review and advisory editor of Teaching and Case Abstracts.

10. Researchers



Karel Lannoo has been the Chief Executive of the Brussels-based think tank Centre for European Policy Studies (CEPS) since 2000 and a Senior Research Fellow since 1997. He is also General Manager of ECMI and coordinates a number of other research networks in relation to financial markets and regulation. Karel Lannoo is a member of numerous formal and informal advisory bodies, including the European Shadow Financial Regulatory Committee (ESFRC), and has published widely on financial regulation and supervision, as well as other EU-related matters. He holds an MA in History from the University of Leuven, Belgium (1985) and a postgraduate degree in European Studies from the University of Nancy, France (1986). Karel Lannoo is also an Independent Director of BME (Bolsas y Mercados Españoles), the company operating the securities markets in Spain.



Diego Valiante, Ph.D. is a Head of Research at ECMI and Research Fellow at CEPS, where he coordinates the research activities and projects on capital markets. He holds a BSc in Economics (2004) and an MSc in Law and Economics (2006) from LUISS - Guido Carli in Rome, both degrees summa cum laude. He also earned a LL.M. Master in Law and Economics (EMLE) jointly from Hamburg and Bologna University, and in 2010 the Ph.D. in Law and Economics from LUISS University. As a result of his interdisciplinary studies, Diego specialises in financial and securities regulation, capital markets, market structure, competition policy and corporate governance. He has published extensively on economic and regulatory aspects of financial markets and services. In 2011, Diego was included by the Financial News in the list of the "Top 40 Rising Stars in Trading and Technology" under the age of 40 in the EMEA.



Mirzha de Manuel Aramendía is a Researcher at ECMI and CEPS since September 2010. His research relates mainly to asset management regulation where he has coordinated a task force with various industry participants and regulator. He has also carried out research on takeover regulation for the European Commission. His publications at CEPS to date have focused on the AIFMD and its implementation. He has also contributed on these issues for the Financial Times. Mirzha has an MA degree in European Economic and Legal Analysis from the College of Europe in Belgium (2010) and is a qualified lawyer from the Bar of Madrid. He holds masters in both Business Economics and in Spanish and Common Law (2009) from the University of Valladolid (Spain).

11. Selected Titles 2009-2012

➤ CEPS-ECMI Paperbacks

A Legal and Economic Assessment of European Takeover Regulation, Christophe Clerc, Fabrice Demarigny, Diego Valiante and Mirzha de Manuel Aramendía, December 2012

➤ CEPS-ECMI Task Force Reports

Rethinking Asset Management: From Resilience to Investor Protection and Economic Growth, Mirzha de Manuel Aramendía and Karel Lannoo, April 2012

MiFID 2.0: Casting New Light on Europe's Capital Markets, Diego Valiante and Karel Lannoo, February 2011

Restoring Investor Confidence in European Capital Markets, Report of the European Investors Working Group (EIWG) and ECMI, in collaboration with the Centre for Financial Market Integrity (CFA), February 2010.

➤ ECMI Policy Briefs

- No. 20 "Europe's New Post-Trade Infrastructure", Karel Lannoo and Diego Valiante, November 2012
- No. 19 "Pending issues in the review of the European market abuse rules", Carmine Di Noia, February 2012
- No. 18 "NYSE Euronext-Deutsche Börse Merger", Diego Valiante, March 2011
- No. 17 "What reforms for the credit rating industry? A European perspective", Karel Lannoo, October 2010
- No. 16 "The MiFID Metamorphosis", Karel Lannoo and Diego Valiante, April 2010
- No. 15 "Regulatory Challenges for the EU Asset Management Industry", Karel Lannoo, April 2010
- No. 14 "Comparing EU and US Responses to the Financial Crisis", Karel Lannoo, January 2010
- No. 13 "Integrating Europe's Back Office: 10 years of turning in circles", Karel Lannoo and Diego Valiante, June 2009
- No. 12 "The Reform of the Credit Rating Agencies: A Comparative Perspective", Piero Cinquegrana, February 2009

➤ ECMI Commentaries

- No. 33 "Will the PRIPs' KID live up to its promise to protect investors?", Mirzha de Manuel Aramendía, 7 July 2012
- No. 32 "The Euro Prisoner's Dilemma", Diego Valiante, 24 February 2012
- No. 31 "The gloomy scenario of Italy's default", Diego Valiante, 16 December 2011
- No. 30 "MiFID 2.0 Unveiled", Karel Lannoo, 4 November 2011
- No. 29 "Commodity Price Formation in Boom-and-Bust Cycles", Diego Valiante, June 2011
- No. 27 "Third Country Rules for Alternative Investments: Passport flexibility comes at a price", Mirzha De Manuel Aramendía, 16 December 2010
- No. 26 "Where does Europe stand on the regulation of alternative investments? Dispelling Myths and Challenging Realities", Mirzha De Manuel Aramendía and Diego Valiante, 27 September 2010
- No. 25 "Macro-Prudential Regulation", Avinash Persaud, 6 August 2009
- No. 24 "Bringing hedge funds into the regulatory mainstream", Karel Lannoo, 23 June 2009
- No. 23 "Short Selling: A known unknown", Piero Cinquegrana, 29 May 2009
- No. 22 "Why should we believe the market this time?", Paul De Grauwe, 23 February 2009
- No. 21 "Good banks, bad banks and the like", Karel Lannoo, 11 February 2009

➤ ECMI Research Reports

- No. 6 "MiFID Implementation in the midst of the Financial Crisis: Results of an ECMI Survey", Diego Valiante and Bashir Assi, February 2011
- No. 5 "Shaping Reforms and Business Models for OTC Derivatives: Quo vadis?", Diego Valiente, April 2010
- No. 4 "Fairness Opinions and Capital Markets: Evidence from Germany, Switzerland and Austria", Sebastian Lobe and Nils-Christian Schenk, January 2009

12. Joining ECMI

Why become a member?

There are many reasons why becoming a member of ECMI is a good idea. By joining us, you will:

- Become part of a think-tank that helps to bridge the gap between market participants, regulators and academics, in a moment of intense regulatory activity.
- Be informed first about our research projects and gain preferential access to Task Forces.
- Attend high-level research seminars and workshops on topical and technical issues.
- Obtain a complimentary copy of each publication.
- Attend our Annual Dinner-Debate and our Annual Conference, where relevant market issues are discussed with high-level policy-makers, academics and industry practitioners.
- Gain access to our statistical package, a comprehensive overview of Europe's capital markets.
- Access our expertise, engaging with our researchers in private meetings or joining our conference calls and 'webinars'.
- Receive a quarterly newsletter with concise account of the findings of our research and events.
- Support policy-oriented research aimed at enhancing the efficiency, growth and better regulation of European capital markets.



Membership options

Membership is open to institutions, associations and corporations as well as universities and business schools. There are three different types of membership options at ECMI:

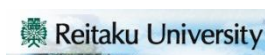
Sustaining Members
Corporate Members
Academic Institutions

Next steps

Learn more at www.eurocapitalmarkets.org/becomemember. For more information please contact us at our email address ecmi@ceps.eu or phone as at +32 2 229 39 78.

13. Members

ECMI members in 2012
For a full and updated list consult our website





European Capital Markets Institute

Informing policy on European capital markets

www.eurocapitalmarkets.org | ecmi@ceps.eu

Tel: +32 2 229 39 78 | Fax: +32 2 219 41 51 | 1 Place du Congrès - 1000 Brussels

