



Activities Report

European Capital Markets Institute

A large, abstract geometric graphic composed of several overlapping, semi-transparent polygons in shades of teal, dark blue, and light blue. The shapes are arranged to create a sense of depth and movement, with some shapes appearing to recede into the background while others come forward.

2014

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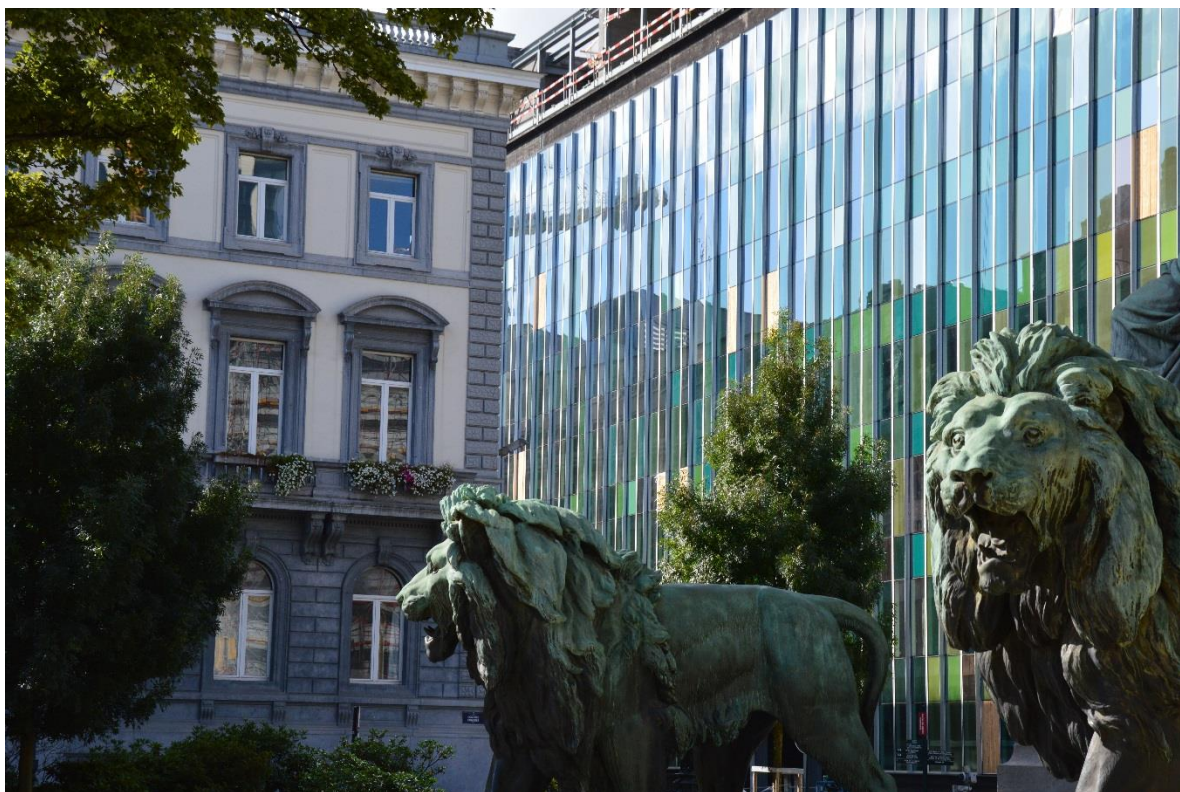
1. Message from General Manager

The European Capital Markets Institute's work got a renewed importance with Commission's ambition to create a Capital Markets Union. Although the initiative is awaiting a clear definition, it covers many subjects ECMI has been following closely, such as the appropriate level of market regulation, the structure of securities market supervision, the efficiency of the market infrastructures, the creation of EU-wide investment pools. ECMI is proud that it can rely on years of research and networking on the subject to be at the centre of the debate. The past year, of which this report is a testimony, can stand as a reference for what can be done. Our ambition for 2015 is to examine the functioning of the new regulatory framework closely, as well for market operators and infrastructures, in view of the Union the EU aims to create.

We would like to thank all the members of ECMI for their continued support. They allow ECMI to be a unique platform of market participants, associations, academics and regulators to discuss issues of common concern affecting capital markets in Europe.



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



2. Overview

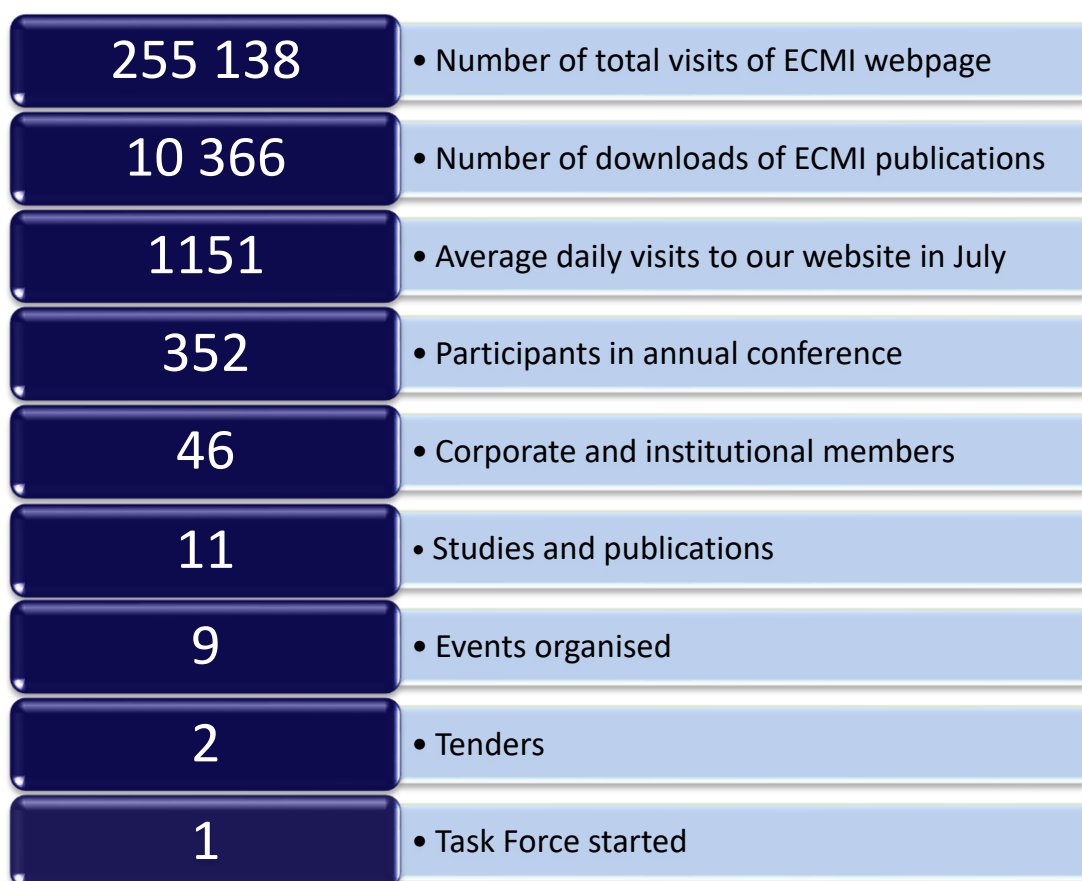
The European Capital Markets Institute (ECMI) is an independent research institute hosted and managed by the Centre for European Policy Studies ranked among the world's top think tanks.

2014 was a year full of activities for ECMI. Our researchers were engaged in two tenders for European institutions: First, by conducting an impact assessment of MiFID and MiFIR for the European Securities and Markets Authority (ESMA) and second, with a study for the European Commission on exemptions for third-country central banks and other entities under MiFIR and MAR. At the end of the year, we launched an international Expert Group together with a task force to provide recommendations and a more long-term contribution to the EU Commission's action plan on Capital Markets Union. In addition, ECMI published a working paper on an investor protection framework, a commentary on OTC derivatives markets after financial reforms and a research report about supporting access to finance by SMEs.

Throughout the year, ECMI organised seminars and conferences on issues currently affecting capital markets, including a high-level full-day annual conference at the National Bank of Belgium.

In this Activities Report, the reader will find a detailed account of the research projects, publications and seminars held by ECMI in 2014, together with a preview of its 2015 research programme and more information about the Institute, its researchers and governance.

THE YEAR 2014 AT ECMI IN NUMBERS



3. Research Projects

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A. European Capital Markets Expert Group (ECMEG) and Task Force

ECMI-CEPS Task Force | 2014-2015



The European Capital Markets Institute (ECMI) and the Centre for European Policy Studies (CEPS) started in December a new project to bring together market participants, policy-makers and academics in the European Capital Markets Expert Group and a Task Force to engage in a debate on the future of Europe's capital markets. ECMEG will not conduct a conventional review of current legislative dossiers, but rather, will look at the evolution of financial markets in Europe

and around the world to suggest how Europe can improve its competitive position and develop a pan-European market. The Expert Group and the Task Force will meet at least five times between December 2014 and mid-2015. At the end of the deliberations, a report will be prepared by the rapporteurs. This report will set out a series of recommendations, supported by in-depth analysis and based on the conclusions of the meetings.

Chairman: Francesco Papadia

Rapporteurs:

Karel Lannoo, CEO, CEPS - General Manager, ECMI

Diego Valiante, Ph.D., Head of Capital Markets Research at CEPS and Head of Research at ECMI

B. Study on exemptions for third-country central banks and other entities under the Markets in Financial Instruments Regulation (MiFIR) and Market Abuse Regulation (MAR)

Commissioned by the European Union | October 2014 - February 2015

On October 9th, 2014, the European Commission (DG FISMA) has awarded the Centre for European Policy Studies (LEAD) and University of Bologna (PARTNER) with a contract for a study on exemptions for third-country central banks and other entities under MiFIR and MAR. The main purpose of this study is to provide the European Commission with an independent assessment on whether or not the exemptions that could be granted under Article 1 (6) to (9) of MiFIR and Article 6 of MAR to third-country central banks and public institutions in charge of, intervening in, public debt management, are appropriate and necessary. The consortium is responsible for undertaking legal and economic desk research and run in parallel a questionnaire-based survey. The study reviews the following jurisdictions for eligibility under the exemption provisions: Australia, Brazil, Canada, China, Hong Kong SAR, India, Japan, Mexico, Singapore, South Korea, Switzerland, Turkey, USA and the (as well as the BIS under MiFIR only). For the purpose of building an EU general standard of comparison (benchmark), EU central banks and debt management offices have been also invited to participate at the European Commission's consultation by answering to the MAR questionnaire. This final study is expected to be delivered to the European Commission on February, 28, 2015, and will serve as a basis for the reports to be submitted by the European Commission to the European Parliament and the Council by 1 June 2015 and 3 January 2016, respectively.

C. Impact assessment on MiFID and MiFIR

Commissioned by European Securities and Markets Authority (ESMA) | January 2014 – January 2016

The Centre for European Policy Studies (CEPS) led a team to conduct an impact assessment and a data gathering exercise for the European Securities and Markets Authority (ESMA) on a number of implementing measures of the reviewed Markets in Financial Instruments Directive (MiFID) and the corresponding Regulation (MiFIR). These implementing measures will set new standards in terms of pre- and post-trade transparency requirements, market structure, supervisory powers and investor protection. The legislative package addresses actors, instruments and activities alike. It will hence interact with other EU legislation in the realm of Financial Market Regulation such as the European Markets Infrastructure Regulation (EMIR) and the Central Securities Depository Regulation (CSDR).

4. Research Publications

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A. Why the regulatory witch-hunt for 'closet trackers' is a dead-end

ECMI Commentaries | December 2014

ESMA, the European watchdog of securities markets, has announced its intention to take a closer look at so-called 'closet trackers', with a view to identify whether there is a potential need for a coordinated pan-European policy response to these particular funds, which are supposedly actively managed but in reality closely track their benchmarks. In this commentary, Jean-Pierre Casey suggests that more work needs to be done to demonstrate that a market failure exists. He also cautions on some of the difficulties associated with a potential regulatory intervention. In his view, the perceived problem is best tackled through transparency and competition.

B. A Life Cycle Approach to Investor Protection

ECMI Working Paper | September 2014

The market for investment products, including both securities and investment funds, is fraught with difficulties for consumers in terms of the ease of comparing products, trust in suppliers and consumer satisfaction. A comprehensive approach to investor protection, developed around the lifecycle of a financial product, may offer the investor greater protection during an investment's life span. This working paper proposes a new approach to investor protection, building on a review of major market failures affecting the origination, distribution and sale of financial products and based on a review of the relevant scientific literature and country experiences. The application of a 'know-your-product' principle at origination, a narrower 'default rule' for best execution and an ex-ante distinction between advice and 'information-only' services are among the options discussed in this paper to enhance the investor protection framework over the lifecycle of a financial product.

C. The OTC derivatives markets after financial reforms

ECMI Commentary | May 2014

This commentary provides a snapshot of the current status of the global OTC derivatives markets by: i) identifying general trends over the past decade, ii) looking at the changes in the market structure (instruments and participants), iii) estimating the uncollateralised derivatives exposure and iv) examining the relationship between OTC and ET derivatives.

D. Supporting Access to Finance by SMEs: Mapping the initiatives in five EU countries

ECMI Research Report | April 2014

This paper maps the initiatives to support access to finance for small- and medium-sized enterprises (SMEs) that were available at national level in 2012 in the five biggest European economies (Germany, France, the UK, Italy and Spain). This mapping distinguishes initiatives promoted and financed primarily through public resources from those developed independently by the market. A second breakdown is proposed for those sources of finance with different targets, i.e. whether the target is debt financing (typically bank loans at favourable conditions, public guarantees on loans, etc.) or equity financing (typically venture capital funds, tax incentives on equity investments, etc.).

A broad set of initiatives has been implemented to close the funding gap of SMEs in these five countries. The total amount of public spending for SMEs, however, has remained well below 1% of GDP. Public subsidisation of bank loans has been by far the most diffused type of intervention. Despite the fact that this strategy might prove to be effective in the short term, it fails to address long-term sustainability issues via a more diversified set of financing tools.

5. Conferences and Seminars

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A. Is China taking financial liberalisation seriously? The Chinese financial system after the great global imbalances

ECMI-CEPS Lunch-time event | 25 September | CEPS, Brussels

China is currently facing formidable challenges with regard to the timing, speed and sequencing of the reforms as discussants emphasized at the event. The financial sector reform alone would not be enough. It has to be embedded in wider process aiming at addressing distortions in many other important areas of the Chinese economy. On the financial reform agenda, it has been considered unwise to start implementing Basel III, liberalise the deposit rate, cut the roll-overs of NPLs, liberalise capital account, i.e. have all these measures becoming effective at the same time, because the banks are not yet in shape and the medium-term profitability of the banking sector looks gloomy. Also, it appears that Chinese investors are interested in smaller, specialised, niche investments. However, there are still many entry barriers in China for the widely recognised European UCITS.

Speakers

- **Alicia García-Herrero**, Chief Economist for Emerging Markets, Banco Bilbao Vizcaya Argentaria (BBVA)
- **James Hopegood**, Policy Analyst, Asset management unit (G4), DG MARKT, Internal Market and Services, European Commission
- **Norbert Wunner**, Deputy Head of Unit, Countries of the G-20 - IMF - G-Groups (Unit D3), DG ECFIN, European Commission
- Chaired by **Karel Lannoo**, CEO of CEPS, General Manager of ECMI.

B. The Europeanisation of the back office - The implications of CSD Regulation and T2S

ECMI-CEPS Lunch-time event | 11 July | CEPS, Brussels

The progress made in two paramount initiatives in post-trade infrastructure – the Target-2 Securities System and the Central Securities Depositories Regulation – was the focus of discussion at this lunchtime meeting. The discussants pointed out that while the initiatives could operate independently from each other, only their complementary nature will create the synergies that can result in safer and more efficient markets. They will for instance allow operation of only one collateral pool and will optimise the back office. At the same time, it was highlighted that settlement is only one of multiple post-trade services and not the most costly one. The main cost factor and the greatest operational risk arises from services related to corporate action such as taxation. There was general agreement among the participants that in order to achieve further cost reductions and efficiency gains, more far-reaching harmonisation is needed, especially in the field of security laws.

Speakers

- **Dirk Bullmann**, Adviser DG General Market Infrastructure and Payments, European Central Bank
- **Tony Freeman**, Head of Industry Relations, DTCC
- **Agata Malczewska**, Financial Markets Infrastructure, European Commission
- **Gaël Nicora**, Asset Servicing Business Executive, The Bank of New York Mellon SA/NV
- **Ilse Peeters**, Director Public Affairs, Euroclear S.A.
- Moderated by **Godfried De Vidts**, Director European Affairs, ICAP.

C. U.S. Perspective on Cross-border OTC Derivatives Regulation

ECMI-CEPS Lunch-time event | 7 July | CEPS, Brussels

In their first trip to Brussels since the adoption of new cross-border derivatives rules, U.S. Securities and Exchange Commission (SEC) officials explained the new rules and spoke about on-going international efforts to address regulatory gaps, overlaps and conflicts. Brian Bussey explained the key elements, namely the registration requirements for security-based swap dealer and major security-based swap participants, these being supported by cross-cutting rules, such as the "U.S. person" definition, and a procedural rule regarding the "substituted compliance", a U.S. term of what the EU calls "equivalence". Eric Pan indicated that the written indemnification agreement provision in the Dodd Frank Act (recourse to data in EU terms) poses a challenge for non-US regulators to have access to data from US-based trade repositories (TRs). On the European side, EMIR has the requirement there should be an international agreement to get access to data from EU-based TRs.



Brian Bussey, Karel Lannoo and Eric Pan

Speakers

- **Brian Bussey**, Associate Director for Derivatives Policy and Trading Practices, Division of Trading and Markets, U.S. Securities and Exchange Commission
- **Eric J. Pan**, Associate Director, Office of International Affairs, U.S. Securities and Exchange Commission
- Moderated by **Karel Lannoo**, CEO of CEPS, General Manager of ECMI.

D. OTC derivatives markets after financial reforms

ECMI-CEPS Lunch-time event | 19 May | CEPS, Brussels



Uzma Wahhab, Stephen O'Connor and Michael Davie

The current state of OTC derivatives trade reporting, central clearing and trade execution and the many challenges ahead were among the topics of discussion at this meeting. According to Stephen O'Connor (ISDA), the margin requirements for the non-cleared segment and market fragmentation are the industry's main concerns. With regard to centralised infrastructures, Michael Davie (LCH.Clearnet) endorsed the 'defaulter pays' model rather than risk mutualisation for CCPs, while for trade

repositories, Alexander Broderick (DTCC) backed the 'market utility' model, designed to satisfy multiple stakeholders. Stephen Taylor (NASDAQ OMX) argued that further innovation could bridge the OTC and exchange-traded worlds. The importance of achieving meaningful international regulatory convergence was underlined by Nicolas Gauthier of the European Commission. Uzma Wahhab (FSB) indicated that CPSS-IOSCO final reports on resolution and recovery of FMIs will be published soon.

Speakers

- **Alexander Broderick**, CEO and President, Deriv/SERV, Depository Trust & Clearing Corporation (DTCC)
- **Michael Davie**, CEO, LCH.Clearnet
- **Nicolas Gauthier**, Policy Officer, Financial Markets Infrastructure Unit, European Commission
- **Stephen O'Connor**, Chairman, International Swaps and Derivatives Association (ISDA)
- **Stephen Taylor**, Vice President, Head of Market and Product Development, NASDAQ OMX NLX
- **Uzma Wahhab**, Member of Secretariat, Financial Stability Board (FSB)
- Moderated by **Diego Valiante**, Head of Capital Markets Research, ECMI and CEPS.

E. The changing face of global commodities markets: understanding the role of trading houses

ECMI-CEPS half day conference | 20 March | CEPS, Brussels

Following up a major report published last year on price formation in commodities markets, ECMI and CEPS co-hosted a presentation by Professor Craig Pirrong's of his report "The Economics of Commodity Trading Firms" and how they manage commodities risks. A panel of experts discussed the policy and regulatory challenges posed by an increasingly complex interaction between commodities' physical and financial markets, and the potential systemic importance of commodity trading houses. Answering to market practitioners, Valerie Ledure from the European Commission argued that EU regulations, such as MIFID II or EMIR, envisage preserving physical trading activities via exemptions or transitional arrangements for financial instruments of non-financial entities, if their financial activities can be regarded as ancillary to their core business and for hedging purposes only. Finally, Edward Lucas, from The Economist, argued that the Market Abuse Directive (MAD) has not given enough sanctioning powers to deter manipulation in several areas, including commodities benchmarks.



Speakers

Session 1

- **Hélyette Geman**, Director, Commodity Finance Centre Birkbeck, University of London
- **Diego Valiante**, Head of Capital Markets Research, CEPS and ECMI
- Moderated by **John Llewellyn**, Partner, co-founder Llewellyn Consulting

Session 2

- **Peter Caddy**, Global Business Development Director, Argus Media Ltd
- **Valérie Ledure**, Policy Officer, DG Internal Market and Services, European Commission
- **Edward Lucas**, Senior Editor, The Economist
- **Christophe Salmon**, Chief Financial Officer Europe, Middle East and Africa, Trafigura
- Chaired by **John Llewellyn**, Partner, Co-founder Llewellyn Consulting.

F. Boards and Shareholders in European Listed Companies

ECMI-CEPS Debate on the occasion of book launch | 17 February | CEPS, Brussels

On February 17th, ECMI hosted the launch of the volume "Boards and Shareholders in European Listed Companies", edited by Guido Ferrarini and Massimo Belcredi. David Jackson, Company Secretary at BP, emphasized that a 'one-size-fits-all' approach must be avoided when advancing initiatives aiming at delivering stronger and more effective corporate governance. In the wake of the financial crisis, there have been calls for more harmonization across the EU.

The Commission responded by adopting two corresponding Green Papers and an Action Plan. A General Legislative Package, merging all major company law directives into a single instrument, is to be published in the coming period.



David Jackson and Jörgen Holmquist

Ugo Bassi argued that the new EU proposals will preserve both 'hard' (rule-based, public intervention) and 'soft' (principle-based, self-regulation) law at national level, reflecting the diversity in legal systems, business models, ownership structures and so on. The objective is to improve disclosure practices and not intrusively regulating the behaviour of the companies.

Speakers

- **David Jackson**, Company Secretary, BP p.l.c. [Keynote]
- **Guido Ferrarini**, Professor of Business Law and Capital Markets Law, University of Genoa, Editor of the Book
- **Edmond Alphandéry**, Chairman of the CEPS Board
- **Ugo Bassi**, Director, Capital and Companies, DG MARKT, European Commission
- **Jörgen Holmquist**, Chairman, European Corporate Governance Institute (ECGI)
- Moderated by **Stefano Micossi**, Director General, Assonime and Member of the CEPS Board.

G. What future for socially responsible investing? How capital markets can save lives and generate returns for investors: The Vaccine Bonds initiative

ECMI-CEPS Lunch-time event | 15 January | CEPS, Brussels



Tilman Lueder and George Richardson

What future for socially responsible investing? This question guided the main debate at an event organised by ECMI on January 15th. The panel of discussants offered their views on how to further unlock a growing segment in finance, which seeks to achieve strong financial returns for investors while also addressing various societal challenges. The terminology of socially responsible investing is still evolving, and criteria such as investment strategies, societal outcomes or the depth and quality of ESG

(environmental, social, corporate governance) factors are not applied homogeneously. Markets for sustainable investments, such as green bonds, vaccine bonds and social housing bonds, have become increasingly attractive in recent years, with the emergence of different models of fund-raising. At EU level, the framework for two new funding vehicles - EuSEF (European Social Entrepreneurship Funds) and ELTIF (European Long-Term Investment Funds) - was recently proposed.

Speakers

- **René Karsenti**, Chairman, International Finance Facility for Immunisation (IFFIm) and President, International Capital Market Association (ICMA)
- **Tilman Lueder**, Head of Unit Asset Management, DG Internal Market and Services, European Commission
- **Emmanuelle Ostiari**, SRI Analyst, MIROVA - Responsible Investing, Investment division of Natixis Asset Management
- **George Richardson**, Head Capital Markets, World Bank
- **Claire Roumet**, Secretary General, Cecodhas Housing Europe
- Moderated by **Karel Lannoo**, General Manager of ECMI and CEO of CEPS.

ECMI Annual Conference 2014

The Five Years Ahead - A new action plan for Europe's financial markets?

29 October 2014 • National Bank of Belgium

The 2014 ECMI Annual Conference was a high-level event organised by the European Capital Markets Institute (ECMI) and Centre for European Policy Studies (CEPS). It brought together more than 350 academics, policy-makers, and market participants from across Europe and beyond to engage a diverse audience in lively debates on the challenges facing Europe's financial markets.

The conference was divided into four panels around the following topics:

- 1) **Reverting Financial Disintegration:** What implications for the future of the Euro area in the European Union?
- 2) **Regulating under uncertainty:** The impact of financial reforms on liquidity
- 3) **Too fast too furious?** The future of market microstructure in shaping a pan-European financial markets architecture
- 4) **Sourcing from the crowd:** The 'democratisation' of finance?



Key takeaways

- **Session 1.** A lack of risk-sharing financial integration makes the financial system more prone to fragmentation when losses on financial claims materialise. Bank-based over-indebtedness in Europe's private sector has endangered the solvency of states and driven fragmentation. Banking union will not thrive without a fully-fledged fiscal backstop.
- **Session 2.** If not properly designed, new capital requirements on banks may have long-lasting effects on liquidity, but they are necessary to prop up the financial system against the risks we experienced during the last financial crisis. Law's elasticity also played a key role in creating the liquidity that financial markets needed to grow and, consequently, offer a space for central bank interventions. Nonetheless, policy-makers should pay more attention to pricing mechanisms. Illiquidity is not necessarily a problem if it is correctly priced.
- **Session 3.** Trading technologies have improved market liquidity and offered better price formation through increased competition among trading venues. Despite the unanimous view about the disruptive nature of those technologies advances, views still diverge about what the infinite race to be faster (continuous trading) may produce in terms of collateral damages for market quality. A proposal for discrete trading has reopened discussions about the future of market microstructure.
- **Session 4.** Led by social networks, crowdfunding has become a catalyst for the democratisation of innovation and finance. Its rapid development confirms that this social and financial phenomenon is here to stay and could soon complement traditional bank and capital markets funding, especially for start-ups and SMEs..

Keynote Speakers



**Eric
Budish**



**Mathias
Dewatripont**



**Barry
Eichengreen**



**Dan
Marom**



**Katharina
Pistor**



**Thomas
Wieser**

- **Eric Budish**, Associate Professor of Economics, Chicago Booth School of Business
- **Mathias Dewatripont**, Vice Governor, National Bank of Belgium
- **Barry Eichengreen**, Pitt Professor of American History and Institutions, University of Cambridge and Professor of Economics and Political Science, University of California, Berkeley
- **Dan Marom**, Co-Author of "The Crowdfunding Revolution", Entrepreneur, Consultant and Researcher
- **Katharina Pistor**, Michael I. Sovern Professor of Law, Columbia Law School
- **Thomas Wieser**, President of the Eurogroup Working Group and the Economic and Financial Committee, Council of the EU

Conference Report

A full report of the ECMI Annual Conference is available at www.eurocapitalmarkets.org/2014AC together with the presentations of the speakers.

Hosted by



Organisers

The conference was organised by the European Capital Markets Institute (ECMI) in partnership with the Centre for European Policy Studies (CEPS), the Belgian Financial Forum (BFF) and EURO-CEFG and hosted by the National Bank of Belgium.



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6. Statistical Package

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The most comprehensive overview of Europe's capital markets

The 2014 ECMI Statistical Package is the result of a comprehensive data collection exercise on capital markets, accompanied by graphical representations and explanatory commentary. It represents important progress towards overcome the existing data fragmentation by offering a 'one-stop-shop' for market participants, regulators, academics and students. In addition, it enables users to trace relevant trends and highlight the ongoing transformations of capital markets, including the structural changes brought about by competitive forces, innovation and regulation. For example, at year-end 2013, the domestic market capitalisation of the largest economies has come back to the pre-crisis growth rates, after having faced a drop of around 40% on average between 2007 and 2008. Over the past five years, the government debt securities have been constantly driving up the aggregate size of the debt market. At the same time, the exchange-traded derivatives registered a positive growth rate after having showed a negative pattern in the previous three years.

The package is available in 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 2014

Provides:	Covers:
<ul style="list-style-type: none"> ➤ Over 150 tables ➤ Over 120 figures ➤ Data for over 40 stock exchanges ➤ Data for 40 Countries ➤ Covering up to 24 years (1990-2013) ➤ Equity market ➤ MiFID statistics 	<ul style="list-style-type: none"> ➤ Debt securities market ➤ Exchange-traded derivative market ➤ Over-the-counter derivative market ➤ Comprehensive data on asset management ➤ Gross domestic product ➤ Exchange rate ➤ Global comparative data

7. Preview for 2015

In 2015, Europe will consolidate its growth prospects and see some signs of reduction in unemployment levels. Financial stability, however, seems uncertain. The renewed threat of Greece leaving the Euro area and the deterioration of the market environment for banking systems raises the probabilities of a systemic event. Exogenous market conditions, coupled with a new expansionary monetary policy stance (quantitative easing), will increase volatility in currency markets and general asset prices. The ongoing restructuring of national banking systems, after the Comprehensive Assessment of the European Central Bank, will also contribute to further uncertainty. Within the framework of actions to revert financial fragmentation, the new European Commission has re-launched the single market project in financial services, with the creation of a single European capital market (or Capital Markets Union, CMU). The action plan, to be released in 2015 or early 2016, will set the agenda for a set of financial regulatory and institutional reforms by 2019. The European Capital Markets Institute (ECMI) is fully engaged with European institutions to provide input into this crucial debate for the future of Europe's capital markets. A group of international experts, with the support of the ECMI team, is working to provide recommendations and a more long-term contribution to this action plan. ECMI is also supporting the work of the European Commission in the assessment of third-country transparency and market abuse framework for the extension of the exemption for central banks and Debt Management Offices (DMOs) from the Markets in Financial Instruments Regulation (MiFIR) and the Market Abuse Regulation. As the implementation of financial reforms continues, ECMI plans to follow the process via international events, seminars, research publications and commentaries. After last year's success, the ECMI annual conference will continue to be a landmark event in Brussels with the participation of top scholars, policy makers and market practitioners. The Institute, finally, will also try to expand its range of partnerships with both academia and industry, which will put ECMI once again at the frontier of European policy research.

Diego Valiante, Ph.D.
ECMI Head of Research

1. Ongoing research activities

➤ MiFID II level 2 rules

- ECMI, together with IODS Insead Data Services and TABB Group, has produced for the European Securities and Markets Authority (ESMA) a high-level cost-benefit analysis and has provided support for its technical advice to the Commission, which was published in December 2014.
- ECMI, together with the University of Bologna, is drafting for the European Commission a report, to be delivered to the European Parliament, reviewing the transparency and market abuse framework in third country in order to assess the possibility to extend the exemption for central banks and DMOs also to non-EU countries.

➤ Capital Markets Union

- ECMI has set up an international expert group, chaired by Francesco Papadia, that will review the current status of EU capital markets and issue a report with recommendations for the upcoming capital markets union plan. The Group will meet five times before the publication of a report around mid-2015.
- ECMI is going to cover the green paper with two targeted publications on CMU.

➤ Credit Rating Agencies (CRAs) and overreliance on ratings

- ECMI is engaging with other EU partners to approach the European Commission for a tender proposal on the assessment of the third regulation on CRA and a broader studies on alternatives to credit ratings.

➤ Corporate governance in the EU

- An upcoming event on February 17th on the Nordic Corporate Governance model, with Professor Ron Gilson and other international speakers, will discuss the merits of a European corporate governance model and the pros and cons of current diversity.

➤ Commodities markets after the super-cycle

- An upcoming half-day event on March 24th will discuss the current status of liquidity and market structure in commodities, after the fall of oil prices and the wave of financial regulations (including new capital rules).

2. Potential fields of research in 2015

➤ Fixed income markets

- ECMI shall monitor and promote discussion in the area of fixed income markets and their developments after financial reforms. As banks undergo a tough restructuring process in many countries, fixed income markets may continue to develop like more standardised and transparent markets, which may ultimately produce a historical change. Meanwhile, big intermediaries will continue to play an important role, especially for private placement.

➤ Financial regulation and the institutional setting

- Focus on latest development in global post-crisis financial reforms and European policies to regulate capital markets and financial services. In particular, attention shall focus on monitoring developments in key international fora, such as IOSCO, BIS and G20, to define global standards in key areas, such as securities regulations, market infrastructure, margining of derivatives trades, collateral use, etc.
- Monitor how the institutional setting of the new EU supervisory authorities (ESAs) is evolving in light of the new banking union institutions, led by the European Central Bank.

➤ Financial regulation and markets

- *MIFID II/MIFIR*. Some publications will be produced on the wave of level 2 rules proposed by ESMA, especially in the areas of:
 - a. Market infrastructure (e.g. industry consolidation); and
 - b. Investor protection (e.g. investment advice, best execution, on-going disclosure).
- *The EMIR review*. As Europe struggles to implement fully the first set of rules, discussions have already begun to assess what has not worked and how a review of EMIR can actually improve the market environment. ECMI will also follow market developments and assess the spill-over effects of regulatory changes on derivatives markets and its structure, engage with discussions on how to avoid increasing regulatory arbitrages.
- *Non-bank funding for large corporates and SMEs*. As banks continue tightening credit, many corporates are increasingly accessing direct market finance, either equity or debt (loans or financial instruments). Nonetheless, SMEs seem to suffer the most from a funding gap that is worsening credit conditions in several countries.

➤ Financial markets structure

- *Market microstructure*. ECMI will continue to follow the discussion on benefits and drawbacks of trading technologies and the role of high-frequency trading for quality of price formation. A comparative EU-US approach shall review studies and academic contribution in this complex area of financial markets.
- *Financial fragmentation*. ECMI shall continue to monitor the status of financial fragmentation in Europe, with a review of markets within and outside the Euro area.
- *Competition policy in financial markets services*. Key developments in financial markets have attracted the attention of competition policy regulators. New investigations, such as the LIBOR scandal or commercial arrangements on information sharing, have shaken up the whole financial services industry. What's next?

➤ Asset management in a low-yield environment

- The asset management sector is rapidly changing and taking different shapes to generate returns for investors. After two successful Task Forces in the recent past, ECMI aims at continuing, in the medium term, to develop its research and understanding of the processes affecting the industry.

➤ Institutional developments in the Eurozone

- As Greece revives the Eurozone debt crisis, there is still an ongoing discussion about the institutional and political structure of the Euro area. Many scholars argue that the monetary union cannot survive without political union, but the latter is still largely undefined. Due to the importance of the monetary union for the development of European financial markets, ECMI shall continue to monitor and stimulate discussion around this fundamental topic for the future of Europe.

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8. About ECMI

Access content @ eurocapitalmarkets.org

Informing policy on European capital markets

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 among 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.



Board of Directors

- Fabrice Demarigny, Head of Capital Markets Activities, Mazars [*Chairman ECMI*]
- Chris Golden, Delegate of EFFAS [*Vice-Chairman ECMI*]
- Ramon Adarraga, Director, BME
- Stefano Caselli, Professor of Finance, Bocconi University
- Joanna Cound, Managing Director, Government Affairs & Public Policy, BlackRock
- Gerry Cross, Managing Director, Advocacy, AFME
- Godfried De Vidts, Head of European Affairs, ICAP
- René Karsenti, President, International Capital Market Association (ICMA)
- Marco Lamandini, Professor of Commercial Law, University of Bologna
- Karel Lannoo, CEO, CEPS and General Manager, ECMI
- Florencio López de Silanes, Professor of Finance and Law, EDHEC Business School
- Rhodri Preece, Head, Standards & Financial Market Integrity, EMEA, CFA Institute
- 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 Head of Research at ECMI and Head of Financial Markets and Institutions 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.



Jan-Martin Frie joined ECMI in February 2014. His research focus is the implementation of MiFID II/MiFIR and market structure issues. Before joining ECMI, he worked as a trainee at the European Commission (DG Internal Market and Services) where he performed political and economic analysis in the context of the implementation of the Credit Rating Agencies Directive III and the evaluation of the International Financial Reporting Standards (IFRS). He was a Research Assistant at the Kiel Institute for the World Economy and an Associate Researcher at the German Institute for International and Security Affairs. Jan-Martin holds a Magister in Economics and Politics from Christian-Albrechts University Kiel and an MA in European Economic Studies from the College of Europe in Bruges.



Cosmina Amariei joined ECMI in November 2013. She holds a BA in Economics (Babes-Bolyai University of Cluj-Napoca) and MA in International Economics and European Affairs (Bucharest University of Economic Studies and University College Brussels). She is particularly interested in central banking and financial markets related topics. In the past, she worked at the National Central Bank of Romania (EU Affairs Department) and Romanian Commercial Bank, Erste Group Bank AG (Financial Institutions Division).

11. Selected Titles 2010-2014

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

Price Formation in Commodities Markets: Financialisation and Beyond, Diego Valiante, September 2013

Saving for Retirement and Investing for Growth, Mirzha de Manuel Aramendía, September 2013

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 Research Reports

- No. 9 "Supporting Access to Finance by SMEs: Mapping the initiatives in five EU countries", Federico Infelise, April 2014
- 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

ECMI Working Papers

- No. 1 "A Life Cycle Approach to Investor Protection", Mirzha De Manuel Aramendía, Diego Valiante, September 2014

ECMI Policy Briefs

- No. 21 "A Proper Yield Curve for Greece to Kick-Start Financial Intermediation", Christian Kopf and Miranda Xafa, December 2013
- 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

ECMI Commentaries

- No. 37 "Why the regulatory witch-hunt for 'closet trackers' is a dead-end", Jean-Pierre Casey, 9 December 2014
- No. 36 "The OTC derivatives markets after financial reforms", Cosmina Amariei and Diego Valiante, 23 May 2014
- No. 35 "Why a more accurate EU definition of SMEs matters!", Federico Infelise, Diego Valiante, 15 November 2013
- No. 34 "Implementing the AIFMD: Success or Failure?", Mirzha de Manuel Aramendía, 28 March 2013
- 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

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:

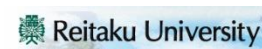
Founding Members
Corporate Members
Academic Institutions

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 2014
For a full and updated list consult our website





European Capital Markets Institute
Informing policy on European capital markets