

Board Meeting and New Chair



During the board meeting on the 16th of June, Fabrice Demarigny was elected as new Chairman of the board for the coming 3 years. He took over from René Karsenti, who chaired the Board of ECMI from 2008 to 2014. Fabrice Demarigny, Attorney at law (Marccus Partners) and Global Head of Capital Market Activities of MAZARS Group, said: "The healthy regulatory effort of the European Union since the financial crisis will translate into reality in the next 5 years with renewed EU leaders. ECMI will continue to assemble academics, regulators and market participants to contribute ideas favoring an efficient EU wide financial market to finance the economy." He added: "On behalf of the Board and the entire membership, I would like to extend all our gratitude to René Karsenti, Chairman of ICMA, for his outstanding contribution to ECMI - under his leadership, ECMI has successfully become one of the leading Brussels think tanks on financial and capital market issues." Karel Lannoo, Director of ECMI and CEO of the Centre of European Policy Studies said: "As chair, René Karsenti has ensured the continuity at ECMI and personalised the close relationship we have with the many different capital markets actors that are members of ECMI. I am very grateful for his strong support during all these years." [Click here to download a resumé of the new Chairman Fabrice Demarigny.](#)

PUBLICATIONS

2014 ECMI Statistical Package

October 2014 | By Edoardo Piciucchi

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. [Click here to purchase the download.](#) ECMI members can download the package for free on the ECMI webpage.



A Life Cycle Approach to Investor Protection

September 2014 | By Mirzha de Manuel and Diego Valiante

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 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. [Click here to download the working paper.](#)

The OTC Derivatives Markets After Financial Reforms

May 2014 | By Cosmina Amariei and Diego Valiante

Over the past five years, over-the-counter (OTC) derivatives markets have received heightened regulatory attention, due to their opaqueness, size and interconnectedness, with a view to improving the robustness, safety and resilience of this market segment. Based on the data compiled for the yearly ECMI Statistical Package, 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. [Click here to download this policy brief.](#)

UPCOMING RESEARCH

Creation of a new Expert Group and Task Force on European Capital Markets

1st meeting 12 December 2014

The European Capital Markets Institute (ECMI) and the Centre for European Policy Studies (CEPS) are inviting market participants, policy-makers and academics to engage in debate on the future of Europe's capital markets by joining a Task Force that will work with the European Capital Markets Expert Group (ECMEG). 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. [Please click here to find more information on the Expert Group and Task Force.](#)

UPCOMING EVENTS

A corporate governance model for Europe: Is diversity sustainable?

ECMI-CEPS Lunch Time Meeting in cooperation with SNS (Centre for Business and Policy Studies) | 17 February 2015

Following the financial crisis we have seen a tidal wave of new EU-regulations aiming to improve corporate governance structures, not only in the financial sector. More will come in the area of company laws for the "capital markets union". As a result, the new European Commission will have to face important questions on how to develop an ecosystem around corporate governance, which works for the single market. To what extent are different national corporate governance regimes compatible with European integration? Is competition between corporate governance models desirable? How are corporate governance models developing in, in the aftermath of the financial crisis and what can we learn from the Nordic model of corporate governance? Ronald Gilson (Professor of Law and Business at Stanford Law School) together with Jacob Wallenberg (Chairman at Investor AB) will comment upon a new book launched by the Centre for Business and Policy Studies (SNS). [Please consult our webpage for more information and to register.](#)



Diego Valiante appointed Economic Adviser of ESMA

Diego Valiante, Researcher and Head of Capital Markets at CEPS, has been selected to join the Group of Economic Advisers (GEA) to the European Securities and Markets Authority (ESMA) for the period 2014-2016. This advisory body supports ESMA in its analytical work on economic and financial stability.

RECENT EVENTS

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

ECMI Annual Conference | 29 October 2014 | National Bank of Belgium

The 2014 ECMI Annual Conference brought together again more than 350 academics, policy-makers and market participants from across Europe and beyond. The event focused on important challenges for Europe's financial markets. Financial fragmentation remains a drag over some national economies and a session questioned whether the creation of the Banking Union can reverse the trend without a fiscal backstop to the resolution mechanism. The second session discussed how the law can shape liquidity in the financial system before a financial crisis, with its implementation, and after, with its relaxation. Nonetheless, more robust action to increase capital provisions for banks and to pursue similar actions into shadow banking activities is needed. Third session discussed financial markets microstructure and how high-frequency trading is reaching the end of its speed race with risks for market functioning. The panel discussed whether we are approaching the end of continuous trading. The last session offered an overview of the challenges that crowdfunding faces as a more important source of funding for advanced economies. A detailed event report will be published soon on our webpage.



Is China taking financial liberalisation seriously? *The Chinese financial system after the "Great Global Imbalances"*

ECMI Lunch-time event | 25 September 2014 | CEPS Brussels

At the ECMI-CEPS event organised on September 25th, the discussants emphasized that China is currently facing formidable challenges with regard to the timing, speed and sequencing of the reforms. 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. [Click here to download the event report.](#)

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

ECMI-CEPS Lunchtime Meeting | 11 July 2014 | 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 an ECMI-CEPS lunchtime meeting on July 11th. 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. [Click here to download the event report.](#)

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

ECMI-CEPS Lunch Time Meeting | 7 July 2014 | CEPS Brussels



In their first trip to Brussels since the adoption of new cross-border derivatives rules (June 25, 2014), 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. [Click here to download the event report.](#)

OTC derivatives markets after financial reforms

ECMI-CEPS Lunch Time Meeting | 19 May 2014 | CEPS Brussels

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 a meeting at CEPS on May 19th. 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. [Click here to download the event report.](#)

