

UPCOMING EVENTS

The OTC Derivatives Markets after Financial Reforms

ECMI Lunch-time event | 19 May 2014 | CEPS Brussels

Over the past five years, OTC derivatives markets have received heightened regulatory attention aiming at improving transparency, reducing counterparty risk and increasing the resilience of this market segment. The progress in the follow-up of the G20 commitments in the EU (EMIR, MiFID II) and US (SEF, Title VII of Dodd-Frank Act) is of particular importance for the future shape of global derivatives markets, given that these two jurisdictions account for roughly 80% of the global OTC derivatives markets. As mandatory clearing and trading obligations kick in, this event looks into how market infrastructure is developing to serve new needs. This event will evaluate the recent reforms and also host the presentation of the newly released report drafted by ISDA (International Swaps and Derivatives Association) on the current state of central clearing and trade reporting in the global OTC derivatives market. Please click [here](#) for more information and to register for the event.

The five years ahead: A New Action Plan for Europe's financial markets?

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



The ECMI Annual Conference is a major event in Brussels that brings together policy-makers, academics and international experts to discuss challenges for European capital markets integration policies and global financial reforms. This year's conference, held on the 29th of October, will discuss options for European capital markets to revert financial disintegration and the impact of financial reform on liquidity. The conference will also assess the evolving market microstructure and crowd sourcing as a recent development in financial markets, taking stock of evidence discussed by panels of international experts. The conference consists of four sessions with keynote speeches and presentations, followed by panel debates with audience involvement.

Session 1. Macroeconomic and institutional outlook - Reverting Financial Disintegration: What implications for the future of the Euro area in the European Union?

Session 2. Law and Finance - Regulating under uncertainty: the impact of financial reforms on liquidity

Session 3. Market microstructure - Too fast too furious? The future of market microstructure and its role for a pan-European financial markets architecture

Session 4. Access to finance - Sourcing from the crowd: the 'democratisation' of finance?

Confirmed keynote speakers so far are:

- Barry Eichengreen, Pitt Professor of American History and Institutions, University of Cambridge
- Katharina Pistor, Michael I. Sovern Professor of Law, Columbia Law School

RECENT EVENTS

The Changing Face of Global Commodities Markets: Understanding the role of trading houses

[ECMI-CEPS Conference | 20 March 2014 | CEPS Brussels](#)



Following up a major report published last year on price formation in commodities markets, on March 20th, 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. [Click here to download the event report.](#)

Boards and Shareholders in European Listed Companies

[ECMI-CEPS Debate | 17 February 2014 | 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. 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. [Click here to download the event report.](#)

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 Meeting | 15 January 2014 | CEPS Brussels](#)



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. [Click here to download the presentations and the report of the event.](#)

The Missing Pieces of the SME Financing Story

ECMI-CEPS Meeting | 4 December 2013 | CEPS Brussels



Ensuring proper access to finance for SMEs has been a topical issue in the European debate since the outbreak of the financial crisis and is seen as a way to promote innovation, job creation and growth. Bureaucracy, taxation, macroeconomic factors, and country risk are only some of the variables influencing the ability of SMEs to access finance. In order to take stock of the situation across a multitude of EU, national and

regional initiatives which aim to influence these different variables, the European Capital Markets Institute (ECMI) organized a half-day conference on the 4th of December. The conference brought at the same table regulators, market participants and SMEs representatives to identify market failure and discuss which are the most effective available strategies to improve the access to finance for SMEs and which public policies and market-based initiatives can be developed to narrow the SMEs funding gap. In this context the recent research by ECMI on the definition of SMEs was presented, which allows to better inform economic policy aimed at SMEs. [Click here to download the event report.](#)

PUBLICATIONS

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

April 2014 | By Federico Infelise

The ECMI Statistical Package presents a comprehensive collection of relevant data on the dynamics of various segments of European and global 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 data fragmentation on the evolution of European capital markets by offering a 'one-stop-shop' for market participants, regulators, academics and students. The 2013 version includes disaggregated data on equity markets for each stock exchange belonging to the same group. The package also compiles a wide range of MiFID statistics for pan-European and national equity trading venues. The debt securities section also includes data about securitisation, while the section on exchange-traded derivatives offers complete stock and index options and futures overview. The asset management section has been enriched with data about pension funds and insurance companies. [Click here to download this research report.](#)

ECMI Statistical Package 2013

February 2014 | By Cosmina Amariei



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A Proper Yield Curve for Greece to Kick-Start Financial Intermediation

December 2013 | By Christian Kopf and Miranda Xafa

At present, the market is severely mispricing Greece's sovereign risk relative to the country's fundamentals. As a result of the mispricing, financial intermediation in Greece has become dysfunctional and the privatisation of state-owned assets has stalled. This mispricing is partially due to an illiquid and fragmented government yield curve. A well-designed public liability management exercise can lead to a more efficient pricing of Greece's government bonds and thereby help restore stable and affordable financing for the country's private sector, which is imperative in order to overcome Greece's deep recession. This paper proposes three measures to enhance the functioning of the Greek government debt market: i) Greece should issue a new five-year bond, ii) it should consolidate the 20 individual series of government bonds into four liquid securities and iii) it should offer investors a swap of these newly created bonds into dollar-denominated securities. Each of these measures would be beneficial to the Hellenic Republic, since the government would be able to reduce the face value and the net present value of its debt stock. Furthermore, this exercise would facilitate the resumption of market access, which is a necessary condition for continuous multilateral disbursements to Greece. [Click here to download this policy brief.](#)

ONGOING RESEARCH

ESMA awards contract to ECMI and two partners for research support on MiFID II

ESMA has recently awarded a 2 years framework contract to ECMI, as leading partner of a consortium with TABB group and IODS, consisting in providing support for impact assessment and data gathering on the implementing measures (Level 2 rules) of the new Markets in Financial Instruments Directive (MiFID) and Regulation (MiFIR). MiFID II is one of the key reforms of the European Union after the financial crisis in the realm of Financial Market Regulation. As MiFID I did, it is expected to have significant impact on the functioning of European Capital Markets, especially for non-equity financial instruments. The research to be conducted will feed into new standards for transparency, market structure, supervision and investor protection. The legislation will have major interaction with other EU legislation, such as the European Markets Infrastructure Regulation (EMIR) and the Central Securities Depository Regulation (CSDR).

OTC derivatives markets under scrutiny

Over the past five years, the over-the-counter (OTC) derivatives markets have been amongst those markets receiving heightened regulatory attention. The opaqueness, massive size and interconnectedness created impetus for more regulation with a view to improving the robustness, safety and resilience of this market segment. Based on the data compiled for the 2013 ECMI Statistical Package, ongoing research aims at providing a snapshot of current status of the global OTC derivatives markets by: i) identifying general trends by looking at the evolution of notional amounts outstanding, gross market values and gross credit exposures over the past decade, ii) looking at the changes in the market structure (instruments and participants) and iii) estimating the uncollateralised derivatives exposure. In addition, iv) the dominance of OTC derivatives over exchange-traded derivatives (ETD) is examined. The findings will accumulate into an ECMI commentary.

STAFF NEWS



Jan-Martin Frie

In February and May 2014, Jan-Martin Frie and Cosmina Amariei have joined ECMI as research assistants. We welcome the new colleagues and are looking forward to working with them. [Click here for more information.](#)



Cosmina Amariei