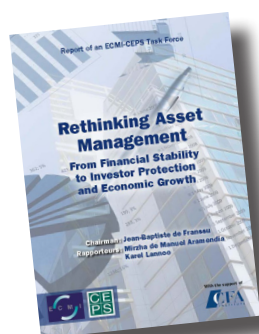




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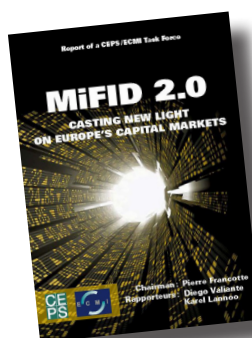
RETHINKING ASSET MANAGEMENT: FROM FINANCIAL STABILITY TO INVESTOR PROTECTION AND ECONOMIC GROWTH

Mirzha de Manuel and Karel Lannoo

CEPS Task Force Report | APRIL 2012

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 packaged retail investment products (PRIIPS). In an effort to make these complex issues comprehensible to a broad group of readers, the report combines clear language and straightforward introductions with detailed analysis and technical illustrations.



MIFID 2.0: CASTING NEW LIGHT ON EUROPE'S CAPITAL MARKETS

Diego Valiante and Karel Lannoo

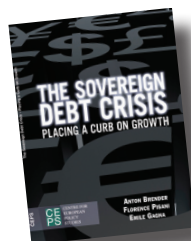
CEPS Task Force Report | FEBRUARY 2011

ECMI and CEPS formed a Task Force of senior representatives of European financial markets – including asset managers, stock exchanges, multilateral trading facilities, investment banks and commercial banks – to debate policy options and examine their implications for market

integrity and stability, market efficiency and investor protection.

This timely and well-documented report finds that the review of MiFID should clarify intended scopes, fill gaps in the legal text and harmonise supervisory practices among member states. It should make sure that the benefits of a new competitive environment are spread along the value chain and passed on to final users, both retail and wholesale investors, as appropriate.

THE SOVEREIGN DEBT CRISIS: PLACING A CURB ON GROWTH



**Anton Brender
Florence Pisani
Emile Gagna**

CEPS Paperback |
MAY 2012

To ward off the threat of a worldwide depression that loomed at the end of the 2000s, governments opted to run up substantial fiscal deficits. In doing so, they sowed the seeds of the sovereign debt crisis. Saddled with often high debt burdens and modest growth prospects, developed countries' governments must now rebalance their budgets. Doing so too rapidly, however, will choke growth. Faced with this dilemma, Japan and the United States have pursued growth policies while the euro area members are quickly trying to rebalance their budgets. This book explores the respective risks associated with these two strategies.

BUSINESS MODELS IN EUROPEAN BANKING: A PRE-AND POST-CRISIS SCREENING



**Rym Ayadi
Emrah Arbak
Willem Pieter De Groen**

CEPS Paperback |
SEPTEMBER 2011

The next few years will be critical for Europe's banking industry as it faces a number of financial sector reforms that will have a decisive impact on the dominant practices and business models followed across the EU. This timely report presents the results of the first screening exercise conducted of the performance, stability, risk, efficiency and corporate governance of 26 major European banks, before, during and after the financial crisis, with a view to identifying key strengths and weaknesses inherent in the dominant business models in light of the upcoming regulatory changes.

THE EUROPE 2020 STRATEGY: CAN IT MAINTAIN THE EU'S COMPETITIVENESS IN THE WORLD?



**Daniel Gros
Felix Roth**

CEPS Paperback |
SEPTEMBER 2012

This CEPS report takes an in-depth look at the Europe 2020 strategy and the goals it sets for the EU, with the aim of shedding light on the question of whether the strategy will succeed in fostering the global competitiveness of the European Union. While finding that the Europe 2020 strategy identifies the right key indicators for its targets, the authors advise that it should be revised in several important respects and conclude with relevant policy steps to foster the future capability of European economies and their prosperity.

European Capital Markets Institute

A LIFE-CYCLE APPROACH TO INVESTOR PROTECTION

Mirzha de Manuel and Diego Valiante, ECMI Research Report | UPCOMING 2012

This research report considers investor protection in theory and practice, discusses current rules and puts forward policy recommendations. It is structured in three parts. The first one investigates the reasons that justify public intervention in retail financial markets to protect retail investors, with reference to the relevant scientific literature. The second part presents the life-cycle approach to investor protection and the basic tools to ensure an adequate level of investor protection at every stage. The third part considers these tools in greater detail and puts forward a set of policy recommendations based on empirical evidence.

THE TAKEOVER BIDS DIRECTIVE ASSESSMENT REPORT

Diego Valiante and Mirzha de Manuel, ECMI Research Report | JULY 2012

This study considers the application of Directive 2004/25/EC on takeover bids from a legal and economic perspective. The legal review, carried-out by the international law firm Marccus Partners, presents a detailed account of the rules in the Directive and their implementation in twenty-two member states, together with a survey of relevant stakeholders. The economic study, carried out by ECMI-CEPS researchers Diego Valiante and Mirzha de Manuel, considers the economic foundations of takeover regulation and the role of the Directive in promoting growth and competitiveness, through a comprehensive economic impact assessment

SETTING THE INSTITUTIONAL AND REGULATORY FRAMEWORK FOR TRADING PLATFORMS: DOES THE MiFID DEFINITION OF OTF MAKE SENSE?

Diego Valiante, ECMI Research Report | APRIL 2012

As discussions around the revision of MiFID are heating up, this paper tries to set a new regulatory and institutional framework for multilateral and bilateral execution mechanisms of complex financial instruments, such as over-the-counter 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 (e.g. systematic internaliser).

MiFID IMPLEMENTATION IN THE MIDST OF THE FINANCIAL CRISIS: RESULTS OF AN ECMI SURVEY

Bashir Assi and Diego Valiante, ECMI Research Report | FEBRUARY 2011

This report summarises the main results of a survey conducted by the European Capital Markets Institute (ECMI) during the period December 2009 - July 2010. The survey aims to investigate the actual implementation of the Markets in Financial Instruments Directive (MiFID), two years after it came into force. A general finding of this survey is that MiFID rules have had a positive impact, in particular, through fostering a more competitive environment, which has promoted, inter alia, cuts in trading fees and massive investment in technologies and infrastructure.

SHAPING REFORMS AND BUSINESS MODELS FOR THE OTC DERIVATIVES MARKET: QUO VADIS?

Diego Valiante, ECMI Research Report | APRIL 2010

Now that the worst of the financial storm is over, regulators are setting new strategies to deal with the systemic importance of the €427 trillion (\$604 trillion) over-the-counter (OTC) derivatives market. This paper explores the three major sources of disruptive effects in OTC derivatives: liquidity, counterparty risk and legal uncertainty. These risks affect the value chain of a typical derivative transaction and weaken the economic and legal rationale behind their widespread use.

THE FUTURE OF CLEARING AND SETTLEMENT IN THE EU

Karel Lannoo and Diego Valiante, ECMI Policy Brief | UPCOMING 2012

After more than a decade of hesitation, the EU is now finally set to implement a consistent regulatory architecture for clearing and settlement. Following the agreement on EMIR, the EU Commission has proposed harmonized rules for CSDs, while the ECB is moving on with its plans for a central eurozone settlement entity. After the unfortunate bypass of the 2006 Code of Conduct, the EU will now have rules to ensure cross border provision of services and competition among clearing and settlement entities in the EU. This policy brief analyses EMIR and the draft CSD regulation and speculates on the possible impact..

WHAT REFORMS FOR THE CREDIT RATING INDUSTRY? A EUROPEAN PERSPECTIVE

Karel Lannoo, ECMI Policy Brief | OCTOBER 2010

Despite having singled out credit rating agencies (CRAs) early on in the financial crisis as needing more regulation, policy-makers in the EU seem not to be reassured by the measures that have been adopted in the meantime, and want to go further. This paper starts with an overview of the credit rating industry today. The second section analyses the use of credit ratings and shows how the authorities have created a captive or artificial market for CRAs. Section 3 reviews the new EU CRA regulation and its possible impact, and the final section compares proposals for regulatory reform.

Will the PRIPs' KID live up to its promise to protect investors?

Mirzha de Manuel, ECMI Commentary | JULY 2012

Unveiled by the European Commission on July 3rd, the proposed Regulation on key information documents (KID) for packaged retail investment products (PRIPs) 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/CEPS 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.



CEPS Financial Institutions and Prudential Policy



REGULATION OF EUROPEAN BANKS AND BUSINESS MODELS: TOWARDS A NEW PARADIGM?

Rym Ayadi, Emrah Arbak, Willem Pieter De Groen

CEPS Paperback | JUNE 2012

Amidst talks of establishing an EU-wide banking union, the recent changes in the regulatory framework and the rethinking of the future of European banking structure, the future of EU bank regulation is inextricably linked to banks' business models. Using a sample of over 70 banks, which overlaps with those subjected to the EBA's 2011 stress tests, this report emphasizes the key regulatory gaps that emerge from a comprehensive analysis of the soundness and performance of bank business models and provides policy-makers with guidance to reinforce the evolving regulatory framework in European banking.



TIME TO SET BANKING REGULATION RIGHT

Jacopo Carmassi, Stefano Micossi

CEPS Paperbacks | MARCH 2012

Excessive leverage and risk-taking by large international banks were the main causes of the 2008-09 financial crisis and the ensuing sharp drop in economic activity and employment. World leaders and central bankers promised that it would not happen again and, to this end, undertook to overhaul banking regulation, first and foremost by rectifying Basel prudential rules.

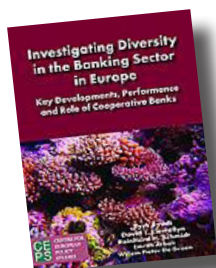


INTEGRATING RETAIL FINANCIAL MARKETS IN EUROPE: BETWEEN UNCERTAINTIES AND CHALLENGES

Rym Ayadi

CEPS Paperbacks | MARCH 2011

This report considers four short-term, alternative scenarios for the eurozone and analyses their possible implications for global economic trends and the gold market. Overall, the main findings suggest that in the near future, motives other than inflation hedging will be the main drivers of gold market dynamics. Growth in emerging economies, which are among the largest sources of gold demand, and financial market uncertainty, will be the most important ones.



INVESTIGATING DIVERSITY IN THE BANKING SECTOR IN EUROPE:

KEY DEVELOPMENTS, PERFORMANCE AND ROLE OF COOPERATIVE BANKS

Rym Ayadi, Emrah Arbak, Willem Pieter De Groen and David T. Llewellyn

CEPS Paperbacks | SEPTEMBER 2010

This book investigates the merits of a diverse banking system with a special focus on the performance and role of cooperative banks in seven European countries where they are prominent (Austria, Finland, France, Germany, Italy, the Netherlands and Spain). The theoretical and empirical arguments that are developed in this book tend to support the view that it is economically beneficial to have stakeholder-value banks with a dual bottom-line function, such as cooperative banks.

THE IMPLICATIONS FOR THE EU AND NATIONAL BUDGETS OF THE USE OF EU INSTRUMENTS FOR MACRO-FINANCIAL STABILITY

Alessandra Casale, Alessandro Giovannini, Daniel Gros, Paul Ivan, Jorge Núñez Ferrer and Fabrizia Peirce

CEPS Special Report | SEPTEMBER 2012

The euro crisis has forced member states and the EU institutions to create a series of new instruments to safeguard macro-financial stability of the Union. This study describes the status of existing instruments, the role of the European Parliament and how the use of the instruments impinges on the EU budget also through their effects on national budgets. In addition, it presents a survey of other possible instruments that have been proposed in recent years (e.g. E-bonds and eurobonds), in order to provide an assessment of how EU macro-financial stability assistance could evolve in the future and what could be its impact on EU public finances.



A NEW MORTGAGE CREDIT REGIME FOR EUROPE: SETTING THE RIGHT PRIORITIES,

Hans-Joachim Döbel, and Marc Rothemund

CEPS Special Report | JULY 2011

This report aims to contribute to the debate on how the EU could most efficiently respond to the challenges posed and the deficiencies revealed by the financial crisis in the area of retail credit. It is based in part on discussions that took place within the CEPS-ECRI Task Force on A New Retail Credit Regime for Europe – Setting the Right Priorities, which met between May 2010 and January 2011. Given the policy directions, the discussions focused largely on the largest component of retail credit, mortgages.

WHAT GERMANY SHOULD FEAR MOST IS ITS OWN FEAR: AN ANALYSIS OF TARGET2 AND CURRENT ACCOUNT IMBALANCES

Paul De Grauwe and Yuemei Ji, CEPS Working Document | SEPTEMBER 2012

This paper analyzes two claims that have been made about the Target2 payment system. The first one is that this system has been used to support unsustainable current account deficits of Southern European countries. The second one is that the large accumulation of Target2 claims by the Bundesbank represents an unacceptable risk for Germany if the eurozone were to break up. We argue that these claims are unfounded. They also lead to unnecessary fears in Germany that make a solution of the eurozone crisis more difficult. Ultimately, this fear increases the risk of a break-up of the eurozone. Or to paraphrase Franklin Roosevelt, what Germany should fear most is simply its own fear.

A SIMPLE MODEL OF MULTIPLE EQUILIBRIA AND SOVEREIGN DEFAULT

Daniel Gros, CEPS Working Document | JULY 2012

This Working Document by Daniel Gros presents a simple model that incorporates two types of sovereign default cost: first, a lump-sum cost due to the fact that the country does not service its debt fully and is recognised as being in default status, by ratings agencies, for example. Second, a cost that increases with the size of the losses (or haircut) imposed on creditors whose resistance to a haircut increases with the proportional loss inflicted upon them.

SELF-FULFILLING CRISES IN THE EUROZONE: AN EMPIRICAL TEST

Paul De Grauwe and Yuemei Ji, CEPS Working Document | JUNE 2012

This paper tests the hypothesis that government bond markets in the eurozone are more fragile and more susceptible to self-fulfilling liquidity crises than in stand-alone countries. We find evidence that a significant part of the surge in the spreads of the PIGS countries (Portugal, Ireland, Greece and Spain) in the eurozone during 2010-11 was disconnected from underlying increases in the debt-to-GDP ratios and fiscal space variables, and was the result of negative self-fulfilling market sentiments that became very strong since the end of 2010.

MISPRICING OF SOVEREIGN RISK AND MULTIPLE EQUILIBRIA IN THE EUROZONE

Paul De Grauwe and Yuemei Ji, CEPS Working Document | JANUARY 2012

This paper finds evidence that a significant part of the surge in the spreads of the PIGS countries (Portugal, Ireland, Greece and Spain) in the eurozone during 2010-11 was disconnected from underlying increases in the debt-to-GDP ratios, and was the result of negative market sentiments that became very strong since the end of 2010.

BANKING UNION: A FEDERAL MODEL FOR THE EUROPEAN UNION WITH PROMPT CORRECTIVE ACTION

Jacopo Carmassi, Carmine Di Noia and Stefano Micossi, CEPS Policy Briefs | SEPTEMBER 2012

The European Commission has published its proposals for the transfer of supervisory responsibilities to the European Central Bank, under Article 127(6) of the TFEU, providing a comprehensive and courageous 'first step' towards a European banking union, the other steps being European deposit insurance and resolution procedures.

A EUROPEAN DEPOSIT INSURANCE AND RESOLUTION FUND - AN UPDATE

Dirk Schoenmaker and Daniel Gros, CEPS Policy Briefs | SEPTEMBER 2012

Cross-border firms supply goods and services throughout Europe and cross-border banks facilitate the cross-border traffic by persons and firms. European banks are thus an integral part of the internal market. Yet cross-border banking is not stable in the current institutional setting as national authorities focus on preserving the national parts of a cross-border bank and the integrated value of a bank is neglected. European banks therefore need a European safety net, which is a precondition for putting the supervisory framework on a European footing.

CAN ITALY AND SPAIN SURVIVE RATES OF 6-7%?

Jacopo Carmassi, Carmine Di Noia and Stefano Micossi, CEPS Policy Briefs | SEPTEMBER 2012

The European Commission has published its proposals for the transfer of supervisory responsibilities to the European Central Bank, under Article 127(6) of the TFEU, providing a comprehensive and courageous 'first step' towards a European banking union, the other steps being European deposit insurance and resolution procedures.

CENTRAL BANKS IN TIMES OF CRISIS: THE FED VS. THE ECB

Daniel Gros, Cinzia Alcidi and Alessandro Giovannini, CEPS Policy Briefs | JULY 2012

Different economic and financial structures require different crisis responses. Different crises also require different tools and resources. The first 'stage' of the financial crisis (2007-09) was similar on both sides of the Atlantic, and the response was also quite similar. The second stage of the crisis is unique to the euro area. Increasing financial disintegration within the region has forced the ECB to become the central counterparty for the entire cross-border banking market and to intervene in the sovereign bond market of some stressed countries.

THE EUROZONE DEBT CRISIS: FROM ITS ORIGINS TO A WAY FORWARD

Diego Valiante, CEPS Policy Briefs | AUGUST 2011

As the Eurozone debt crisis reaches a turning point, this Policy Brief argues for a more organised intervention by the ECB to stop contagion through the creation of a quantitative easing programme, coupled with a political agreement among member states on a more federalist budget for the Eurozone.

