



FUTURE PROSPECTS FOR OVER-THE-COUNTER DERIVATIVES MARKETS

The impact of forthcoming rules and policies on the market for over-the-counter derivatives and participants' business models.

European Capital Markets Institute

18 May 2010

Dorchester Hotel

53 Park Lane

London W1K 1QA, UK

Riding the wave of public sentiment to overhaul financial markets, regulators on both sides of the Atlantic are drafting new rules for derivatives instruments traded over-the-counter (OTC). Current proposals in the EU and the US are calling into question the future prospects for trade execution, clearing and settlement platforms. On the one hand, there is strong pressure for centralisation of clearing, standardisation and data reporting, and on the other, there is an underlying trade-off with customisation and liquidity that can be a source of instability in the long run.

This situation gives rise to many important questions: what will this business look like in the forthcoming months? What are the main drivers of liquidity formation in this market? How will these measures impact liquidity and efficient market functioning? Are CCPs ready to process millions of customised trades? What are the implications for clearing members and their business models? Are interoperability and open access substitutes or complementary? How should these infrastructures be governed? What is the role of the post-execution services? To what extent can transactions be centrally executed on exchanges or MTFs?

This conference will provide an overview of the current status of the regulatory proposals and their potential impact on business models. It will provide key industry participants with the opportunity to hear directly from regulators and policy-makers about the changes that will affect them. The event will also give them a platform from which to voice their questions and concerns.



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PROGRAMME

8.00 Registration and Continental Breakfast

8.50 Opening remarks – **Karel Lannoo**, ECMI Secretary General and CEO, CEPS

9.00 Keynote address 1 - The European View - **Patrick Pearson**, Head of Financial Markets Infrastructure Unit, European Commission

9.40 Keynote address 2 - The US View - **Theo Lubke**, Senior Vice-President, Banking Supervision Group, Federal Reserve Bank of New York

10.20 Panel 1 – The Regulatory View - The impact of current reforms on business models and market initiatives

Current reforms in Europe and the US will reshape OTC derivatives markets and will change companies' business models. Regulators share common objectives, but will the two final legislative texts converge towards common standards? What is the role of national regulators and new European supervisory authorities in the implementation of new rules across Member States? To what extent should market initiatives lead the implementation of new rules? Will new market infrastructures cope with these changes whilst preserving financial stability and resilience? Who and what products will be covered by the new legislation? How will regulators encourage the use of CCP clearing and what is the right approach for non-cleared trades? What are the risks and benefits of central repositories?

Chair: **Stephen O'Connor**, ISDA Board Member, Chair of the ISDA Industry Governance Committee, and Managing Director, Morgan Stanley

Panellists:

Theo Lubke, Senior Vice-President, Banking Supervision Group, Federal Reserve Bank of New York

David Bailey, Manager, OTC Derivatives & Post Trade Policy, Financial Services Authority (FSA)

Daniela Russo, Director General Payments and Market Infrastructure, European Central Bank

Patrick Pearson, Head of Financial Markets Infrastructure Unit, European Commission

Athanasios Diplas, Managing Director, Global Head of Systemic Risk Management, Global Credit Trading, Deutsche Bank

Roger Liddell, Chief Executive Officer, LCH.Clearnet

11.40 Break: Tea/Coffee

12:10 Panel 2 – The buy-side view – Issues and prospects for OTC derivatives markets: Where will the risk lie? How will reform impact current business models?

In over-the-counter derivatives, risk is complex and multifaceted. What is the impact of new reforms for OTC derivatives on the business of the buy-side? What are the implications for clearing members? Will bilateral execution and clearing still be a relevant part of the market? What are the legal risks of these overarching changes? What will be the role of middle office services? How will this potentially change clients' business models? Is the

insurance worth the cost? What are the implications on non-CCP cleared trades? How will cleared trades be margined? Default management: what happens if a participant / CCP / clearing member goes down?

Chair: **Jeremy Grant**, Editor, FT Trading Room, Financial Times

Panellists:

James Hill, Managing Director, Morgan Stanley

Aron Landy, Chief Risk Officer at Brevan Howard

Steven Maton, Head of Middle Office, Legal & General Investment Management

Barry Hadingham, Senior Manager - Derivatives & Alternatives, Compliance & Business Risk, Aviva Investors

Andreas Roemer - Head of Credit, DWS

Andrew Lamb, Chief Executive Officer, CME Clearing Europe

13:30 Closing keynote address 3 - Issues and future prospects for OTC derivatives - David Bailey, Manager, OTC Derivatives & Post Trade Policy, Financial Services Authority (FSA)

14:00 Closing Summary

14:05 Lunch

15:00 End of the Conference

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About us

The **European Capital Markets Institute (ECMI)** is an independent non-profit think-tank. ECMI's membership base comprises financial services firms, stock exchanges, regulatory bodies, university institutes and many leading institutions. Since January 2006, ECMI's activities and research programme have been managed and staffed by the Centre for European Policy Studies (CEPS), a highly reputed, independent think tank based in Brussels. ECMI regularly produces publications for its members: quarterly newsletters, annual reports, a statistical package, regular commentary and research papers, as well as occasional workshops and conferences. ECMI also advises European regulators on policy-related matters, acts as a focal point for interaction between academic research, market sentiment and the policy-making process, promoting a multidisciplinary and multidimensional approach. More info at www.eurocapitalmarkets.org or www.ceps.eu.



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European Capital Markets Institute

18 May 2010

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Other Participants: 600 Euro + (21%VAT where applicable) { }

For every 3 paid entries (same company), the 4th one is free

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Refund Policy: Only cancellations received prior to 14 May will be refunded. Cancellations received after this date will not be refunded. Delegate substitutions may be made up to one week before the conference. Please note that "no shows" remain payable. All cancellations and delegate substitutions must be made in writing to the attention of isabelle.tenaerts@ceps.eu

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