

### NEWS FROM ECMI

#### ECMI-CEPS Research Fellow Named Financial Rising Star

On September 5th Research Fellow Diego Valiante was named 2011 Financial Rising Star by the specialised on-line publication Financial News. As Research Coordinator at ECMI and Fellow at the Centre for European Policy Studies (CEPS), Valiante wrote a report last year on over-the-counter derivatives that has been widely quoted by regulators in discussions on central counterparties. This year he is not only leading a study for the European Commission on the economic impact of the Takeover Bids Directive, but he will also from September be the rapporteur of a new task force on commodities price formation in spot and futures markets. Italian Valiante attained his doctorate in law and economics last year, and in February published a book on the MiFID Review.



### UPCOMING EVENTS

#### ETFs and Structured UCITS under Discussion

Seminar | 4 November 2011 | 11:00-13:00 | CEPS - Brussels

The growth in exchange-traded funds (ETFs) has raised concerns over the last few months since Srichander Ramaswamy, Senior Economist at the Bank for International Settlements (BIS), published his paper 'Market structures and systemic risks of exchange-traded funds' highlighting the risk involved in the use of structured financial instruments in the form of total return swaps. The European Securities and Markets Authority (ESMA) recently held a consultation on ETFs and structured UCITS to gather evidence which should help it establish whether UCITS rules need fine-tuning to adapt to these vehicles. This ECMI event will bring together the ESMA, the BIS and two major industry players.

#### Commodities Task Force: First Meeting

Task Force Meeting | 30 September 2011 | 11:45 - 18:00 | CEPS - Brussels

In this introductory meeting, participants will consider the guidelines and the scope of the task force, and discuss prevalent trading practices, competition and market structures for energy commodities, specifically in crude oil and liquified natural gas markets. A range of regulators, market practitioners and academics will play an active role in this meeting by providing expert input. To register for this task force, please follow the link: [www.eurocapitalmarkets.org/TFcommodities](http://www.eurocapitalmarkets.org/TFcommodities)

#### Rethinking Asset Management: Fourth Meeting

Task Force Meeting | 28 September 2011 | 10:30 - 16:15 | CEPS - Brussels

Task force members will meet to discuss the draft final report and decide on its policy conclusions and recommendations. This meeting will also address exchange-traded and structured UCITS, and competition coming from fund jurisdictions outside the European Union, building on presentations by top industry figures. Jean Baptiste de Franssu, former CEO of Invesco, chairs this task force which is kindly sponsored by the CFA Institute.

#### The New MiFID: Discussion on the Legislative Proposal

Upcoming Seminar | Autumn 2011 | Brussels/London

Building on its expertise on market infrastructure in Europe, ECMI will organise a seminar on MiFID after the publication of the legislative proposal by the European Commission, scheduled for this autumn.

## RESEARCH

### From Systemic Risk to Investor Confidence

[Task Force Report](#) | [Forthcoming](#) | [By Mirzha de Manuel](#)

Under this heading, the final report of the ECMI-CEPS task force 'Rethinking Asset Management' will present conclusions and policy recommendations regarding a wide variety of issues in relation to the future of this industry. Notably, the report will consider the complexity of some UCITS, the consolidation of the exchange-traded fund industry, and the importance of upgrading fund distribution and better protecting investors. The report will invite reflection on the engagement of institutional investors in corporate governance and the long-term orientation of fund management.

### Study on the Takeover Bids Directive

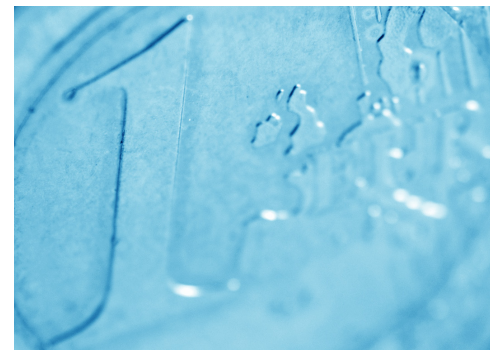
[Commissioned by the European Union](#) | [Ongoing](#) | [ECMI](#)

ECMI is conducting a study on behalf of the European Commission to better understand the effect of the Takeover Bids Directive on the European market for corporate control. The study is being conducted together with the law firm Marccus Partners and follows a legal mandate to revise this piece of legislation in 2012. ECMI is carrying out a review of the scientific literature and economic analysis.

### The Eurozone Debt Crisis: From its Origins to a Way Forward

[CEPS Policy Brief 251](#) | [August 2011](#) | [By Diego Valiante](#)

As the Eurozone debt crisis reaches a turning point, a more organised intervention by the ECB is needed 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. The roots of this crisis and how institutions have repeated some of the mistakes of the Argentine crisis are considered in this paper. The importance of reinforcing the role of the ECB is presented as a pre-condition for a broader political agreement on more harmonised fiscal policies and to stabilise market conditions.



### Commodity Prices in Boom-and-Bust Cycles

[ECMI Commentary 29](#) | [June 2011](#) | [By Diego Valiante](#)

The sharp and widespread increase in most commodity prices has alarmed the world and raised questions around the sustainability of our economies. The reasons for this dramatic rise are multiple, and engaging in a witch-hunt benefits neither the market as a whole nor our economies. Solutions need to be more differentiated and oriented towards two factors: preventing price manipulation (through controls on net positions and on anti-competitive market structures) and fostering sustainability.

### An Investigation into Stewardship

[External publication](#) | [June 2011](#) | [In cooperation with ECMI](#)

'Engagement between investors and public companies: Impediments and their resolution' addresses the question of stewardship (thoughtful ownership) in the UK and the European Union, after the financial crisis. Authored by Charles Cronin, formerly at CFA and John Mellor, FGRE, and benefiting from the input of ECMI researchers, this report considers the potential inadequacy of stewardship by the investment industry and the degree of integration of corporate governance in the investment process.

### MiFID 2.0: Casting New Light on Europe's Capital Markets

[Task Force Report](#) | [February 2011](#) | [By Diego Valiante](#)

An outstanding conclusion to the work of the task force set by ECMI and CEPS on the review of the Markets in Financial Instruments Directive (MiFID), this report provides a generous set of findings drawn from current legislative proposals, academic literature, and market views. It identifies potential market failures and offers valid alternatives, while focusing on three core areas: transparency, market structure, and provision of investment services.

## RECENT EVENTS

### Debate on Stewardship and Corporate Governance Reform

Lunch Time Meeting | 15 March 2011 | CEPS - Brussels

The presentation of the external report 'An Investigation into Stewardship' gathered representatives from the capital markets, banks, accountancy organisations and international law firms. Authors Charles Cronin and John Mellor highlighted the importance of stewardship (investor engagement) to maximize risk adjusted returns. When investing long-term on behalf of their beneficiaries, institutional investors should discuss strategy, risks and business opportunities. So should do asset managers as part of their investment mandate. Eddy Wymeersch, Chairman of the European Corporate Governance Institute, stressed that comply-or-explain corporate governance does not work without shareholder engagement.



In the same line, MEP Sebastian Bodu pointed out that regulation alone will not work without a genuine compromise from the investment industry. Alan Brown, CIO at Schrodgers, considered that while engagement by investors is important, stronger corporate governance is also needed, for instance, to improve monitoring of management by boards.

### Rethinking Asset Management: Third Meeting

Task Force Meeting | 10 June 2011 | CEPS - Brussels

Task force members met to discuss the contribution of asset management to the economy, where the final report of this task force will seek to put forward concrete proposals. In this context, the group looked at the operational principles of social responsible investment (SRI) and considered ways to implement them across the industry. Participants agreed that environmental, social and governance criteria are useful tools to manage risks and boost returns over the long term. Yet, it was felt that much of the responsibility falls upon institutional investors rather than asset managers, who nevertheless can play an important role by offering SRI vehicles to retail clients. Initiatives to foster long-term investment via dedicated pan-European vehicles were addressed, including a proposal to introduce a long-term UCI for retail investors. The role of hedge funds and other sophisticated investors in the economy was also discussed, next to private equity and venture capital

### A Different Credit Rating Industry for Europe?

Lunch Time Meeting | 15 March 2011 | CEPS - Brussels

Overreliance on external ratings by investors has come under scrutiny since the crisis, where it emerged as a source of systemic risk –difficult to mitigate save by increasing transparency and encouraging own due diligence by investors. At the same time, rating agencies face a difficult position in the context of the Eurozone crisis, with legal challenges being launched in several member states. In this joint CEPS-ECMI event, Karel Lannoo met Frédéric Drevon, EMEA Head of Moody's, and Michael Bangert, Vice President of E.ON, to discuss how this industry could better serve markets. While participants agreed that regulation should not favor reliance on credit ratings as final arbiters of risk, the debate highlighted the inordinate amount of influence rating agencies have on investors anyway. The conflicts of interest faced by these agencies invite regulators to reconsider current business models and competition in the market place.

### Challenges for Global Asset Allocation

2011 ECMI Annual Conference | 27 June 2011 | Palace of the Academies - Brussels

To address Challenges for Global Asset Allocation, the 2011 ECMI Annual Conference brought together keynote speakers Luigi Zingales, Ian Domowitz and Ed Fishwick, with senior EU policy-makers and market practitioners. A meeting report summarises the academic expertise and industry views presented at this special event, download it at [www.eurocapitalmarkets.org/2011AC](http://www.eurocapitalmarkets.org/2011AC).