

REPORT
ON
AGM & CONFERENCE
OF
International Council of Securities Associations
(ICSA)
&
International Capital Market Association Limited
(ICMA)
May 2011

BY
DR. NARESH MAHESHWARI
PRESIDENT

International Council of Securities Associations (ICSA)

ICSA's 2011 AGM was held on 23rd and 24th May, 2011 at London, UK.

There were around 100 participants from all over the world. The ANMI delegation was led by Dr. Naresh Maheshwari, President ANMI.

The key issues for discussion during the event were:

- The Future of Global Prudential Regulation
- The Future of Global Securities Regulation
- The Future of European Prudential Regulations
- The Future of European Securities Regulation
- The Global Financial Market in 2020 – Leaders & Losers
- Preventing the Next Financial Crisis
- Global Financial Securities Market Regulation: Views from the Market
- Building and Restoring Investor Confidence in the Securities Industry

Main speakers on the topics included the following:

- Paul Tucker, Deputy Governor, Financial Stability, Bank of England
- Greg Tanzer, Secretary General, IOSCO
- Eddy Wymeersch, Chairman, ECGI and former Chairman of CESR
- Jonathan Taylor, Managing Director, International and Finance, HM Treasury
- Mr. Rene Karsenti, Chairman ICSA
- Mr. Simon Lewis, CEO, AFME (Association for Financial Markets in Europe)

Mr. Rene Karsenti, Chairman ICSA and Mr. Simon Lewis, CEO AFME welcomed the participants on the opening day i.e. 23rd May, 2011.

Presentations by prominent speakers :

Mr. Paul Tucker - Deputy Governor, Bank of England

Paul Tucker suggested :

- New mechanism to check systematic issue
- Bring Bar Time bound distribution of Liabilities & assets
- Introduction of short term resources with long term investments

He emphasized on different regulations in private & public markets. Also expounded how the private market is complementary as well as supportive to public model. He highlighted the role of Infrastructural Market (like Money Market) which is an extension of Deal Market and intra-segment services by banks and dealers.

He focused on the payment system of the End-users market by providing and extending debt & equity to the borrowers. He further explained the significance of insurance and reliability, and also future market of the Price determination regarding the same.

Paul elucidated on securitization market and significant responsibilities of public listing.

Greg Tanzer - Secretary General, IOSCO

He discussed the major reasons of Global Financial Crisis as :

- poor screening
- insufficient disclosures
- lack of explanation
- weak risk management system
- conflict of interest
- poor rating of methodologies
- implicit support.

Responses received from the audience were :

- Enhancing transparency & valuation
- Changes in the role & uses of credit ratings
- Strengthened flow of capital and risk management
- Need for high standards on due Diligence and Rating & Valuation.

Further he expounded the relevance of G-20 in IOSCO firstly on improving market integrity and efficiency, secondly for commodities future market and lastly shadow banking.

Angela Knight - Chief Executive, British Bankers Association

Angela emphasized on :

- the standards for High Frequency trading (HFT) v/s Retail Participation.
- 70% volume of High Frequency Trade is by those people who have no stake or interest in market.
- Although liquidity provision itself is very useful, yet it can only be a fraction of total market and not the main market. Ideally, the volume in HFT should not be more than 25% of the total market. This is serving useful assistance to the market but it does not create or add value to the market.
- High Frequency Trade be provided only to Mutual funds.
- Investors are ready to invest provided there is confidence in the market.

She suggested bringing more focus on retail private investor and role of increased leverages as well as immediate action by the regulators for more financial supervision and control.

She further mentioned certain steps taken by various Regulators for Development of market, strengthening corporate governance, education of investors, absolute clarity on regulatory aspects of all authorities.

Mark Hoban MP- Financial Secretary, HM Treasury

Mark endorsed the views expressed by Ms Angela Knight.

**Bill Rickard - Head of Regulatory Development, Group Treasury,
The Royal Bank of Scotland**

Bill expounded how to prevent the next Financial Crisis :

- risk appetite of banks
- funding of the market
- measure scientifically the confidence and evolution of the market
- role of regulator in Capital Market.

He also suggested that banks have their own system and not look at Central Bank for details. It can be a tool of protective regime. He emphasized can the regulator be more strict without looking into the facts of individual case.

He pointed out that markets are not working for securitization due to lack of funds.

Ian Russel- President and Chief Executive, Investment Industry Association of Canada

He raised the issue of Global Consolidation of Stock Exchanges and its impact on market data pricing which is not truly available to brokers and on financial intermediaries along with investing public.

Steps to be taken:

1. Providing Direct Electronic Access , Dark Pools , HFT and ETF
2. Efficient Price discovery and trading platform
3. Transparency and market integrated & supported by robust surveillance
4. Internationalizing externality caused by Technological Development
5. Policy options for OTC:
 - more data and transparency;
 - OTC be cleared by Central Counterparties

International Capital Market Association Limited (ICMA)

ICMA's AGM and Annual Conference were held from 25th to 27th May, 2011 at Paris, France. This was participated by ANMI in pursuance of an MOU between ICMA and ANMI signed in March, 2011.

There were around 600 participants from all over the world. ANMI delegation was led by Dr. Naresh Maheshwari, President ANMI. The meeting was also attended by Mr. Ashutosh Jaiswal representing Reserve Bank of India.

The conference commenced with a welcome address by Mr. Hans-Joerg Rudloff, Chairman ICMA followed by Key-note speech by Mr. Steven Maijoor, Chairman, European Securities and Market Authority.

Topics discussed:

- 1. Co-ordinate Global Securities Regulation: Is it needed and can it be achieved?**
- 2. Future of Capital Market**
- 3. Liquid and transparent Markets**
- 4. Reflections on the bond markets of the past 4 decades**
by Mr. Hans – Joerg Rudloff, Chairman, Barclays Capital
- 5. The Asset Management Industry: Where is it heading?**
- 6. A resilient Market Infrastructure**

Key points of the speeches delivered by the delegates were as under:

Jean-Pierre Jouyet, Autorité des Marchés Financiers Chairman

He emphasized on transparency in the capital market by reducing the share of OTC transactions; reduce to the strict minimum the exceptions to pre-trade transparency in organized facilities; consolidation and organization of post-trade information and transparency more effectively: apply the same rules to all markets, not just equity markets. The other important thing required for growth of capital market is liquidity since the most transparent and open markets are also the most liquid ones in difficult times, because they inspire confidence.

Steven Maijoor, Chair of European Securities and Market Authorities (ESMA)

He discussed more transparency for the public and regulators and improved international co-ordination of regulation and supervision. He explained that Effective regulation and supervision requires the avoidance of gaps across regions, and to strive for a world-wide level playing field. The most tangible commitment to this world-wide level playing field is the G-20 roadmap.

Jacques de Larosière

He briefed about financial markets present conditions.

- Earnings are up. Growth is, on the whole, on an upward trend.
- Regulation is getting tighter with the objective of increasing the resiliency of the financial system. Market risks (as opposed to risks related to institutions) are being worked on standardized derivatives transactions should, in principle, be brought on plate-forms or organized markets, cleared on Central Clearing Counterparties (CCPs) and become transparent. Furthermore, regulators are in the process of increasing bank liquidity requirements and reducing maturity mismatches.

- Although the regulatory effort is, on the whole, moving in the right direction, some of its features seem to go too far in terms of stringency and complexity to the detriment of economic revival and of financial intermediation. Some serious potential unintended consequences must be detected, understood and avoided; for example, concentrating - without sufficient precautions - counterparty risk on a few systemically important clearing houses, that could become “too big to fail”, or reducing the availability of medium term financing to the economy as well as hindering market making capacity or locking liquidity into public Treasury debt instruments (which, by the way, will increase the linkages between banks and sovereign debt).

Also he stated that in “calibrating” new rules, regulators will have to take into account their cumulative effect and avoid jeopardizing a modest and still fragile economic recovery.

The crisis was much less the result of inadequate rules than of insufficient implementation and supervision. Thus the priority should be to strengthen supervision and not to rely exclusively on more and more demanding rules that, in any case, will never be a substitute for good management, adequate risk assessment, and efficient prudential oversight.

Jaime Caruana, General Manager, Bank for International Settlements

He took up the issue of global liquidity. The recent financial turbulence has highlighted the crucial role of liquidity in global markets. Global liquidity is being discussed in the G20, in part because policymakers in emerging markets are concerned that monetary developments in the main economies are stimulating capital flows. Yet the discussion lacks focus, in part because of the many meanings that are attached to the term “liquidity” in general and “global liquidity” in particular.

He focused different but related aspects of the debate about global liquidity:

- First, credit originators role makes a key source of global liquidity.
- Secondly, he highlighted the contrast between shrinking dollar credit to private borrowers in the United States and expanding dollar credit to borrowers elsewhere, all with a single policy rate determined by the monetary authorities.
- Third, international credit tends to amplify domestic credit booms, posing first-order policy challenges.

- Fourth, during the run-up to the global financial crisis banks' maturity mismatches made financing within and between currencies very easy, but made banks vulnerable to rollover risk.
- Fifth, macro-prudential policy and Basel III provide key mechanisms to stabilise your provision of liquidity.

Mr. Cyrus Ardalan is the new Chairman of ICMA who took over from Mr. Hans-Joerg. Mr. Ardalan is Vice Chairman of Barclays Capital, responsible for the firm's investment banking activities with sovereigns and government agencies in Europe, the Middle East and North Africa and Supranational Institutions globally.

Summary & Conclusions

1. There were divergent views on whether regulation requires being rewritten or tightened further. Issue in the past was not lack of regulation but more dependency on derivatives and structured products.
2. Overdependence on trading has to be reduced. Original and core function of capital market to raise funds through equity and debt route has to be regained. This may require fungibility and connectivity amongst clearing corporations. Market has to be more transparent and liquidity providers are to be encouraged.
3. High Frequency Trading (Automatic and Algo-based) has drifted the market away from long- term participants and retail as well.
4. Investors' education is to be encouraged.
5. Asset Management. Regulatory developments as regards hedge funds, managing client's expectations, corporate governance, valuation of illiquid assets are various concerns on which a solution is to be found.
6. Transparency in Capital Market by reducing the share of OTC transactions.
7. Improved international coordination of regulators and supervisor.
8. Increasing the resiliency of the financial system.
9. Strengthen supervision, adequate risk assessment and efficient prudential oversight be brought into the system.
10. Liquidity in global market : Expanding dollar credit to borrowers with single policy rate determined by monetary authorities and international credit tends to amplify domestic credit booms.

ANMI is an observer member for last 5 years. Almost everybody pleaded that there is a fit case and justification of making ANMI a full member and a special provision would be made to make ANMI a full member at a nominal membership fee. View points of Indian delegation were appreciated deliberated and was accepted in many cases.

The social events organized during the event were quiet satisfying and provided a good networking and interactive platform. The quality and relevance of each panel discussion was of very high standard. The Training Workshop held on 26th May, 2011 was very informative. The exhibition organized with the Conference was very good.

Overall, it was a wonderful experience at both the events of ICSA and ICMA which helped the delegates not only an insight into European Markets but also what the future is going to be.