

# The securities market

## - staying alive under the regulatory pressure

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# Introduction

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- In a very short time a very large number of acts of legislation have been developed and implemented related to the securities markets and its participants. And more is to come!
- The securities markets are recognized as increasingly important
- What is there to coop with? Which are the new rules?
- How to coop and stay alive under the regulatory storm?
- My objective: Inspire you to be actively interested and involved in EU regulation of the securities markets.

# Objective for new acts of legislation

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*As of FSAP 1998/99 (Wave I)*

- One financial market within EU
- EU to be competitive globally

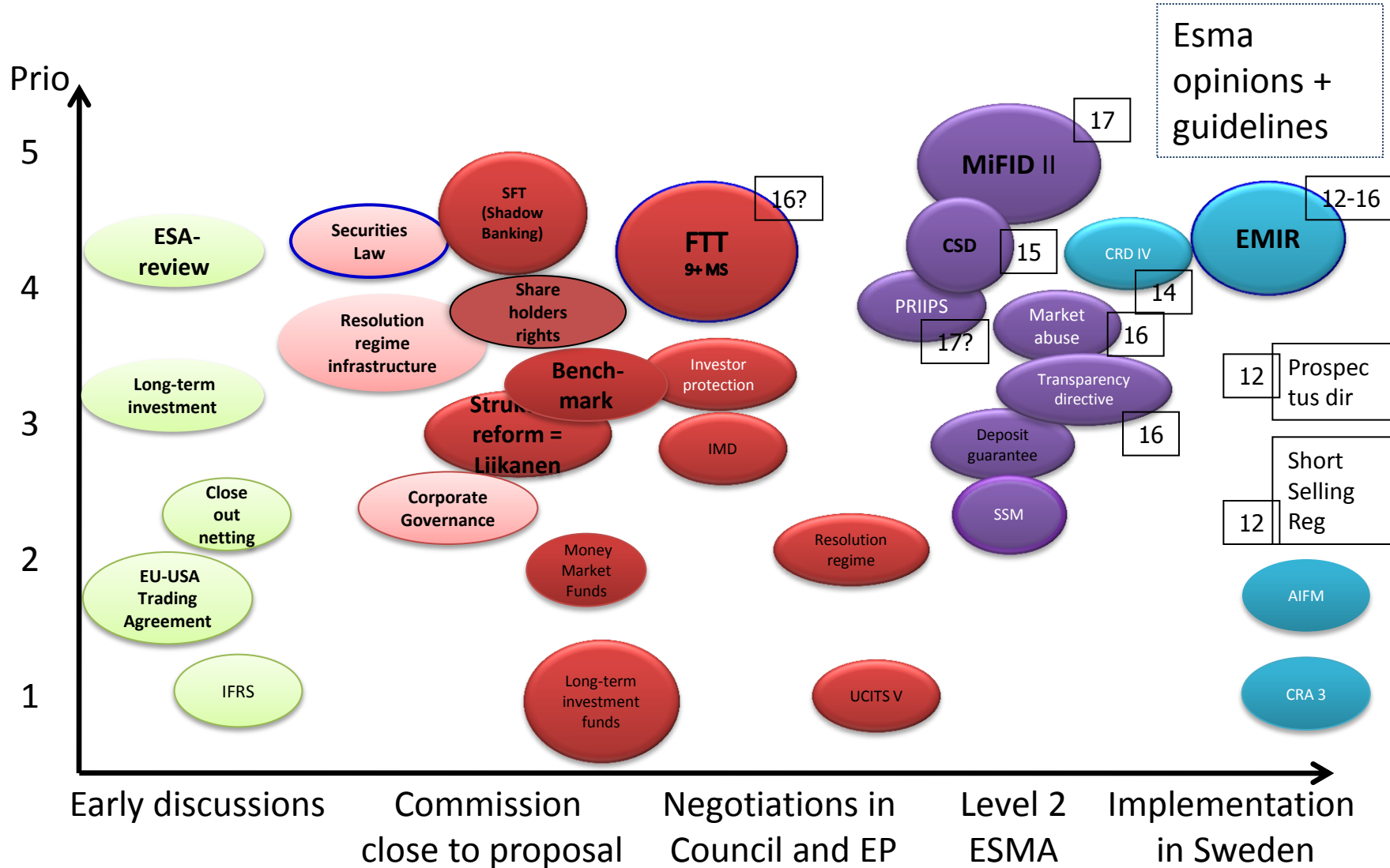
*As of 2009 (Wave II)*

- G20 commitments, fulfillment of
- Lesson from financial crises

*As of autumn 2014 (Wave III?)*

- Ensure well functioning securities markets to ensure financing
- Ensure good investor protection and even attracting investors from outside EU

# Heat Map per Wave II - Oct 2014



Esma opinions + guidelines

# Major changes in wave II

- Prospectus directive – summary requirement
- EMIR
  - New common requirements on CCPs (needed)
  - Clearing obligation (yet to be implemented)
  - Reporting obligation (to much, to many)
- Short selling regulation
  - Reporting/transparency requirements for short positions
  - Limitations for short positions (no naked shorts)
- CSDR
  - New rules for CSDs
  - Competition between CSDs – even cross boarder
  - T+2

# Major changes in wave II, contn.

- Transparency directive
  - New method to calculate holdings (incl. derivatives)
- MAD/MAR
  - Partly developed definition of insider information
  - Sanction systems more aligned
- MiFID II (2017)
  - Non-Eq: Entirely new transparency rules + SI-regime + tradingobl for liquid derivatives + liquid market
  - Eq: Trading obligation (RM, MTF or SI) + volume cap for manual trades + liquid market + HFT to be liquidity provider under supervision
  - Investor protection; Information requirement, Product limitations, Inducement requirements incl financial research,
  - Market data; Consolidated tapes, access and pricing
  - Commodities -----
- PRIIPs – key investor information document

# Plans of the new EU Commission I

- Restore jobs and growth in Europe's economy
- Ensure capital can move freely in EU

## *Capital Markets Union*

- Create a common market for financial instruments to facilitate financing of SMEs and long term projects
  - Securitization (considering lessons learnt – civil law probl?)
  - Private placements
  - Covered Bonds
  - Personal Pensions
  - Common Accounting Standards for listed SMEs
  - Facilitate access of credit information
- Deepen the Single rulebook such as in
  - Company, securities and insolvency law
  - To tackle barriers such as taxation
- Use current supervisory framework to improve supervisory convergence, provide investor protection + ensure greater transparency and centralization of information needed for supervision.
- Consultation in the beginning of 2015



Jurki Katainen (Jobs, Growth, Investment and Competitiveness)



Jonathan Hill (Financial Stability, Financial Services and Capital Markets Union)

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# Additional ideas from new EU Commission

- Finalizing all proposals now at the table (however, Timmermans to review need with Council and Parliament)
- Common Deposit Guarantee Scheme if political conditions become more favorable - goal in the medium term
- Less complex equivalence provisions
- Shadow Banking - Waiting for EBA report assessing the size of financial entities that have bank-like activities
- Better regulation; transparent manner, good impact assessments, correct where needed such as for securitization.
  - MiFID2, IMD2, PRIIPs and Prospectus Directive must work together without creating unnecessary burdens.
  - “Regulatory Fitness and Performance Programme” (REFIT)
- Financing of ESAs to be reviewed



Jonathan Hill



Frans Timmermans (Better Regulation, Inter-Institutional Relations, the Rule of Law and the Charter of Fundamental Rights)

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# Method for staying alive

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- Keep updated =be informed
  - Identify key issues for your market/your business
  - Identify opportunities
- Be active and out-spoken on highly priorities issues
- Co-operate within your country, with your neighbors and likeminded in Europe
- Ensure a smooth local implementation
- Academic involvement is key for a good result

# Ideas for research and other activities

1. Respond to consultations – see upcoming important consultation from commission at the beginning of 2015
2. Will the European Securities Markets become more competitive and attractive? What was the result of wave I?
3. Are detailed rules a necessity to create a common market?
4. Does one size fit all? Are there other methods to create a common market?
5. Have the legislation developed since 2008 in reality benefited large banks?
6. High barriers to entry for all kind of participants – effect?
7. Will detailed rules limit competition and development of market?
8. How should transparency be calibrated vs liquidity?
9. Global rules, is that a next and good step?
10. How could the EU legislative process be enhanced?