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# Press Release

**Brussels, 16th June 2005**

The theme of the 9th European Financial Markets Convention, organised by the Federation of European Securities Exchanges (FESE), was *"Towards true integration by 2009".*

Welcoming more than 350 delegates from over 20 countries, Massimo Capuano, President of FESE and President and CEO of Borsa Italiana, said that FESE had chosen 2009 because that year marked two important milestones; both the term of the current Barroso Commission and the current 6th term of the European Parliament.

Whilst the 1999 Financial Services Action Plan is almost complete, on level II, crucial elements of the MiFID are still being worked out. In doing so, he ventured, a fine balance needed to be struck in order to enhance competition and market quality at the same time. Looking to the future, he pointed out the importance of implementation and enforcement. In response to Commissioner McCreevy's call for the industry to assist the Commission in this task, he reminded delegates that FESE had put forward proposals for an EU-wide mediation service to handle cross-border disputes between financial services companies, professionals and national regulators.

In a global context, he said that FESE and its Members supported the efforts of the European Commission and of CESR to cooperation with American and other international authorities in order to avoid conflicting regulation and achieve regulatory equivalence. However he warned that the Securities and Exchange Commission's attitude on trading screens remains immovable and furthermore, there was lack of reciprocity when it came to exchange ownership.

In his concluding remarks, Mr. Capuano stressed the importance of small and medium size enterprises (SMEs), one of the key engines of economic growth, bringing both prosperity and employment. With more and more SMEs resorting to the markets for funding, European Exchanges are taking very seriously their part in helping them to achieve their business goals.

In the first keynote speech, Charlie McCreevy, Commissioner for Internal Market and Services, stressed the need for better, economic evidence-based regulation that would create, not destroy jobs and consistent implementation of FSAP measures, including accounting standards. He emphasised the importance the Commission placed on getting risk capital right for the EU, as part of the jobs and growth agenda, promoting entrepreneurship and for fostering innovation in the context of the Lisbon Agenda.

Turning to consultation and impact assessment, he said that clearing and settlement is probably the most pertinent area where the Commission's dual commitment to ongoing consultation and thorough impact assessment is being thoroughly applied. Concluding his speech, Commissioner McCreevy said that, while the pace of reform of our securities markets must inevitably slacken because of the completion of the FSAP, and of the Commission's new emphasis on impact assessment, there were still a bewildering range of challenges ahead.

In the second keynote speech, Sharon Brown-Hruska, Acting Chair and Commissioner, US Commodity Futures Trading Commission, picked up Commissioner McCreevy's theme that the EU's single market initiative is one that recognizes the strength of market-based approaches.

She suggested that by bringing economics to bear on regulation, the first requirement is to implement regulation in practice that achieves the goals of unifying and opening markets, accommodating different regulatory approaches, and fostering effective enforcement.

She believed that the Commodity Futures Modernization Act of 2000 served as a model of a legislative framework intended to do precisely that for products within CFTC's regulatory competence. This provided a blueprint for regulation in a market characterized by rapid growth and change, and diversity of participants and products.

She explained that the Trans-Atlantic Cooperation Initiative of the CFTC and Committee of European Securities Regulators (CESR) was aimed at fostering a dialogue among US and European derivatives regulators. The goals of this dialogue were to institute regular communication on matters of regulatory developments of common concern, to heighten each respective region's attentiveness to the need for early and effective consultation; and to explore where areas of convergence and of common interest permit the development of practical EU-wide mechanisms to enhance the existing bilateral relationships between the CFTC and individual CESR members.

At the gala dinner, **Jean-Claude Trichet**, President of the ECB, also dwelt of the theme of financial integration in the context of the Lisbon strategy. Financial integration enabled the realisation of economies of scale and increased the supply of funds for investment opportunities. The actual integration process also stimulated competition and the expansion of markets, leading to further financial development. In turn, financial development can result in a more efficient allocation of capital as well as a reduction in the cost of capital, he explained.

M. Trichet outlined the four areas in which the ECB fostered financial integration. The ECB can act as a catalyst for collective private sector initiatives; it is involved in the provision of central banking services; it provides advice on the shaping of the legislative and regulatory framework of the financial system; and it undertakes research and monitoring on all aspects of European financial integration in collaboration with the European Commission.

Turning to Europe's securities markets, M. Trichet concluded that the implementation of the Lamfalussy framework provided a unique opportunity to achieve consistency in the regulatory and supervisory framework across Member States and therefore to have an effective level playing field for financial services.

In the final keynote speech on the second day of the Convention, **Chris Gibson-Smith**, Chairman of the London Stock Exchange, talked about the need to speed up the pace of economic reform in response to global forces, the challenge that this posed for our capital markets, and the requirement this placed on capital markets to evolve and respond effectively.
He felt that Europe had reached an important moment in its economic development where its future was quite uncertain. Success, or otherwise, of efforts to create a single capital market through regulatory and infrastructure reform will significantly affect Europe's economic fortunes. Political or regulatory intervention should not stifle innovation or otherwise lead to structures that prevent Europe's markets from being able to respond to global forces.
This was an endeavour, he believed, that had the potential to impact the lives of hundreds of millions of citizens and one that had to be got right.

The Convention included several highly interesting **panel debates** on the role of different stakeholders in moving towards integrated market, notably those of Europe's regulators, the European Parliament and the Research Community. In responses, a panel representing a cross-section of FESE members, picked up on the challenges facing the securities markets, especially consolidation.

In the final session of the Convention, under the auspices of the European Corporate Governance Institute (ECGI), there was a lively Oxford Union style debate on the proposition that *"This house believes that shareholders should NOT have the right to vote on corporate acquisitions"* After robust representations from two debating teams and engaged interventions in support of the proposition and the opposition from the floor, the motion was soundly defeated by 62 votes to 5.

The main conclusion of the debate was that it is hard to see why a decision on a corporate acquisition that brings about a substantial change in the strategy and activities of the acquiring firm should not be put to an extraordinary annual meeting of shareholders for ratification. Ex-post ratification by shareholders does not prevent the board from negotiating a deal, but provides a safety mechanism for preventing poor acquisitions. The board could have the power to make smaller acquisitions, assuming that such power was delegated to the board by the shareholders. The decision rights of other corporate constituencies were raised during the debate, but the question whether employees should have the right to vote on corporate acquisitions would require a separate debate with a potentially different outcome.

The Convention was closed with remarks from FESE Vice President and President of OMX Exchanges Jukka Ruuska, who summed up the three main areas on which the Convention had focussed: trends in regulation, the regulatory approaches being made Europe and the US and the importance of SMEs to Europe's thriving and competitive economy.

Mr Ruuska expressed the appreciation of all participants for the excellent guidance of the Convention by the moderator, Christine Farnish, Chief Executive Officer, National Association of Pension Funds (UK). He invited delegates and others to assemble in Zurich in May/June 2006 for the 10th Convention which would be jointly hosted by FESE and SWX Swiss Exchange Group.

**Information for the editor:**

**The Federation of European Securities Exchanges** (FESE) is the association of regulated securities and derivatives markets in Europe and has incorporated EACH, the European Association of Clearing Houses.

FESE counts 25 Full Members providing equity and derivatives trading services as well as central counterparty functions in 28 European countries (EU-25 plus Iceland, Norway and Switzerland). In addition, FESE has several Corresponding Members from other European countries.

The Federation is headquartered in Brussels.

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