The Development of Securities Markets
Trends, Risks and Policy

Università Commerciale Luigi Bocconi (Baffi CAREFIN) – CONSOB
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Opening Statement

by

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Good morning and a very warm welcome to everyone.

It is a great pleasure to open this event dedicated to a really wide and meaningful topic such as the development of securities markets, with the aim of sharing some ideas on how to make the European financial markets efficient and effective.

First of all, on behalf of the Consob's Chairman, Mr. Giuseppe Vegas, let me thank Bocconi University, in particular its distinguished Dean, Professor Andrea Sironi, and the President of Baffi Carefin, Professor Masciandaro, and the Director, Professor Saita, for hosting this seminar following the important tradition of an intellectual melting-pot favouring open discussion among academics, regulators and practitioners.

Let me flag up some issues on the European financial regulatory dynamics to make clear the background of the debate hereinafter, not least on market microstructure features.

The 2007/2008 international financial crisis has sharpened a situation of institutional impasse in Europe: the inadequacy of past responses to an interconnected worldwide finance has speeded up the deepening and broadening of regulatory process.

Most legislative measures have already been adopted in EU alongside the international financial system reform agenda set by the G20 and specified by the FSB in 2009 and 2010.

MiFID II/MiFIR - approved in June 2014 - are aiming at ensuring transparency and efficiency of securities markets: on one hand, the MiFID package envisages a trading obligation both for equities and standardised derivatives; on the other hand, it extends pre and post trades transparency regime to non-equity and equity-like instruments traded on any trading venue, including "MTFs" and "OTFs". A framework has been introduced for trading data to be published through approved arrangements and made available via a consolidated tape.

Other important MiFID II innovations that are worthwhile mentioning are: a special discipline for SME's Growth Markets to create an easier access to securities financing for small and medium enterprises; a special regime for algo-trading (including high frequency trading) to mitigate possible disruptive effects on market functioning, to ensure orderly trading and to prevent market abuse, also by the identification of microstructural measures (such as order-to-trade ratio, tick size, mechanisms to manage volatility and fee structure).

MiFID II Level 2 measures are still under way.

Moreover, regulatory package on the European Market Infrastructures (EMIR) - entered into force in August 2012 - provides a valuable contribution in mitigating systemic risks from derivative transactions, by introducing the clearing obligation through an authorised CCP and a reporting obligation to trade repositories.

In brief, all these measures have been important to restore confidence because they have tackled several important financial market drawbacks shown by the crisis in the past seven years.

Despite this, the recovering of corporate financing and, hopefully, the positive impact on economic growth, through more investments by European companies, have not started yet.

In the view of the European Commission, this issue results, among other things, from the fragmentation of capital markets, which remains one of the major obstacles to the restarting of corporate funding, still strongly reliant on banking credit.

Banking finance and capital markets financing are both fundamental components of the Single Financial Market construction in EU. But whereas the first one was accomplished within the Banking Union, the last one is only a part of a sketchy project.

About one week ago the European Commission launched three consultations on the Capital Markets Union plan, the EU framework for simple, transparent and standardised securitization as well as on the review of the prospectus directive. The aim is to collect – through a public discussion - all the possible regulatory "ingredients" to achieve a more integrated and rebalanced financial system in Europe.

As many economic analyses showed, the availability of alternative sources of finance, first of all market-based finance, improves the general resilience of the financial system to micro-distresses and macro shocks, whereas removing barriers to cross-border investments lowers the overall cost of capital across Europe, regardless of the national jurisdiction of the borrower.

From a different perspective, improving SMEs access to market-based financing would open new opportunities of investment portfolio diversification even for households. These considerations are shared by the European Commission in its Communication on Long-Term Financing of the European Economy.

Simplification and harmonization of rules pave the way for a European financial system supporting economic growth and prosperity.

The setting up of a Single Rule Book was (and is) deemed as a necessary condition for a level-playing field for the financial sector, but it is not enough.

For the ambitious blueprint of the Capital Markets Union to be fully workable, it should be complemented by further actions:

1. strengthening and homogenization of supervisory activities throughout the Member States, so as to reduce compliance costs and ensure uniformly investor protection;
2. harmonization of sanctions and enforcement;
3. efficient functioning of the whole market infrastructures set by MiFID II, EMIR and CSD;
4. a sound and stable EU investor education strategy, considering also behavioural economics insights.

Even though, further steps are needed to improve ways of doing business in Europe.

A pan-European information storage mechanism for SMEs should be envisaged to allow institutional investors' access to reliable and harmonised information so as to facilitate matching SMEs' securities offerings in the financial markets.

An effective bridge between credit finance and securities finance should be rebuilt by securitisation markets as heart valves in the circulatory system.

Finally, let me mention others activities to make Capital Markets Union really robust under some crucial legal aspects, in particular harmonisation of:

- non-fraudulent bankruptcy proceedings;
- corporate tax regimes;
- financial transaction tax.

With all this in mind, this seminar represents a great opportunity to increase CONSOB's awareness of securities markets since researchers coming from different universities, as well as other authorities and institutions, can openly discuss measures already undertaken in UE related to some "bricks" of the Capital Markets Union project.

I wish you a very fruitful and productive discussion.