

New York has supplanted London as the world's top financial centre. Paris, which ranked No 11 in March 2007, now languishes at No 36. These are the latest findings of the Global Financial Centres Index, compiled by the Z/Yen Group on the basis of competitiveness criteria and published on 15 March.

Granted, this type of ranking is notoriously biased. And whether or not the score, which puts Paris just behind Kuala Lumpur, is truly warranted can be debated ad infinitum. That said, it is striking that Paris has dropped seven places in five months and, in Europe, lags well behind Zurich (5th), Frankfurt (11th) and even Vienna (24th). The numbers are definitely alarming.

Of course, the main concern is the loss of capital market business, as reflected in the GFCI score, and hence the loss of tax revenue and highly skilled jobs which, in turn, generate direct and indirect jobs with various levels of qualifications.

But the overriding concern is the feeling of loss experienced by the people who serve our markets, companies and investors.

Just when the financing of our economy hinges increasingly on markets, when growth depends on our ability to fund it, and when France is quite rightly arguing for better regulated markets, it makes no sense whatsoever to have to rely on others. AMAFI has been hammering home that message for months. And it will continue to do so, because so much is at stake for all of us.

Pierre de Lauzun
Chief Executive, AMAFI

ICSA: changing to meet new challenges

Feature



Founded 27 years ago in the wake of a severe market correction, the International Council of Securities Associations has played an important role in enhancing integrity, investor protection, and efficiency in global capital markets. Today, with a revamped organisational structure, a new chief executive and a forward-looking remit, ICSA is determined to affirm its role as a key talking partner for regulators and a force for innovation and change in the global financial industry.

Membership

The International Council of Securities Associations was set up in 1988 as the International Council of Securities

Dealers and Regulatory Associations by six industry groups from Canada, France, Japan, the United Kingdom and the United States. Aware of the growing interdependency of global capital markets, the founding organisations were responding to the need to share information, work toward common best practices and promote mutual understanding. The ICSDRA changed its name to ICSA in the early 1990s. Over the years the original membership base has expanded to 17 full members and three correspondent members. ▶

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- ▶ Membership of ICSA is open to non-profit organisations and NGOs whose members are active in the national and international securities market and who have legal authority to regulate their membership. The organisation also accepts associations representing the business and public policy interests of the securities firms that are their members. Eligibility for membership also depends on the extent to which an applicant's domestic securities market is open to foreign investors and integrated into the global securities market.

ICSA FULL MEMBERS

Australian Financial Markets Association (AFMA), Associacao Brasileira das Entidades dos Mercados Financiero e de Capetais (ANBIMA), Bombay Stock Exchange Brokers Forum (BBF), Investment Industry Association of Canada (IIAC), Danish Securities Dealers Association (DBMF), Association française des marchés financiers (AMAFI), Federal Association of Securities Trading Firms at the German Stock Markets (BWF), Italian Association of Financial Intermediaries (Assosim), Japan Securities Dealers Association (JSDA), Korea Financial Investment Association (KOFIA), Asociacion Mexicana de Intermediarios Bursatiles, A.C. (AMIB), Swedish Securities Dealers Association (SSDA), Chinese Taiwan Securities Association (CTSA), Association of Capital Market Intermediary Institutions of Turkey (TSPAKB), Securities Industry and Financial Markets Association (SIFMA), Association for Financial Markets in Europe (AFME), International Capital Market Association (ICMA)

ICSA CORRESPONDENT MEMBERS

Bulgarian Association of Licensed Investment Firms (BALIF), Association of National Exchanges Members of India (ANMI), Association of Thai Securities Companies (ASCO)

Since it was founded ICSA has grown into a global forum for trade associations and self-regulatory organisations whose members are active in capital markets, whether nationally or globally. Its membership represents the vast majority of the world's financial services firms.

Structure

ICSA is organised around three committees – Advisory, Emerging Markets, and Regulatory Affairs – supported by a secretariat.

The Advisory Committee acts as the managing body. Its main responsibilities are to set ICSA's strategy, ensure effectively management, and monitor its activities to make certain they comply with the founding principles and values. Specifically, the committee recommends action on policy issues and presents an annual budget, including membership fees and AGM fees. In addition, it reviews the activities of the secretariat, approves the agendas for membership meetings and oversees the ICSA budget.

The Emerging Markets Committee brings together ICSA members in emerging market economies to address issues of particular relevance for them. In the last three years the committee has produced two major research projects relating to emerging economies, the first looking at corporate bond markets and the second at the development of derivatives markets. It has also forged relationships with the Emerging Markets Committee of the International Organization of Securities Commissions (IOSCO) and also with the International Monetary Fund and the World Bank.

The third body, the Standing Committee on Regulatory Affairs (SCRA), is in charge of policy overview for ICSA. It manages the association's high-level relationships, including with the Financial Stability Board, the Basel Committee on Banking Supervision and IOSCO. The SCRA is also responsible for developing ICSA's responses to key regulatory initiatives at global level and also, where necessary, at regional and national levels. All ICSA members are encouraged to participate as far as possible in the SCRA's work, particularly since the committee will be playing a prominent role going forward.

Lastly, the secretariat, currently based in New York, liaises with ICSA's members, helps set the budgets and earmark resources, organises meetings and coordinates all the association's working groups.

Initiatives

At the global level, ICSA promotes its members' views through policy discussions and various forms of engagement with international regulators and standard setters. Among other initiatives, it puts out comment letters, principles and guidelines, research papers, and surveys. The issues addressed concern critical aspects of securities industry practice and regulation. For instance, ICSA has published best practices for investor education and self-regulatory organisations, as well as principles for better regulation and for market infrastructure governance, and guidelines on anti-money laundering and business continuity planning. Recently, ICSA issued a set of best practices to serve as guidelines for establishing or strengthening regulatory consultation programmes at national and international levels. The document was submitted both to IOSCO and to the Financial Stability Board for review. The association also wrote to the European Commission expressing concern about proposals for the tax on financial transactions and its harmful effects on economic growth both in Europe and globally. But the main areas of current focus, at a time when global markets are increasingly the norm, is cross-border regulation. ICSA has always stressed the need for an overarching perspective. It is deeply concerned that ongoing reforms in the financial sector are inconsistent and sometimes in



► conflict, a situation that is pushing up costs and putting a damper on economic growth. That is why it advocates mutual recognition between securities regulators as a means of ensuring globally consistent regulatory policies across a variety of areas. Another crucial factor is closer dialogue with regulators at the global level to avoid piecemeal or partial regulation. As ICSA's new Chief Executive, Ian Russell, confirms, "IOSCO has recognised that rule-making needs global standards and that failure to coordinate with institutions in the past has resulted in an incoherent regulatory system". (See Q&A)

Going forward

This year ICSA will play a leading role in addressing issues arising from conflicting regulations by acting as Secretary of the Cross-Border Regulation Forum. The CBRF was set up by global industry associations and stock exchanges in response to the formation of IOSCO's Task Force on Cross-Border Regulation. Its mission is to address cross-border regulatory issues and problems generated by conflicting or overlapping requirements.

Above all, to respond more effectively to the increasingly international challenges facing the securities industry while encouraging sound growth in international markets and building a closer interface with the regulatory community, ICSA is making a step change in terms of its organisation and also its remit. At the 27th Annual General Meeting in Paris, delegates not only discussed topics such as the latest G-20 action plan, new banking models and IOSCO's agenda for market-based financing; they voted a structural change that gives the association the means to fulfil its ambitions. As the only true representative of the global securities industry, ICSA will seek to extend its reach even further as a promoter of vibrant, prosperous investment industries and a key talking partner for national and supranational regulators.

Anthony Bulger

Q&A with...

Ian Russell, President and CEO, Investment Industry Association of Canada and Incoming Chair of ICSA

➤ How will ICSA change?

The aim right now is to complete a comprehensive restructuring process that began in September 2013 and has been intensifying ever since. ICSA started life as an informal association of members that had not-for-profit status. The aim is to turn it into a standalone organisation that's not dependent on any one member. The new-look ICSA will be headquartered in London. The relocation [from New York] is logical because London is the crossroads of world finance and the global securities industry, as well as a focal point for the ongoing process of regulatory reform. Another advantage of the move is that ICSA will have easier access to IOSCO, which has a permanent secretariat based in Madrid.

Our focus will be on building the type of structure that will make ICSA more transparent and flexible. The immediate issues are to establish a non-profit company limited by guarantee (so that members have limited liability and can enter into contracts in the company's name), to draw up the bylaws, set up the governance structure, audit committees, etc. The trial model will be submitted to ICSA's next meeting in Brazil. ICSA will also be hiring a Secretary General, possibly by recruiting outside the organisation. Regulatory reform is gathering momentum, so the organisation needs to be truly global. In addition to our 17 full members, we already have three correspondent members in Bulgaria, India and Thailand. And we're broadening the membership to encompass Latin America, the Middle East and Asia, including mainland China through the National Association of Financial Market Institutional Investors. The entire process will take a year or so.

In the meantime, the team is working on interim arrangements, which are being managed from Canada. The contracts signed during this transition period will eventually revert into the new structure.

➤ What else is on the agenda?

ICSA is very busy. It has volunteered to be the Secretary of the Cross-Border Regulatory Forum, a committee formed by global industry associations and stock exchanges to address cross-border regulatory issues arising from conflicting requirements. The CBRF will be the formal consultative body for IOSCO, which is reaching out to all market participants. IOSCO has recognised that a lack of cross-industry coordination is pushing up costs, creating compliance complexities, and generating unnecessary expenditures due to new and sometimes inconsistent rules. The current regulatory policy disarray at global level has resulted in the balkanisation of the capital markets. To give a practical example, firms operating from Germany will not be able to use Asian clearinghouses unless the latter comply with EU rules. The challenges for the securities industry are not the same as those facing the banking sector, where regulatory harmonisation is better coordinated. IOSCO will obviously play the lead role in lifting these barriers but it will rely on ICSA.

➤ And in future?

You mean when we are fully grown? Well, the prospects offered by the CBRF are exciting. The forum will be a collaborative venue for a broad range of financial market participants from all over the world to discuss the need for a coherent and effective international regulatory framework governing the provision of cross-border financial services. From there, and with our expanding membership base and truly global focus, ICSA should become a force to be reckoned with.

International



➤ **ICSA Annual General Meeting Paris, 13-15 April 2014**

AMAFI organised the 27th Annual General Meeting of the International Council of Securities Associations (ICSA) in Paris from April 13 to 15. The membership of ICSA, of which AMAFI is a co-founder, comprises self-regulatory associations and trade associations representing the global capital market.

This year's event included a day and half of dialogue and discussion between ICSA's members and representatives of international and European organisations, regulators, industry bodies and academics. The topics included the regulatory and market forces behind fragmentation, the ways of financing the economic recovery in Europe, the impact of ongoing reforms on banking models, and progress on the G20 action plan, with a focus on shadow banking. Delegates also discussed the perspectives for the European Banking Union and the EU Financial Transaction Tax.

During the final half-day, ICSA members addressed a number of organisational issues, including how to expand the association's footprint and role (see feature).

Véronique Donnadieu

Europe

➤ **MiFID 2 AMAFI Market Structure Committee**

Following a January political agreement, the MiFID 2 implementation timeline is now clear. In April the European Parliament is expected to approve the directive and the Regulation, which will both be published in the EU Official Journal before 30 June 2014. Member States and the Commission will then have 30 months to transpose the directive and prepare level 2 measures with the backing of the European Securities and Markets Authority (ESMA). The new arrangements should be fully in effect by late 2016 or early 2017.

For level 2, ESMA is preparing technical advice, guidelines, recommendations and implementing technical standards – a total of 106 documents in all. More than half of these concern market organisation. In June ESMA is due to submit to consultation an action-oriented paper covering all the various measures.

To contribute effectively to this process, AMAFI's Market Structure Committee has already started examining and discussing a number of issues crucial for market organisation. These include the definition of a liquid market depending on the category of financial instrument and the thresholds for waiving market transparency requirements. Another key focus is the future of request-for-quote systems, which have made significant headway in recent years. The committee will hold regular briefings with the French securities regulator, the AMF, as work moves forward.

Emmanuel de Fournoux, Victor Maurin

France

➤ **Financing for mid-market companies** **Euro PP Charter**

AMAFI was the first to set up a dedicated working group to investigate ways of encouraging private debt placements, particularly by mid-market companies, directly with institutional investors. It remains closely involved in this issue, playing an active part in the work being done by a market advisory group set up by the Banque de France and composed of stakeholder representatives. The aim is to make the private placement market for euro-denominated bonds (Euro PP) a benchmark, both in France and internationally.

In February, along with two other industry groups, AFTE (issuers) and Af2i (institutional investors), the Association published a best practice charter to encourage Euro PPs. The document governs relations between issuers, investors and intermediaries, and also includes a number of standard legal documents.

In addition to the charter, which is an important instrument for encouraging Euro PPs, an amended version of the AMAFI professional standard on pre-soundings has been released. The amendment, approved by the AMF, has eliminated a major hurdle to the development of Euro PPs by explicitly removing them from the standard's scope. This was crucial because many potential investors had been deterred from going ahead with a Euro PP because they believed it would be subject to the AMAFI standard, which is unsuited to this type of operation.

Despite the waiver, however, the ordinary regime arising from the Market Abuse Directive will apply if a placement entails the disclosure of inside information.

Following publication of the charter, work on the Euro PP continued through a monitoring committee in which AMAFI played an active part. At the end of March, it released an English translation of the charter and its annexes, a vital step in developing the international market in Euro PPs. And since several other industry groups responded favourably to a call from the finance ministry to support the charter, a new version, endorsed by nine professional organisations, has just been published in French and English.

The monitoring committee continues to work on improving, expanding and adapting tools that will enable Euro PPs to make a steadily increasing contribution to financing midmarket companies, both in France and internationally.

Sylvie Dariosecq

France

➤ Remuneration

Implementing CRD4

The European Regulation on bank staff remuneration is being implemented. In France the fourth Capital Requirements Directive (CRD4), which came into force on 1 January 2014, was rounded out by Order No 2014-158 of 21 February 2014. One of the key measures is to cap the variable remuneration for risk takers at one time their fixed remuneration, unless the annual general meeting votes to increase the payout to two times fixed remuneration.

On 4 March the European Commission approved, with no substantive amendments, the technical standards put forward by the European Banking Authority, which set strict criteria for determining which members of staff are to be classified as risk takers.

On this issue, the way that France decides to apply the CRD4 proportionality principle, whereby some of the rules on remuneration structures may be disapplied under certain circumstances, will be crucial to avoiding significant competitive distortions, especially relative to London. Accordingly, based on the rules applicable in the UK, AMAFI submitted proposals to the Treasury and the ACPR for implementing the principle of proportionality.

Remuneration policies and practices – Regulatory position

Having undertaken to comply with ESMA guidelines on remuneration policies and practices, the AMF has incorporated them into a position paper that is part of the policy it has enforced since 31 January 2014. In doing so, it has altered the policy's initial scope by requiring investment services providers to explain why they choose not to apply certain provisions to professional clients. Compared with the ESMA guidelines, this measure reverses the burden of proof.

Further, the examples of best and bad practices given in the ESMA guidelines and incorporated into the AMF's position are considered as obligations. Since ESMA considers them simply as illustrations, the question arises as to what exactly the AMF expects with regard to the fundamental matters these examples refer to, such as deferred payment, calculating variable remuneration on the basis of non-quantitative inputs, and taking account of clients' investment performance. This question is especially important because the AMF position applies to a broader population than risk takers alone.

AMAFI has contacted the AMF to address these issues.

Stéphanie Hubert, Julien Perrier

➤ EMIR Action by AMAFI

AMAFI has updated its Q&A based on discussions in the Legal Affairs Committee about phasing in the requirements in the European Market Infrastructure Regulation (EMIR).

The revised Q&A incorporates the matters discussed at the committee's meetings up to 20 January 2014, as well as the explanations given by the European Commission and national and international regulators about how to apply and interpret EMIR and its implementing regulations. New questions and answers about the scope of EMIR have been added to the document, notably the definition of non-financial counterparties, risk mitigation and the requirement, effective since 12 February, to report derivatives contracts to a trade repository.

AMAFI is also carrying on with the work done by its EMIR working group, which met for an initial appraisal following the entry into force of the derivatives reporting requirement. Also discussed at that meeting were problems arising from the Unique Transaction Identifier and the requirement to report expired derivatives. Further discussions have been held with the AMF on these points.

Sylvie Dariosecq, Emmanuel de Fournoux, Julien Perrier

France



➤ **Compliance controls** **New working group**

Responding to requests from several members for an opportunity to discuss compliance controls, the AMAFI Compliance Committee set up a working group especially for this purpose. The group will provide a forum for discussion about best practices and news about compliance controls. However, it will not deal with anti-money laundering, terrorist financing or, more broadly, operating risks in general.

Stéphanie Hubert, Julien Perrier

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Editor: Philippe Bouyoux

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Design: C'est tout comme - **Layout:** Sabine Charrier

ISSN: 1765-2030

AMAFI documents quoted in this Newsletter and flagged with a reference number are on our website at

www.amafi.fr

Most of them, notably AMAFI's responses to public consultations, are freely available, but some are restricted to members only.

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