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Ladies and Gentlemen,

It is a great pleasure for me to have the opportunity to participate to your general assembly. In such critical times, it is important that dialogue between the industry and regulators remains very vivid.

Markets are very volatile. Markets participants have to face uncertainties with regards to policy decisions. What is primarily at stake is of course the capacity to deal with public deficit, without hampering economic growth.

At the same time, regulation is also at stake. Investors, in particular retail investors, have lost confidence in a regulation that appears unable to set up the appropriate safeguards to ensure a fair and efficient functioning of the market. More broadly, consequences of the recent movements on sovereign debts have social consequences. People need to understand what the drivers of such movements are. The key messages I would like to deliver this morning as an introduction to this panel on the future of OTC are about the need to:

1) increase transparency,

2) and design within the MIFID and EMIC reviews a more efficient organisation and regulation of the market.

In addition, I would like to say a few words about the necessity to set up an appropriate regulatory architecture.

1°) First remark, **the OTC markets need to be more open and more transparent**. We should take the opportunity of the Mifid review to increase this transparency, in particular post trade transparency. I am quite positive on that point, as my European colleagues, who were doubtful two years ago about the benefits of more transparency, are now moving in that direction. The non disclosure of fundamental market data is no longer acceptable, especially when some market participants are aware of the corresponding transactions. We must present an ambitious framework to the European Commission on post-trade transparency.

I know that market intermediaries are, to some extent, reluctant to enhanced transparency, in particular when dealing with non equity, saying that the characteristic of these markets, the strategy they require, do not fit well with more transparency and could even reduce the efficiency and liquidity of the market. The buy-side is less convinced. Recent events have demonstrated the need to make progress in this area. I really invite ICMA to contribute to the debate, so that the regulatory framework can take into account the various aspects of the market.

2) **Second remark, we must seize the opportunity of the MIFID review to promote a more efficient organisation and regulation of the market:**

Indeed, this should be also the occasion to capture more transactions on organised and regulated systems. I am not against competition between organised trading venue, as put in place by MIFID. Nor am I against different types of organised trading venues to answer the needs of market participants, with of course the appropriate provisions that ensure a level playing field.

But more transactions should be concluded on transparent multilateral platforms. Do not mistake my words: we need OTC markets, along organised markets, because the latter cannot fit all the needs. But today, the distribution of transactions between organised markets and OTC markets is not rightly balanced (for equity, bond, derivative markets). The US is revising the regulatory framework for credit derivatives and, in that context, is studying the opportunity to drag more transactions on organized markets. It is a regulatory trend that I promote at a European level.

Furthermore, as for the OTC derivatives markets, other issues have to be considered: standardisation, clearing, or even whether some types of transaction should be subject to specific regulation. The Germans recently took measures to ban naked short selling and specific operations that tend, from an economic point of view, to have the same effect as short sales. Without repeating what I said about the need to adopt in Europe as much as possible coordinated approach for the sake of efficiency, these measures raised the issue of the legitimacy of certain type of operations, in particular recent transactions made against sovereign debt by active market players. It is a difficult question, but from an economic point of view, **the recent crisis has shown that some products and some strategies were useless in terms of financing the economy, or even counterproductive,** and finally have contributed to lead to a major failure in the financial system. It is important, as we review the organisation of the market, that we set up a system aiming at organising confrontation between issuers and investors for the benefit of the financing of the economy.

I shall **conclude** by emphasizing **the importance of setting up an appropriate regulatory architecture.**

The current situation clearly demonstrates the limits of the Lamfalussy system. It was a very good first step, but this system is unable to deal with crises and urgent decisions. We clearly need a European Agency, accountable to the European institutions, empowered with the capacity to establish technical regulation. Everything that relates to transparency has to be carefully crafted, amended when necessary to address financial evolution and innovation, at the very technical level of ESMA.

Second, this agency should be empowered to take measures in urgent situations. The recent example of sovereign bonds markets is a very good example. Initiatives from the Commission have to follow the normal path of EU decision making process. But nothing exists to set up exceptional and temporary measures when necessary. CESR is not designed to deal with urgent issues and urgent decisions. I hope that the Council and the EU Parliament will rapidly find a compromise, as it is now time to act. We cannot wait too long on that issue.