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Executive President

M. Jacques de Larosière
Chairman, High-Level Expert Group on EU Financial Supervision
c/o Mr. David Wright
DGMarkt, European Commission
Brussels

January 20, 2009

Dear Mr. Chairman,

High-Level Expert Group on EU Financial Supervision

Thank you for the opportunity to meet the group and express our views. ICMA is a pan-European association of over 40 years standing and with around 350 buy-side and sell-side members. Our main role is to set industry standards to help create and maintain orderly capital markets. As a self-regulatory organisation in Europe, we are keen to work with the regulatory authorities.

The critical question arising from the group's terms of reference seems to us to be what changes need to be made in the arrangements for regulating securities markets, supervising financial institutions and overseeing financial stability in Europe to help restore orderly capital markets and ensure that an international financial crisis of this magnitude does not happen again. As capital markets are global, the European approach and the global approach clearly need to converge so that they are part of a coherent whole. We support a truly global approach, with the G20 in the lead and active European engagement. In Europe, given the pressing need for practical improvements to be made, we focus in this letter on improvements that can be made quickly without the need for new European legislation.

For our members, the regulation of securities markets in Europe is a key concern. If the European market is to be able to compete globally, it needs to be fully integrated, with consistent implementation of new regulations throughout the EEA. Although the Commission already has an enforcement remit, we believe that DGMarkt needs more resources to carry out its role as effectively as possible. National regulators could also voluntarily agree that CESR should be more transparent in "naming and shaming" Member States where EU legislation has not been properly transposed or enforced. And a culture of trust involving close working relationships between CESR, CEBS and CEIOPS at European level, and between national regulators, especially where there is more than one financial regulator in the same country, is clearly important. For our part, we continue to set and promote industry standards, for example in the primary, secondary and repo markets.

As regards the supervision of large financial institutions operating in the capital markets, colleges of supervisors have been endorsed by the G20. Within this global framework, we think that colleges of supervisors can also play a role at European level, with the home supervisor in each case in the lead, so that colleges are not just “talking shops”. In support of colleges for banks, CEBS’ coordinating role should be strengthened to ensure information sharing between supervisors and to oversee standards of quality in supervisory training. And crisis resolution procedures need to be reviewed, bringing supervisors (coordinated by CEBS), finance ministries and central banks together so that they can act quickly – and if necessary pre-emptively – in a crisis.

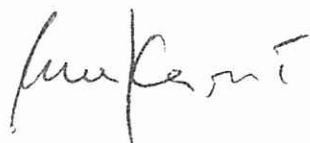
The ECB has played a key role in helping the financial system to respond to the current crisis. It is therefore important to consider carefully the merits of the ECB’s suggestion that the Eurosystem, in which a number of national central banks already play a supervisory role, should play a larger role in the supervision of systemically significant cross-border banks in order to ensure financial stability. Several questions will need to be addressed: how the ECB’s role in the euro area relates to the role of the Commission and the Level 3 Committees in the EU as a whole; how the ECB’s focus on banks relates to financial institutions more broadly; how the ECB can maintain its independence when the LOLR function is ultimately the responsibility of national governments on behalf of taxpayers; and how crisis management in Europe relates to the G20 arrangements being organised through bodies such as the FSF and IMF at global level.

We support those of the practical improvements suggested in this letter that can be made quickly and without the need for new European legislation. In parallel, consideration should continue to be given to new institutional initiatives, such as a fundamental extension in the ECB’s role or setting up a new Central European Agency, which would require legislation. In the meantime, we appreciate that there may be a need for new legislation in some other areas, for example to take account of the IOSCO-led review on whether the boundaries of financial regulation should be extended.

We have focused narrowly in this letter on the group’s terms of reference, rather than on broader questions affecting the regulation of securities markets, such as risk management, accounting and the market infrastructure. But we recognise how important these broader issues are to the restoration of investor confidence.

We need to rebuild orderly capital markets. At ICMA, we are committed to work closely with governments, central banks, regulators and the constituencies we serve to achieve a fair balance between the interests of market participants and the regulatory authorities.

Yours sincerely,



René Karsenti