

FINANCIAL INFRASTRUCTURES**Judith Hardt and Valérie Urbain**

Judith Hardt is Senior Advisor at Better Finance. She was previously Secretary General of the Federation of European Securities Exchanges (FESE) and later Managing Director, Swiss Finance Council. She has also been Vice Chair of the ESMA's Securities Markets Stakeholder Group.

Valérie Urbain is CEO of Euroclear Bank and a member of the Management Committee of Euroclear SA. She was previously CEO of Euroclear Belgium, Euroclear France and Euroclear Netherlands, after having held several senior positions within Euroclear group. Earlier in her career, she worked with Banco Hispano Americano and Continental Bank.

Course Outline

This course reviews the activities and competitive environment of the key financial market infrastructures, as well as the regulatory context in which they operate and its impact on financial markets, in particular in the EU and the US.

The trading part examines the history and roles of both equity and derivative exchanges. It reviews the major trends, including competition and globalization, demutualization and consolidation, technology and regulation, and their impact on exchanges and financial markets.

It explains the different trading models of exchanges and how exchanges attract liquidity, as well as their impact on market quality and institutional order flows. It looks at listings, IPOs and the exchange environment from the issuers' perspective. It details also the breadth of new services offered by exchanges. Furthermore, it reviews and compares market surveillance mechanisms and relevant regulations in Europe (such as MiFID, EMIR, MAD) and in the US (such as Reg NMS, Dodd-Frank). Finally, it examines current market trends, such as high frequency trading, and analyses recent market events such as the Flash Crash.

The post-trading part details the role and activities of infrastructures across financial instruments, as well as payment and cash transfer mechanisms. It focuses in particular on central counterparties (CCPs), national and international central securities depositories (CSDs and ICSDs), the ECB's Target 2 Securities project, and cash and payment transfer infrastructures like SWIFT. It examines their service offering, highlighting the increasing importance of collateral availability, their governance and their competitive position. It reviews the relevance of new regulation in the US and Europe (such as EMIR, CSD Regulation, and regulation on derivative clearing).

At the end of this course, Participants will be able to:

- Understand the key role of exchanges (regulated markets and MTFs), of clearing houses and of Central Securities Depositories (CSDs) and ICSDs (Euroclear and Clearstream);
- Assess critically their impact on other financial market participants, including banks, investment banks, asset managers and others.
- Understand how financial instruments are traded on exchange, cleared and settled and how this affects the business of financial firms
- Apprehend the key relevant regulatory standards and their impact on the financial markets

Course Structure

- I. Introduction**
 - a. Types of securities
 - b. Market organisation
 - c. Regulation
 - d. CPMI-IOSCO principles
 - e. Value chain and trading landscape
- II. Trading**
 - a. Introduction
 - b. Role of stock exchanges
 - c. Regulation – EU and US
 - d. Increasing role of technology and impact on markets
 - e. 'Hot Topics':
 - i. High Frequency Trading (HFT)
 - ii. 'Flash Crash'
 - iii. 'Knight Capital
 - iv. Facebook IPO
 - v. BATS Listing
 - v. China
 - f. EU and US regulatory responses to the rise of technology
 - g. Key challenges for exchanges going forward
- III. CCP clearing**
 - a. Definition and functions of CCP clearing and history
 - b. Market structure/The process of clearing
 - c. Regulation and the financial crisis - EMIR
 - d. Case Study – The role of CCPs during Lehman's default in 2008
- IV. Payment**
 - a. Overall market organisation: key players & characteristics
 - b. Key regulations
 - c. Strategic challenges
- V. Securities Settlement and Asset Servicing**
 - a. Market organisation/Primary market: issuance
 - b. Settlement/Cross-border handling of securities
 - c. Custody and Asset Servicing
 - d. Regulation
 - e. Target 2 Securities
 - f. Case Study: Euroclear Group
- VI. SWIFT**
 - a. Role of SWIFT: origin and evolution
 - b. SWIFT position in financial markets
 - c. Strategic challenges and business developments
- VII. Collateral Management**
 - a. Key functionalities
 - b. Regulation
 - c. Key players and evolution
 - d. Case study: €GCPlus
- VIII. Recap – Future Challenges**
 - a. Global trends

b. Exchange - CCPs - CSDs - Collateral management.