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ROLE OF FINANCE SECTOR

Markets under siege

Industry can't ignore Occupy and Brussels uproar

Rival exchanges clash on market structure, business models

Even if public outcry and political scorn levelled at the capital markets is largely unwarranted, it must nonetheless be addressed, a group of Europe's senior most capital markets minds believe.

In yesterday's opening panel discussion, exchange and asset management representatives fiercely debated the role and impact of capital markets on society, questioning whether or not it was possible to create fairer and more transparent markets.

"While our market structure models may give value to the real economy, we need to respond to the broad critiques of both the Occupy movement and politicians," said Ruben Lee, CEO, Oxford Finance Group. "You can't ignore the chief concern of the Occupy movement – that the markets serve the 1% and not the 99%. I think the argument is false but we need to respond to it."

Similarly, Lee said the argument many politicians make – that the markets are too excessively focused on the activity of trading and that the needs of the wider economy are not being served – is also false but nonetheless needs to be addressed by the industry.

Lee said Europe needed to look to the United States, where small- and medium-sized enterprises (SMEs) are comparatively well served by capital markets. In the UK, three per cent of SMEs raise funds through equity finance but in the US, the proportion rises to 25%.

Framework for competition

"Everyone is competing to make profit and as long as they compete in a sound regulatory framework, it should be ok," said Natan Tiefenbrun, head of product, LSE Equities and Derivatives, Turquoise. "But we must ensure that framework

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"What we really need to talk about for the benefit of the real economy in Europe is a pan-European market."

Mark Hemsley, CEO, BATS Chi-X Europe

BUY-SIDE IN CRISIS?

Time to revisit core values

Opening TradeTech 2012, SSgA's Richard Lacaille urged the industry to refocus on the end-client

Chairing the first full day of 12th Annual TradeTech Europe conference, Alasdair Haynes contrasted the mood a year ago, when talk was of green shoots, with the return to a more sombre view of present economic prospects, particularly in Europe, which, once again, appears 'troubled'. Although the former Chi-X Europe CEO identified recent progress for the industry in developments such as clearing interoperability and the promise of innovation that came with the phenomenal growth in social networks, Haynes' message was essentially downbeat.

This mood of the moment was acknowledged by Richard Lacaille, global CIO, State Street Global Advisors, who addressed the conference on the future of asset management. Lacaille identified an emerging divide within the industry between those who provide 'components' and those who provide 'solutions'. The former, who design specific products, are having "their feet held to the fire" in the present environment to achieve their declared objectives, while the latter seek to assemble various components to achieve a client's investment strategy and are, perhaps, under less immediate pressure.

Loss of confidence

Looking at the asset management landscape as a whole, Lacaille acknowledged that the industry is facing significant challenges. For many in the room, he suggested, volatility (and the volatility of volatility) is a particular issue in the present trading environment. Taking the long view, however, he pointed out that in the past 20 years there has been a series of disruptions that at the time were major crises, but that have since receded into the

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