The DTCC-CSFI Post-Trade Fellowship: Peter Norman - launch remarks...

June 1st 2011.

... it is great honour to stand before you this evening as the DTCC-CSFI Post-Trade Fellow. This one year Fellowship is a new venture for both organisations as well as for myself.

It represents a new and exciting development for the CSFI – the Centre for the Study of Financial Innovation - and for DTCC, the Fellowship’s sponsor.

And I am delighted that the Fellowship has got off to such a powerful start today thanks to Paul Tucker, our keynote speaker, and the panel of distinguished speakers whom we have just been listening to.

Both symbolise what this Fellowship is all about, which is thought leadership.

Paul Tucker’s thoughts on how to handle the failure of a CCP mark an important step forward in the debate over how to deal with a complex and vexing problem that is facing policy makers, post-trade infrastructure providers, and users alike.

And the contributions of our panel show just how much thought and expertise is at hand among the infrastructure providers and their users for addressing the challenges that lie ahead.

Now, I’m acutely aware that -- at this stage of the proceedings -- I am the one thing that is standing between you and the drinks, nibbles and networking opportunities that await outside.

But I want to take just a little bit of your time to explain what this Fellowship is about; what it will do; and how I plan to go about fulfilling the Fellow’s duties.

The Fellowship will run for a year, with the aim of making a meaningful contribution to the debate on the future of the European Post-Trade sector.

It has been made possible by the financial support of DTCC, whose London clearing house EuroCCP is our host this evening.

It will draw on the expertise of the CSFI which will extend its tried and trusted Fellowship model to the Post-trade area, with activities on the European continent as well as here in London.

I am looking forward to working with the two organisations that stand behind this venture.

Indeed, for me it will be a pleasure to continue my involvement with Post-Trade issues in this way.

And I am delighted to see amongst you, many friends whom I have got to know since I started researching and writing my two books on financial infrastructure, some six years ago.

But the Fellowship will also be a challenge....
A challenge, because it is being launched during a period of dramatic and unpredictable change, in which activities such as central counterparty clearing and securities settlement have been propelled from the back office to the front page.

As a result of the financial crisis, Post-trade infrastructures have emerged from obscurity to become central pillars of financial policy and objects of journalistic curiosity and endeavour.

And there is no sign that this will change.

The importance of sound and reliable Post-Trade infrastructures was underlined by their successful performance in the crisis following the bankruptcy of Lehman Brothers.

Since then -- and as we have heard tonight -- policy makers around the world have focused on Post-Trade infrastructures, and especially CCPs, as important tools to ensure that such a cataclysm does not recur.

We have seen numerous legislative initiatives, starting with the Dodd-Frank act in the US. The European Union has spawned a trail of abbreviations and acronyms -- of which EMIR and MIFID II are the most important -- which are in the throes of being converted from proposals into law.

We have public authorities intervening in the post-trade space: notably the European Central Bank with its Target2Securities project, which (if all goes to plan) will be a game changer for Central Securities Depositories and custodian banks by the time it is finally launched.

This year, we have seen signs that the Competition authorities of the European Commission are taking an interest in the Post-Trade sector after many years of profound change in which they chose to be inactive. This could be a very important development.

At the same time, the industry hasn’t been idle.

Clearing and settlement providers have created a host of new products to mitigate risk, manage liquidity better, and cut users’ costs with new ideas constantly coming forward.

Trade data repositories have emerged as a distinct business sector in the Post-Trade space.

There has been intense competition and innovation, especially in clearing, where new contenders have appeared.

In London, for example, there are now four clearing houses.... . That is four times the number of four years ago.

The European Post-Trade sector is in a state of flux, reflecting to a significant degree, corporate decisions made on the other side of the Atlantic.

It may be at an inflection point between fragmentation and consolidation.

As in the past, the corporate manoeuvrings of exchanges are acting as a catalyst. They are once more impacting on the clearing sector.

The dramatic announcements of recent months, weeks and days are just the visible outcrops of intense activity at all levels of the value chain away from the public gaze.
Against this maelstrom of activity, the DTCC- CSFI Post-Trade Fellowship will provide thought-leadership and provoke debate through a programme of carefully themed round-tables and dinners with leading participants from the industry, regulation and politics, as well as selected media representatives.

The programme will have a clear European focus. It will help inform a report of 10,000 to 15,000 words, that I will write for delivery between July and September next year.

We also are planning a short interim report at the beginning of 2012.

Now I can’t say much at present about the likely contents of the final report in view of the uncertainties that I have just outlined and the work that has to be done.

But rest assured, it will be forward looking.

The fellowship will address big policy questions such as the systemic importance of Post-Trade infrastructures.

It will ask, for example, whether the authorities are expecting too much of Post-Trade infrastructures in general, and CCPs in particular, in the post-Lehman age; and whether - in the process - they are encouraging institutions that could exacerbate, rather than mitigate, the next great financial crisis.

And it will also drill down into the nitty-gritty of these institutions ...

exploring issues, such as the governance of post-trade infrastructures;

- their relationships with users and trading venues;

- the feasibility of interoperability;

- the significance of innovations such as CCPs cross-margining interest rate swaps and futures;

- and the impact in different jurisdictions of competition authorities.

The starting point will be the European Post-Trade market as it is evolving for the full range of asset classes .... bearing in mind changes to regulation and corporate realignments as well as the continuing impact of globalisation.

And we hope and believe that the final report can fill a gap in the debate on Europe’s Post-Trade future. ..... 

I will start my work with a firm belief in the potential of the sector to strengthen Europe’s capital markets and promote overall prosperity.

But -- as I think my existing writings on Post-Trade issues have made clear -- I am under no illusions as to the risks and potential impediments which could obstruct desirable improvements in the present market structure.

The research involved in creating the report will take a number of forms:
- There will be 10 round tables, which, unlike this event, will be held under the ‘Chatham House’ rule. Led by small panels, these forums will be informal, interactive and robust. The Chatham House rule – which allows ideas to be disseminated without comments being attributed – will encourage free and frank debate.

- Four of the round-tables will be held on the other side of the Channel: two in Brussels, one in Paris and one in Frankfurt. We will invite people from firms involved in the Post-Trade space – both users and providers of services - policy-makers and regulators as well as interested individuals from academia, other think-tanks and the media.

- There will be two dinners (one in London, one in Brussels) for senior individuals drawn from Post-Trade infrastructures, financial institutions, regulatory and legislative bodies. Each will be led off by a prominent guest speaker.

- I will engage in my own research. That will include one-to-one interviews. These will be similar to those that I conducted while researching my two books on Post-Trade infrastructures.

So don’t be surprised to find me getting in touch.....

And I hope that, when you hear from me in my new role, you will be as generous with your time and wisdom as you were when I was researching “The Risk Controllers” and “Plumbers and Visionaries”.

DTCC, the Fellowship’s sponsor, is a company with a distinguished record of thought-leadership in the Post-Trade space.

The fellowship will benefit – and has benefitted already - from the support of DTCC’s EU office in Brussels and of EuroCCP here in London.

Full editorial responsibility for the reports, however, will rest with the CSFI. ......

The Fellowship will build on CSFI’s existing experience of administering similar Fellowships in Insurance, Identity and Development.

I will bring to this Fellowship commitment, hard work and a proven track record.

I realise that with just six years writing about Post-Trade infrastructures and policies under my belt, I am both an outsider and relative newcomer to this business.

But I draw confidence from experiences gained from my working life as a journalist.

It is a trade that I joined in 1968, straight out of university, when I was fortunate enough to drift into the then-fledgling business of economic and financial journalism.

Most of my career has been spent writing about the political economy in an international context after a grounding of reporting industry and banking.

I spent 22 years of my professional life on the European mainland. These included 15 formative, crisis-packed years between 1970 and 1985, when I was based in Frankfurt, Bonn and Brussels, as a writer on economic and business developments in western Europe consecutively for Reuters, The Times of London, and the Wall Street Journal-Europe.
I joined the staff of the Financial Times in 1988, where I worked in turn as economics editor here in London; Bonn bureau chief and chief correspondent for Germany; and bureau chief and chief correspondent in Brussels.

This track record will, I hope, help me fulfill the duties of Post-Trade fellow.

It is track-record based on objective reporting and fair dealing.

I consider these to be essential qualifications for the task ahead.

For while this Fellowship has come about thanks to the generosity of its sponsor, its ultimate success will depend on a willingness to debate and input from companies that compete with DTCC.

A key message that I want to get across this evening is that we – myself, DTCC and CSFI – want to see representatives from organisations that are fierce rivals when competing for business attend the Fellowship round tables and dinners and contribute to the debate.

Only in this way will the report that appears in the summer of 2012 be of value to the industry as a whole and to regulators and policy makers.

I am confident that this goal can be achieved because providing a neutral forum for practitioners, regulators, journalists and others to debate important and controversial issues is what the CSFI is all about.

What I am about to say will be known to many of you. But it bears repeating for those of you who are not so familiar with the philosophy of the CSFI and its work.

The Centre for the Study of Financial Innovation has no ideological brief. It is not a lobbying organisation.

it is, as you might expect, philosophically underpinned by a belief in free markets and competition. It is in favour of regulation -- insofar as regulation tackles market failures and levels the playing field for participants.

It looks at threats and opportunities in the financial sector, particularly where innovation or change in the regulatory environment are set to alter the shape of the industry.

It tries to look over the horizon at what is likely to affect the world of finance over the next decade or so.

The CSFI was set up in 1993. One of its founders, Andrew Hilton, moderated our panel tonight.

The Centre is supported by about 80 public and private institutions, including the Bank of England and most of the major banks and professional services firms in the City.

In the course of its normal work, the CSFI organises about 80 round-tables a year as well as special higher level dinners on topical subjects covering a gamut of issues.

The Centre has an active publications programme. It produces its own reports.
It is responsible for the editorial content of *Financial World*, a monthly magazine with a circulation of more than 30,000.

To sum up, the CSFI stands at the centre of intellectual and practical debate in the City.

The CSFI’s Fellowship programmes link innovative financial organisations and independent experts to the Centre and permit them to shape segments of its work.

The DTCC-CSFI Post-Trade Fellowship will continue this tradition, with important additional input from continental Europe. .......

Now... All that remains is for me to thank all of you for being here tonight to hear me outline the DTCC-CSFI Post-Trade Fellowship.

It is a venture that will build on the thought-leadership and innovation that characterise both organisations.

But the DTCC-CSFI Post-Trade Fellowship will require more. It will require wider support if it is successfully to achieve its goals.

And I look forward to working with all of you to that end in the year ahead.

Thank you.

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