



“Political & Regulatory Challenges for the Fund Industry”

Moderator: Dr. Armin J. KAMMEL, LL.M. (London)

**XXV IIFA Conference – Plenary Session 2
19.9.2011, Stockholm, Sweden**

Plenary Session 2 (14:30 – 15:30)

Panelists:

Mr. Paul Schott STEVENS (ICI) – USA

Mr. Peter DePROFT (EFAMA) – Europe

Ms. Sally WONG (HKIFA) – Hong Kong

Mr. Abdul KADIR KASSIM (FIMM) – Malaysia

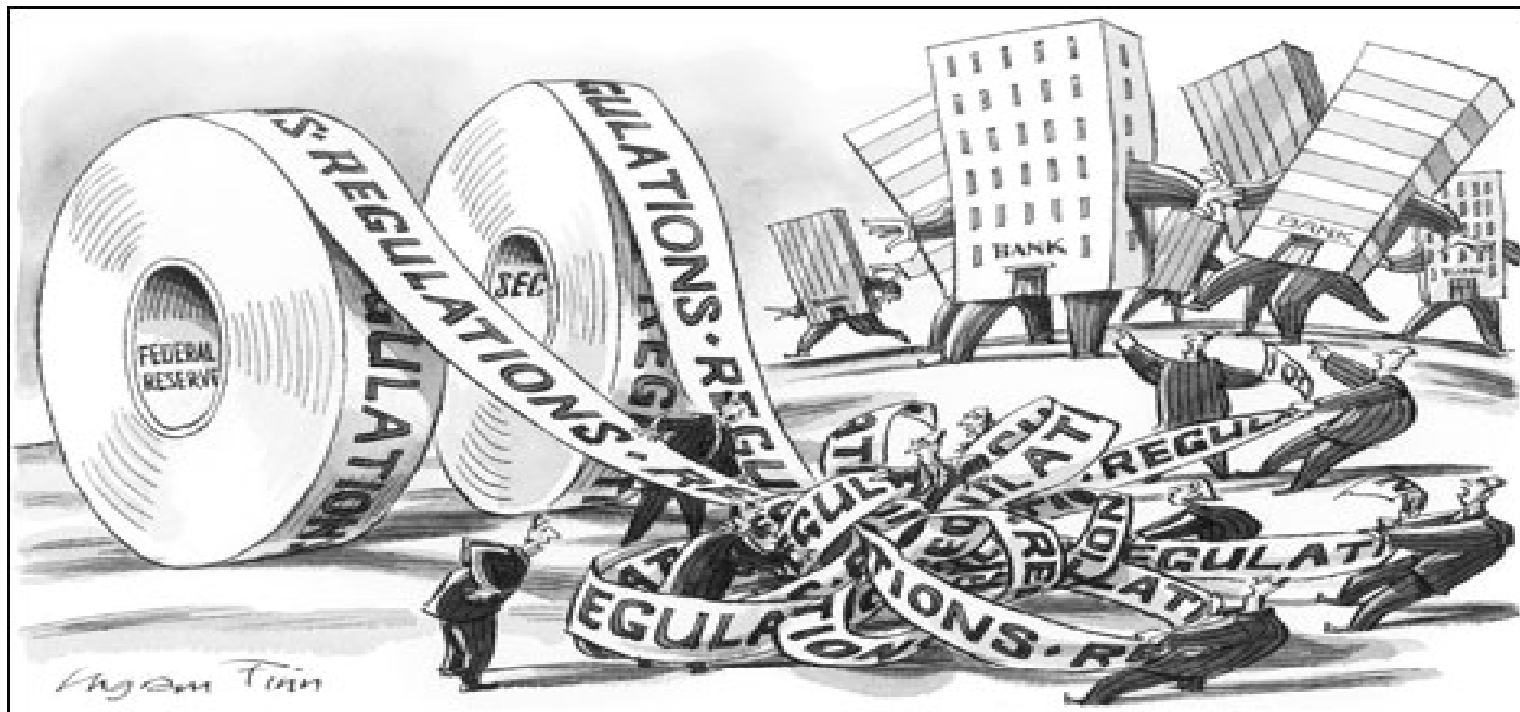
Moderator:

Dr. Armin KAMMEL (VÖIG) – Austria

Agenda

- **Theory: The Issue of Regulation**
- **Regulatory Challenges**
- **The Politics of Regulation**
- **The Practical Experiences**

The Status Quo...(I)



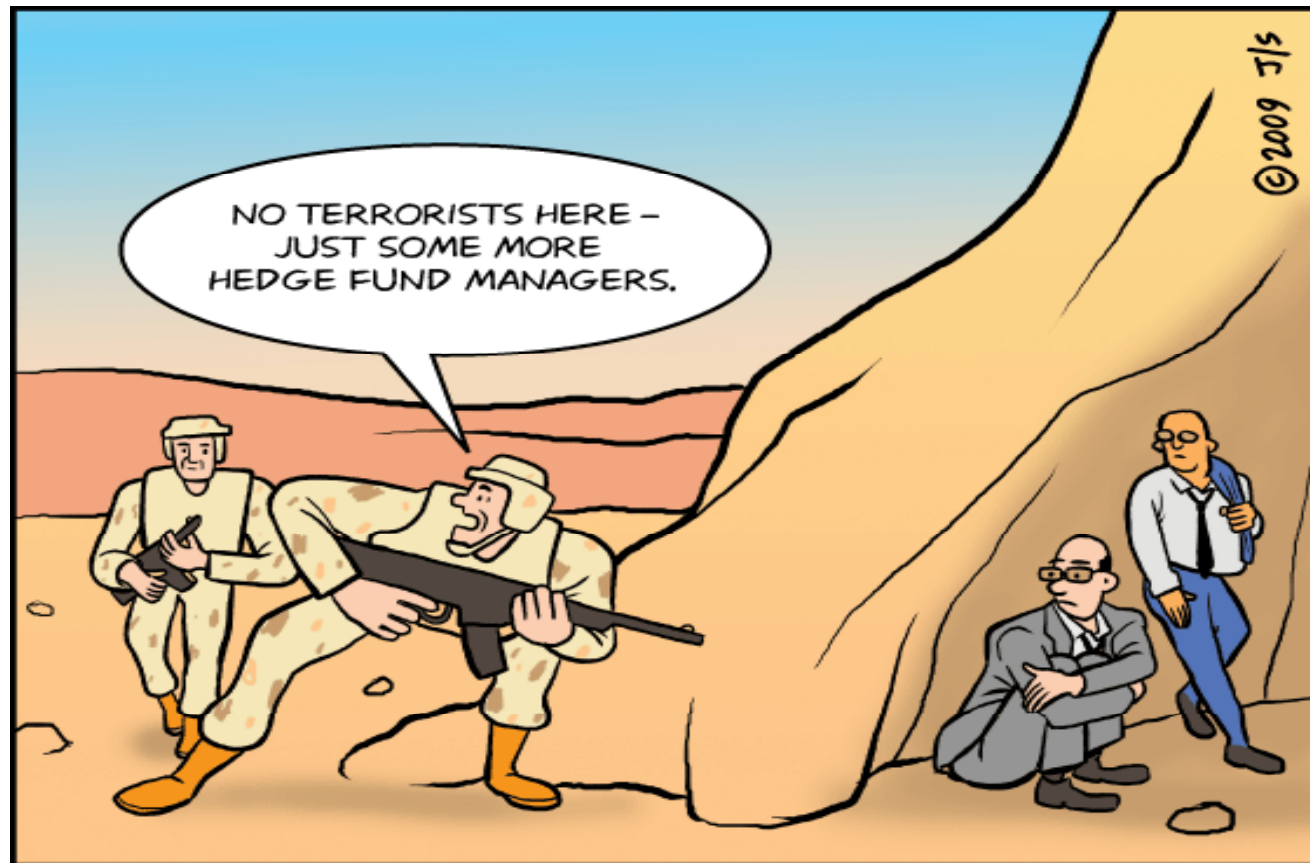
Source: www.confusedbytheworld.com

The Status Quo...(II)



Source: www.smh.com

The Status Quo...(II)



Source: www.markstivers.com

Theory: The Issue of Regulation

Theory: The Issue of Regulation (I)

- **The Idea and Need for Regulation**
 - economic argument of market failure
 - protection of market participants
- **Criteria of Good Regulation**
 - reach its objective without creating undesirable side effects
 - be accepted by market participants
 - ensure a price formation process, as efficient as possible
 - be predictable enough for everybody
 - be flexible enough to be easily adjusted

Theory: The Issue of Regulation (II)

- **Problems with (any) Regulation**
 - the ability and motive of the regulator
 - moral hazard
 - enforceability
 - consumer over-protection
 - the issue of time
 - conflicts
 - Flexibility vs. Predictability
 - Harmonization vs. Competition between different regulatory regimes

Theory: The Issue of Regulation (III)

- **Types of Regulation**

- (international) governmental regulation, supranational regulation
- national laws
- national legislative bodies and government agencies

Regulatory Challenges

Regulatory Challenges (I)

- World becomes more and more interconnected:
- We deal with **global markets**.
- We want to invest **everywhere on the globe**.
- We want to have **as much harmonization as possible**
– **at a global level**.
- We want...

Regulatory Challenges (II)

- World becomes more and more interconnected:
- We experienced the first true global financial crisis.
- We see that Greece becomes a crucial issue for the future of the Euro.
- We learn that nature still shows the borderlines for human activity – with negative economic effects.
- We have to...

The Politics of Regulation

The Politics of Regulation (I)

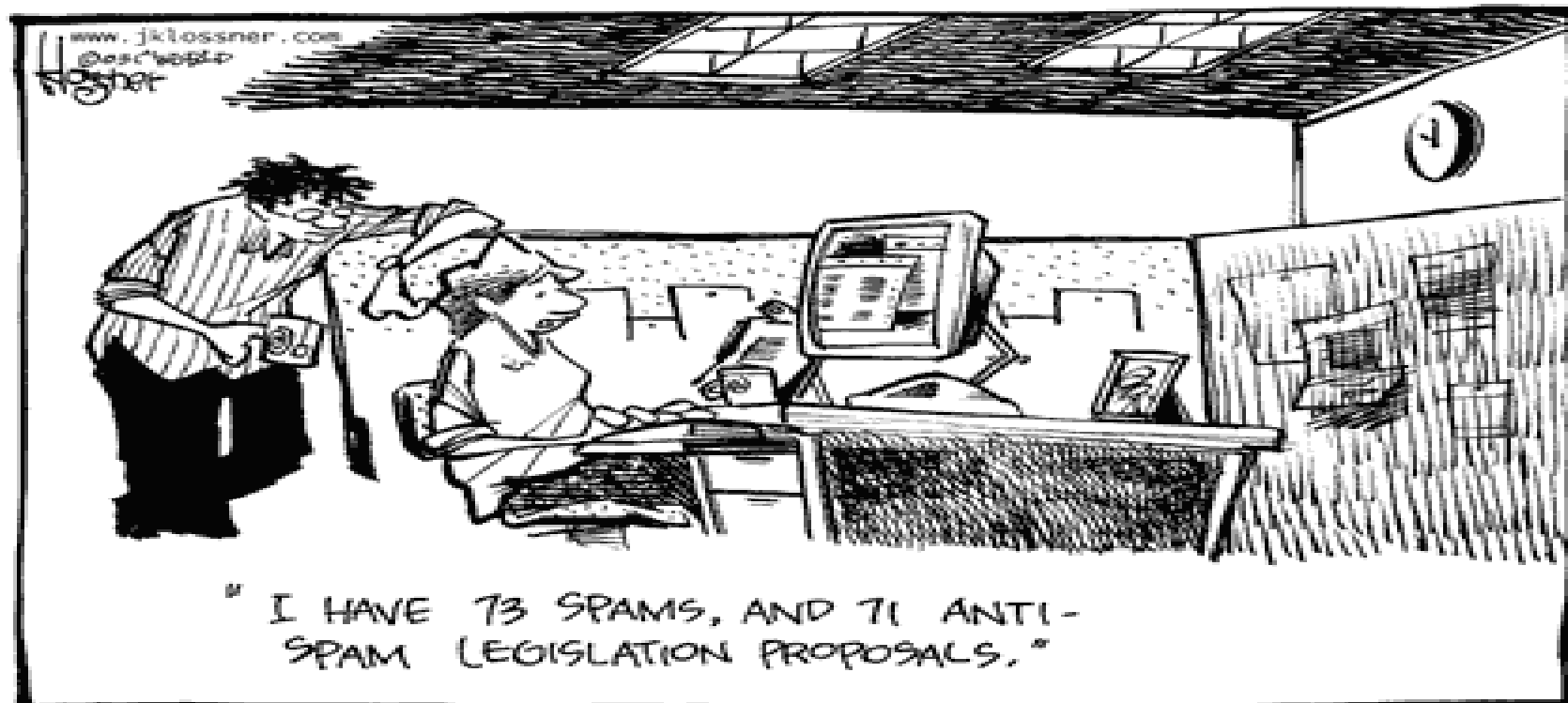
- **Global financial crisis:**
 - prompted politicians to **declare the reform of international prudential financial regulation to be one of the top priorities of global public policy**
 - newly created **Group of 20 (G 20)**
 - political priorities become **technical standards and regulatory proposals**

The Politics of Regulation (II)

- **Changing Understanding:**
 - re-conceptualizing **interstate power relations** (in particular US and EU) and the role and influence of **G20 and China**
 - **changing domestic politics** in core states
 - **transnational politics** and the role of the **Financial Stability Forum (FSF)**
 - **weakening of international standards** but more political influence?

The Practical Experiences

The Practical Experiences



Source: www.jklossner.com

Questions (I)

- *We as an industry are in the midst of a “regulatory tsunami” and it seems that the pendulum is dangerously swinging towards over-regulation.*
- *What are the particular experiences you can share with us from an*
 - *US*
 - *European*
 - *Asian**perspective?*

Questions (II)

- *The political climate is – modestly speaking – not favorable for banking and financial services. Investment funds are per se not distinguished from investment banking activities and we all belong to “the same gang”.*
- *What are the particular experiences you can share with us from an*
 - *US*
 - *European*
 - *Asian**perspective in terms of the political dimension of regulation?*

Questions (III)

- *Global financial crisis, regulation a la AIFM, Dodd-Frank, Basel III, the quest for more macro-prudential supervision, more consumer protection, more transparency requirements, a rather bad reputation of the industry...*
- *What are the particular views you can share with us from an*
 - *US*
 - *European*
 - *Asian*

perspective regarding the way forward? How will the industry cope with these developments? Is there a role for the IIFA?

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Thanks a lot for your attention!

Schubertring 9-11/2.Stock/Top 33
A-1010 Wien

Tel.: +43/1/718 83 33

Fax: +43/1/718 83 33 - 8

www.voeig.at voeig@voeig.at