

ECIIA Conference 2009



European Corporate Governance *Financial Crisis and Issuers*

Carmine Di Noia

ECIIA Conference 2009

Rome

October 29, 2009

NIHIL EST DIFFICILE VOLENTI





Financial Crisis (Keep it Simple)

- ✓ **Macroeconomic Causes**
 1. Global imbalance
 2. Stock market bubble
 3. House bubble

- ✓ **Microeconomic aspects**
 1. Excessive leverage due to Basle 1 and 2 (role and (EU and national) definition of capital, Ponzi game of CDS)
 2. Loose supervision (SEC and European bank supervisors rushing to approve internal models)





What are we talking about?

- ✓ Rules vs. self discipline
- ✓ Company procedures vs. disclosure
- ✓ National vs. federal
- ✓ Listed vs. unlisted
- ✓ Financial vs. other sectors





Regulation and supervision of corporate governance aspects (1)

- ✓ The no-shareholder rights
 1. Many rules to facilitate cross border shareholding but...
 2. NO definition of shareholder due to national jealousy of company law; NO harmonization of record date; NO shareholder identification
- ✓ What for corporate governance (disclosure)? Upgrade to EU level. Risk of 404 SOX?





Regulation and supervision of corporate governance aspects (2)

- ✓ **The problem of remuneration:**
 - Ex ante: remuneration policy
 - Ex post: remuneration report
 - CG report?
- ✓ **More disclosure on compensation of listed companies (limits on financial institutions but...should they be listed?)**





Regulation and supervision: current structure and required enhancements

- ✓ Still high degree of cross-country diversity
- ✓ Different role and involvement of central bank in prudential supervision
- ✓ September 23 package: still based on banks, insurance, capital markets
- ✓ No real power (level 2) of agencies
- ✓ What to do for ESMA? NO: Shrd, VIII, IAS, IV and VII, CG recommendations, 2006/46,...
- ✓ Need of rulebook for issuers
- ✓ Need of standards but how if the board is all made by national authorities?

