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CAPITAL MARKETS 2016

VIRTUAL ROUND TABLE

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Introduction & Contents

The Capital Markets Roundtable 2016 features eight experts from around the world who discuss the latest regulatory changes such as the recent Market Abuse Regulation across the EU and the upcoming application of MIFID II and MiFIR. The chosen experts also discuss the latest trends and interesting developments relating to global economic risks, cyber security challenges and capital flow trends. Other highlighted topics include a detailed outlook on the impact of Brexit on a UK, EU and Global scale. Featured countries are: Hungary, Israel, Japan, the Republic of Korea, and United Kingdom.

James Drakeford
Editor In Chief

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MEET THE EXPERTS

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Kazuhiro Yoshii has been engaged in an extensive range of corporate legal practice at Anderson Mori & Tomotsune. Especially he has been involved in various capital markets and securities transactions, such as IPOs, convertible bonds and other equity finance transactions, as well as samurai bonds, secondary offering (uridashi) bonds and other debt finance transactions.

His experience also includes asset management and investment funds, mergers and acquisitions and international commercial transactions. He also acts as vice chairman of the self-regulation committee of The Investment Trusts Association, Japan.

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Over more than 18 years of practice in the fields of financial regulations and enforcement, Zvi attained an esteemed reputation for representing clients before the regulatory authorities on matters pertaining to securities laws and financial regulation, for providing ongoing legal advice to private clients and to leading corporations in relation to their capital market and corporate governance needs, as well as for representing clients before various enforcement agencies during administrative inquiries and investigations.

Zvi specializes in securities law and in advising public companies, banks, investment houses and financial entities in relation to their activities in the global arena.

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Bruce is regarded as one of Scotland's leading banking specialists among clients and intermediaries. Speed of response and clear advice are hallmarks of his practice as is his ability to put together the right team for any given job, whether structured, acquisition or property finance.

Bruce is a member of the Brodies Energy team with experience in both mainstream oil and gas and related services industry funding and renewables where his credentials stretch back to 1997 with one of first waste to energy plant PFI financings in Scotland. He has considerable experience in windfarm, hydro, aenerobic digestive and CHP plant funding acting for senior and junior funders, secondary market acquisitions including large scale windfarm portfolio acquisitions and for developers and JV parties.
He is identified as a leading individual for banking and finance by Chambers & Partners and The Legal 500 and a leader in Scottish asset backed securitisation (CMBS, RMBS and non-real estate assets) and is the author of the Scottish section on the International Handbook Security over Receivables published by Oxford Press.

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Nigel's broad practice includes domestic and international corporate finance, mergers and acquisitions, joint ventures, IPOs, demergers, private acquisitions and disposals, private equity, public takeovers, issues of compliance and corporate governance, investigations and insolvency, restructurings, investigations and sports law.

- Ranked as a 'star performer' for Corporate and M&A work by Chambers in its UK, Europe and Global directories and he has been honoured with the Directory's lifetime achievement award
- Listed as a leading individual for Mergers and Acquisitions inThe Legal 500, 2011
- Named as the City's most influential lawyer in City AM's 'Power Hundred 2011'
- Listed as a leading lawyer for Mergers and Acquisitions inIFLR1000's 'The Guide to the World's Leading Financial Law Firms 2011' (21st Anniversary Edition)
- Included by the Evening Standard in their 2011 review of the most influential people in London and by The Times in their 100 most influential people in business
- In Who's Who Legal Mergers & Acquisitions 2012, where he is ranked as the second most highly regarded individual globally
- Included in Debrett's 'Who's Who'
- Recognised in the Legal Experts Directory as an expert in Capital Markets and Corporate M&A
- In the first rank for Corporate and M&A in PLC's 'Which Lawyer
- Mentioned in Who's Who Legal Banking 2012
- Ranked number two in The Times Law 100 2012 'City Top Ten' list of the most influential judges and lawyers in the City

MEET THE EXPERTS

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Neil Hamilton is a partner in the Capital Markets group in Jones Day's London Office. His practice focusses on debt capital markets, in particular securitisation and structured finance.

Neil has advised arrangers, originators, collateral managers, derivative counterparties, liquidity and credit support providers on structured finance transactions in a wide range of asset classes, including consumer loans, auto loans, CLOs, residential mortgages and trade receivables. Neil has also advised banks and issuers in relation to commercial paper, medium-term note and other debt issuance programmes and on the establishment of permanent capital vehicles and direct lending platforms.

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Erika Tomori started her career in 1987 at a major Hungarian commercial bank. She received a diploma in Securities Trading in 1990, she continued her studies at the Academy of American and International Law in 1991, and received a certi_cate in Banking Law in 1995. Since 1992, she has been a partner of the Law Office of Gárdos Füredi Mosonyi Tomori. Her primary practice areas are banking law, securities law and corporate law. Her professional experience includes the representation of financial institutions in establishment and licensing, litigation, legal counselling and the representation of companies involved in the issuance of securities. She gives lectures in various universities; she is honorary professor at Eötvös Loránd University and Corvinus University. Erika Tomori is the author of various publications relating to the law of securities and a standard textbook on securities law.

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Young-Hee's main areas of practice include domestic and cross-border asset-backed securitization and other structured finance, real estate financing, and regulation of financial institutions. Young-Hee has been involved in many significant cross-border financings that were awarded "Deal of the Year" by IFLR. Young-Hee is a partner of Shin & Kim and is qualified for practice in Korea. Young-Hee has been with Shin & Kim since 1998 and was elected a partner of the firm in 2006 and from 2003 to 2004, she worked as an international Associate at the New York office of Cleary Gottlieb Steen & Hamilton.

OUR FEATURED EXPERT

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Ken Martin is a London-based partner of Freshfields Bruckhaus Deringer LLP and advises clients on US corporate law. Ken's primary focus is on international public and private securities offerings (and particularly initial public offerings) on which he has been advising for over 25 years. Ken returned to London, where he was based from 1992 to 2010, at the beginning of 2016 from the firm's Hong Kong office.

TO VIEW KEN'S RESPONSES - PLEASE SELECT A QUESTION

WHAT IMPACT WILL BREXIT LIKELY HAVE ON UK, EUROPEAN AND GLOBAL CAPITAL MARKETS IN REGARDS TO FUTURE RELATIONSHIP AND FINANCIAL REGULATIONS?

WHAT PRACTICAL STEPS MIGHT MARKET PARTICIPANTS TAKE FOLLOWING BREXIT? ARE THERE ANY POTENTIAL BENEFITS OF BREXIT FROM A CAPITAL MARKETS PERSPECTIVE?

CAN YOU ANALYSE THE IMPACT AND IMPLICATIONS OF THE RECENT GLOBAL ECONOMIC DEVELOPMENTS AND THE NORMALISATION OF THE US MONETARY POLICY?

WHAT ARE THE CURRENT TRENDS AND STRATEGIES FOR COMPANIES RAISING FUNDS IN CAPITAL MARKET?

TO WHAT EXTENT IS SHAREHOLDER ACTIVISM AN ISSUE FOR COMPANIES OPERATING WITHIN CAPITAL MARKET?

WHAT KEY TRENDS DO YOU EXPECT TO SEE OVER THE COMING YEAR AND IN AN IDEAL WORLD WHAT WOULD YOU LIKE TO SEE IMPLEMENTED OR CHANGED?

What are the main regulators and legislation that apply to capital markets in your jurisdiction?

Yoshii: Japan's principal capital markets regulator is the Financial Services Agency of Japan (the "FSA"). The Commissioner of the FSA delegates certain powers to the Directors General of Local Finance Bureaus, which are regional bodies within the Ministry of Finance of Japan. Japanese securities exchanges (e.g., the Tokyo Stock Exchange) also serve as regulators for entities with securities listed thereon.

Key Japanese capital market legislation and rules include the following:

- the Financial Instruments and Exchange Act (Act No. 25 of 1948, as amended) (the "FIEA");
- the Companies Act (Act No. 86 of 2005, as amended);
- the Act on Investment Trusts and Investment Corporations (Act No. 198 of 1951, as amended);
- the Foreign Exchange and Foreign Trade Act (Act No. 228 of 1949, as amended); and
- the rules of the Japan Securities Dealers Association.

Additionally, the rules of Japanese securities exchanges have a significant practical impact on the entities listed thereon.

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Gabbay: The Israeli financial system is supervised and regulated primarily by three regulators: the Banking Supervision Department, situated in the Bank of Israel; the Capital Market, Insurance and Savings Department, situated in the Ministry of Finance; and the Israel Securities Authority. These three agencies regulate the activity of banks, insurance companies, pension and provident fund managers, mutual fund managers, portfolio managers and investment advisors, brokerage firms, the Tel Aviv Stock Exchange and alternative trading platforms, as well as public companies and securities and financial product trading. Another noteworthy agency that should be mentioned in this context is the Israel Money Laundering and Terror Financing Prohibition Authority, situated in the Ministry of Justice.

The abovementioned agencies operate pursuant to a number of statutes that provide for the regulators› authority and powers as well as the regulatory rules that govern the conduct of the supervised entities. Among these statutes are the Israeli Securities Law – 1968, the Regulation of Investment Advice, Investment Marketing and Portfolio Management Law – 1995, the Joint Investment Trust Law – 1994, Regulation of Activity of Credit Rating Companies Law – 2014, Banking (Licensing) Law – 1981, Banking (Service to Consumer) – 1981, Control of Financial Services Regulations (Insurance) (the Board of Directors and its Committees) - 2007, Control of Financial Services (insurance) Law - 1981, Control of Financial Services (provident funds) Law -2005, Control of Financial Services (pension counseling and pension marketing) Law - 2005, and the Control of Financial Services Regulations (provident funds) (distribution commission) - 2006.

Stephen: The Financial Conduct Authority (FCA) is the UK securities regulator. It regulates Scottish securities, including those issued through the UK Capital markets. The UK Listing Authority, part of the FCA, deals with monitoring market disclosures, reviewing and approving prospectuses for listing rules compliance and operating the listing rules regime in the UK.

The statutory basis for much of UK and Scottish investment activity is the Financial Services and Markets Act 2000, heavily supplemented with FCA Handbook, UKLA listing rules and European legislation. A significant development in this area are the Capital Markets Union (CMU) proposals agreed across Europe, culminating in the CMU action plan published in October 2015. This plan has far-reaching implications across a range of activity affecting capital markets, including introducing the standardised, transparent and simplified (STS) securitisation rules. The STS structures will require to be adopted for securitisation issuances under the plan.

Tomori: The rules applicable to the capital markets in Hungary are set out in different sources of law.

The basic provisions of securities are set out in the Civil Code. The Civil Code defines what instruments qualify as negotiable instruments (security), in what form they can be issued, and how they can be transferred. The most typical securities are regulated either in the Civil Code (e.g. shares) or in specific legislation (e.g. bonds, bills).

The Capital Market Act sets out, among others, rules on how securities can be issued and marketed covering both private and public offering of securities and public offering of government securities. The rules of the Capital Market Act extend to cross-border services provided by organisations engaged in the activities of stock exchanges, central depositories having a registered office in Hungary. In addition, the Capital Market Act regulates the position of the Investor Protection Fund and the insurance activity provided thereby.

From December 2007 the provisions on the activities of investment service providers and commodities brokers, formerly contained in the Capital Market Act, were transferred to the Act on Investment Firms and Commodity Dealers. Investment funds are also regulated in a separate legislation, in the Act on Collective Investment Funds and Fund Managers.

Beside the above mentioned major laws which contain the most important legal framework for the capital markets, the Act on the Hungarian National Bank is also relevant, since, beside its main function, namely to achieve and maintain price stability and without prejudice to its primary objective, the support of the economic policy of the government, using the monetary policy instruments at its disposal, the Hungarian National Bank ("HNB") is the supervisory authority of the financial sector, including the capital markets as well. The HNB as supervisory authority is entitled to monitor the activities of financial and capital market institutions, funds and institutions of the financial infrastructure (regulated market, central depository and central counterparties), use the tools of prudential supervision (i.e. supervision investigating the business soundness), as well as market surveillance and consumer protection tools, and, if necessary, it takes measures. Acting on the basis of authorisation by an act, the Governor of the HNB is entitled to issue decrees in certain issues of the financial markets.

Hamilton: The Financial Conduct Authority (FCA) is the principal regulator of capital markets in the UK, under the powers granted to it by the Financial Services and Markets Act 2000 (FSMA). The regulation of capital markets in the UK is primarily based on EC securities directives which have been implemented into UK securities laws through FSMA and by securities regulations contained in the FCA Handbook.

The main securities regulations are the Listing Rules, which provide rules for the admission of securities to listing and the maintenance and discontinuance of listing, the Prospectus Rules, which provide for the contents and maintenance of a prospectus when securities are to be issued to the public or admitted to trading on a regulated market, and the Disclosure and Transparency Rules, which provide for the publication of specified categories of information relating to corporate governance and the voting control of companies.

In addition, there is a broader range of FCA financial regulations which deal with the regulation of the conduct of business (updated to take account of the Markets in Financial Instruments Directive), advertisements by way of financial promotion and core principles governing proper behaviour of financial services businesses. Regulation of inside information relating to securities is provided through the Market Abuse Regulation.

The Prudential Regulation Authority (PRA) was created as a part of the Bank of England by the Financial Services Act (2012) and is responsible for the prudential regulation and supervision in the UK of banks, building societies, credit unions, insurers and major investment firms.

Young-Hee Jo: Korean capital market is governed by the Financial Investment Services and Capital Markets Act which took effect in February 2009, as amended (the "Capital Market Act") from time to time. In addition, securities businesses in Korea are subject to the regulations and supervision of the Financial Service Commission (the "FSC") and its executive body, the Financial Supervisory Service (the "FSS").

The FSS is subject to the instructions and directives of the FSC and carries out supervision and examination of securities companies and other financial investment business entities (i.e. collective investment business companies).

In addition, capital market transactions involving any foreign exchange business or non-residents of Korea are governed by the Foreign Exchange Transaction Law and would be subject to the regulations and supervision of the Ministry of Finance and Strategy and the Bank of Korea.

Boardman: The main regulator for capital markets in the UK is the Financial Conduct Authority (the "FCA"). The UK Listing Authority is part of the Markets Division of the Conduct Business Unit of the FCA.

The main domestic statute for equity and debt capital markets is the Financial Services and Markets Act 2000 and the statutory instruments implemented under it.

Unless an exemption applies, the Prospectus Directive requires an approved prospectus to be made available to the public before securities are offered to the public or are admitted to trading in the EEA. The FCA has detailed disclosure rules with which prospectuses must comply in order to be approved.

For listed securities, further rules from the relevant exchange may also apply, such as the Alternative Investment Market Rules or the Rules of the London Stock Exchange.

What impact will Brexit likely have on UK, European and global capital markets in regards to future relationship and financial regulations?

Gabbay: At this point in time I do not believe that this is a question that many lawyers are able to answer, especially in Israel, which is not part of the European Union. That being said, it is clear that Brexit reminded market participants, regulators and governments just how fragile international relationships and conventions are, and might deter regulators from striving towards the development of global regulatory standards and principles that are essential for international financial activity. In Israel, for example, local regulators have always been fairly sceptical of foreign regulatory regimes and typically preferred to establish local regulatory rules and principles instead of adopting existing foreign regulations. This tendency of local regulators imposes additional complication and costs on international financial entities seeking to operate in Israel, and requires Israeli lawyers to develop a high level of familiarity with foreign regulation in order to assist their international clients with advice that takes into account both foreign financial regulation requirements in addition to Israeli requirements.

Martin: That's a tough question, given from the recent nature of the referendum, but my personal view is, practically speaking, the impact won't be very dramatic. I base this view on a belief that market participants and regulators generally like the way things work currently, and I think they will try, to the extent possible, to keep the fundamental features of interaction between Britain and the EU as they currently stand.

Stephen: The UK Capital Markets remain a global centre for issuing securities. We remain part of Europe until the terms of exit are agreed. We envisage reasonably lengthy negotiations, and expect considerable media interest around the point where an article 50 notification is made to the European Council, currently expected by the start of 2017. That timescale may, however, be in doubt given the French and German national elections are to be held during 2017 and it would be reasonable to assume that the UK Government will want to know who it is negotiating Brexit with over the coming years. In any event, until terms are agreed, European developments around Capital Market requirements will continue to be relevant. Many of the rules are reflected in UK law and regulation directly and indeed must be implemented directly into UK law and regulation. Negotiations may lead to the UK largely following EU requirements or meeting equivalence tests either as part of an agreed arrangement with Europe or unilaterally complying with provisions post-Brexit. Alternatively, we may go our own way although many of the requirements of EU legislation in this area reflect concerns and issues that the UK markets have an interest in addressing as well.

Tomori: Trade and single market access is a key element of the UK's relationship with the EU. Besides being a member of the EU, London was also the capital of the EU's financial centre, hosting financial institutions which could provide their services or establish branches across all the EU Member States by utilising the three principles on which the EU financial services legislation is based: mutual recognition, single licence and passporting. Therefore the UK's departure raises significant concerns about the future relationship between the UK and the EU.

As for the short-term impact of Brexit, the global capital markets shall definitely render currency and market volatility issues during the Brexit negotiations. This may impact the availability of certain instruments or costs of transactions. The uncertainties around the outcome of the exit negotiations may discourage risk-taking.

The long term impact of Brexit on the financial sector cannot be foreseen yet, it strongly depends on the future agreement between UK and the EU. The worst scenario is that UK will be qualified as a third country and the passporting regime will not apply to them. Such scenario would also have significant effect on the standard instruments used on the market. To give one example: the validity of choice of jurisdiction clauses and the ease of enforcement of judgments will heavily depend on the outcome of Brexit negotiations.

It is also important to note that UK-based firms are very active in using passporting rights. According to the register of the HNB, more than a 1,000 UK-based service providers (including investment firms and investment fund management companies) offer their services in Hungary. If the ongoing regime shall not prevail, and the UK market participants will not be able to provide their services on a cross-border basis, instead, they will have to set up subsidiaries inside the EU (including Hungary) in order to retain access to the market. Conversely, those Hungarian-based service providers, who offer services today in the UK on a cross-border basis, shall face the same challenges when they provide services in the UK.

Hamilton: The implications of Brexit are still evolving and will depend to a large extent on the model chosen by the UK for its future relationship with the EU and the terms of its exit from the EU.
Most of the UK's capital markets legislation – for instance the listing, prospectus and ongoing reporting regime – is derived from EU legislation.

If the UK were to join the European Economic Area (EEA), the current legal framework is unlikely to change significantly. If the UK does not join the EEA, the position depends on whether UK legislators choose to adopt equivalent measures to conform with new EU capital markets legislation.

The EU Prospectus Directive and the Transparency Directive operate on the basis of a passporting system between EU Member States. It will need to be determined whether prospectuses approved under UK rules will be eligible for passporting based on the 'equivalence' regime (under which an EU home Member State can approve a non-EU prospectus if it has been drawn up in accordance with international standards deemed equivalent to the requirements of the Prospectus Directive). In the absence of an equivalence decision, in order to make a public offer in the EEA, a UK company would have to draw up a new prospectus in accordance with the EU legislation in the relevant EU Member State. However, offers and sales to institutional investors and other offers made under exemptions to the Prospectus Directive would not be affected.

The package of legislative reform proposals known as the Capital Markets Union will not apply to the UK unless the UK becomes an EEA Member or voluntarily adopts the legislation.
The reform proposals include unified rules for securitisations, which would enable 'simple, transparent and standardised' securitisations (STS) to benefit from more favourable regulatory treatment. The current proposals require the originator, sponsor and special purpose entity of an STS to be established in the EU. Accordingly, it is uncertain whether UK securitisations will satisfy the STS rules.

Unless the UK joins the EEA, debt securities issued by UK issuers may no longer be eligible as ECB collateral, since the EEA does not currently admit third country securities.

Young-Hee Jo: If the UK maintains "passporting" which allows UK financial companies to export financial services to the EU, there would not be significant impact on UK, European and global capital markets. To this end, it would be important to make sure that the UK financial regulations are in line with the EU directives such as the Capital Requirements Directives and the Markets in Financial Instruments Directive, etc. in order to maintain access to the single market.

> *"Since 37% of the UK's services exports go to the EU, we do not see any impact of Brexit on Asian capital markets"*
> *- Young-Hee Jo*

Since 37% of the UK's services exports go to the EU, we do not see any impact of Brexit on Asian capital markets. Korea's trade exposure to the UK and EU is small (i.e. 2-3 % of its total trade) while its exposure to China is about 25%. However, if China is impacted through trade with UK or Europe, it may have negative impact on Korea.

Boardman: In the short term nothing is likely to change in these regards as current regulations and relationships will continue to apply until the UK formally withdraws from the European Union.
The impact after the UK's withdrawal from the EU will depend on what is negotiated with the remaining Member States and with other countries.

There are a series of possible models, one of which is the "Norway model", which the UK government has indicated would not be acceptable. Under this model, very little would change in UK and European markets and the UK would be bound by financial regulation without directly contributing to its creation.

Alternative models include a network of bilateral agreements (like Switzerland), a comprehensive free trade agreement (like Canada) or relying on WTO rules. These models would result in the UK being outside the single market with respect to services, so the UK could create its own financial regulation.

The loss of the UK as perhaps the strongest advocate for financial services may lead to more burdensome regulation of capital markets being introduced at European level, which the UK would be bound to follow in exchange for access to the single market. As against which the UK's withdrawal may be a stimulus for reform and lead to further deregulation. It is too early to say which way it will go.

Withdrawal from the single market would also mean a loss of passporting rights, which require Member States to recognise other Member States' authorisations or approvals of certain financial products. The UK may be able to benefit from the introduction of new European law (MIFID2/MIFIR), which introduces some provision for passporting for third countries with equivalent regimes. The UK's need for an "equivalent regime" under this legislation would seem to be a possible reason for the current regulatory regime in the UK not to change significantly.

What practical steps might market participants take following Brexit? Are there any potential benefits of Brexit from a capital markets perspective?

Martin: It's possible that some market participants may choose to relocate jobs to or create a regional headquarters in an EU jurisdiction, but I believe market participants will try to maintain – to the extent possible – current structures. Among other things, a focus by banking institutions on controlling costs will mean they don't want to alter current structures any more than absolutely necessary unless they can do so without increased costs, which may be difficult. As far as benefits of Brexit, I don't think there can be any real benefits until the exact parameters of the Brexit are known. In my view, the capital markets don't really care much about any specific event, but the capital markets do not like uncertainty, and there is still plenty of uncertainty regarding how Brexit will eventually play out.

Gabbay: Brexit caused volatility in the global capital markets and introduced a new level of uncertainty that will need to be factored into financial activity in the near (and possibly not so near) future. Some market participants benefit greatly from such uncertainty and volatility. For example, in Israel – also known as "the Startup Nation" – there are many companies that developed sophisticated algorithms able to execute complex investment strategies that use market volatility to their advantage and benefit. Market participants will need to adapt to this new uncertain environment and try to make the most out of the opportunities that arise from such an environment.

Stephen: The current uncertainty is unhelpful but the strength of the City's global position (three quarters of capital markets in EU are reported to be conducted out of the UK), and the concentration of expertise and experience in the City of London, should mean that it continues to be the preferred market.

Will we be allowed to pick and choose our regulatory requirements post Brexit? Much will depend on the extent to which we need to diverge from the European position. This may become more marked depending upon any protectionist policies adopted by the rest of EU post Brexit and vice versa.

Regardless, market participants should now be considering options for continued operations in rest of EU post-Brexit in anticipation of passporting arrangements being restricted or no longer available.

Tomori: Since the exit negotiations will take a long time and the outcome of the negotiations is hard to predict, Britain's referendum vote on Brexit did not cause serious changes in the short run; the market participants are rather waiting for the outcome of the Brexit negotiations.

Nevertheless, it is already worth mentioning that if UK, as a consequence of Brexit will no longer be the entry-point to the EU's single market, those market participants (e.g. Chinese companies) that had traditionally substantial operations in the UK, might need to move their operations out of the UK and set up their new base in another EU Member State. Such changes might bring potential benefits for those financial hotspots within the EU where these companies shall be relocated.

Hamilton: Banks are able to operate across the EU under a prudential passport – effectively a single EU-wide banking licence. Following Brexit, banks in the UK may look to establish separately capitalised subsidiaries inside the EU, and investment banks may look to set up separate broker-dealers in the EU in order to retain this automatic access.

Companies that are non-EU and non-UK issuers which want access to European markets in the event that the passporting regime no longer works from the UK may also look at other EU venues to choose as their EU home Member Sate and consider offerings to UK investors on a private placement basis, instead of having a primary listing in London (although a secondary listing in an EU home Member State is also an option).

EU risk retention requirements require the "originator, sponsor or the original lender" of a securitisation to retain at least a 5% net economic interest in the securitisation. A sponsor must be an EU regulated bank or an "investment firm" (other than an originator that establishes and manages a securitisation). The definition of "investment firm" refers to investment firms authorised under MiFID. If, following Brexit, the UK is no longer within the scope of MiFID, a UK collateral manager would not be able to act as a "sponsor" for a European CLO. A possible solution for new European CLOs is to include a mechanism that permits the collateral manager to "switch" to an "originator" retention structure (which currently does not require the retention holder to be regulated).

Brexit should not trigger significant changes in documentation for debt or equity offerings. However it will still be necessary to review key definitions in transaction documents to ensure that they still operate in the manner intended – for example, reference to the 'European Union' or similar or provisions based on EU legislation.

A potential benefit of Brexit is the ability of the UK to develop a less prescriptive and burdensome regulatory framework, although it would have to retain enough equivalence to enable the UK to retain a high level of access to the single market as a third country.

Boardman: <u>Practical steps:</u>

It is too early to determine what practical steps are worth taking. The range of outcomes is so broad that engaged passivity may be the best option.

<u>Potential benefits:</u>

Some market participants will benefit from currency and market volatility and others from the increased M&A activity that may be triggered by the weak pound.

Finally, the new UK government is placing a strong emphasis on developing trade with countries outside the EU (establishing the Department for International Trade, for example) and if this initiative proves particularly successful UK capital markets may benefit from closer links with these countries, particularly emerging markets.

Similarly, the UK may benefit from having less exposure to the Eurozone, particularly if another Eurozone crisis arises.

Can you analyse the impact and implications of the recent global economic developments and the normalisation of the US monetary policy?

Martin: A wise person at one of my former employers [at least] once said 'Trees don't grow to the sky.' The point is maintaining rapid growth rates is difficult otherwise everyone would be doing it. As you will know, we have seen some deceleration in the big growth markets recently, though in most cases they are still growing more rapidly than more developed markets. My view is that means people will just need to be more selective regarding opportunities but there will still be attractive opportunities available. As for US monetary policy, it is difficult for me to see any real jolts to the economy. The Federal Reserve has been pretty cautious in my view in adjusting interest rates, and I don't know why that wouldn't continue.

Stephen: The anticipated normalisation of US monetary policy will have a direct effect, and may trigger movement in the policy of the Bank of England's Monetary Policy Committee (MPC). The question is when will this start? Global market and economic conditions, including the cooling of China's consumption rate and the impact of Brexit on the UK and the rest of Europe, are all significant factors with implications for capital market activity. The immediate impact of the vote to leave the EU has been a lowering in value of sterling with a corresponding appreciation of markets. The MPC's decision to reduce interest rates to 0.25% and the accompanying MPC commentary suggest that a further reduction is anticipated, although negative rates will be avoided. This all suggests that it is likely investors will put their money into assets offering a better return.

Young-Hee Jo: Asian central banks and policy makers (including Korea) are likely to deploy monetary and fiscal support in case of macro slowdown.

From Korean perspectives, both of the KOSPI and the USD/KRW exchange rate have highly been correlated with the oil price. With the low oil price, KRW is expected to weaken against its export competitors which would likely lead to an increase in domestic prices and inflation.

However, Korea's FX liquidity has been much enhanced and thus, Korea would not need to follow the US rate policy as was the case of 2004 and can keep the policy rate low for a while after the normalisation of the US monetary policy.

Have there been any other recent regulatory changes or interesting developments?

Yoshii: The first significant amendment to the Companies Act since its adoption in 2005 was enacted in 2014 and became effective in 2015. The principal capital markets-related change requires shareholder approval of certain third-party allotments of shares, with the goal of protecting the rights of minority shareholders.

In addition, amendments in 2014 to the Guidelines for the Disclosure of Corporate Affairs (the "Disclosure Guidelines"), promulgated by the FSA under the FIEA, clarify the prohibition set forth in the FIEA on commencement of solicitation with respect to securities prior to filing of a securities registration statement (so-called "gun-jumping"). The amended Disclosure Guidelines clarify the meaning of "solicitation" for this purpose, expressly indicating that distributing certain issuer's information on or prior to the date one month before the date of filing of the securities registration statement, publication of analysts' reports and certain other activities are permitted under applicable safe harbour rules.

The amended Disclosure Guidelines also include a provision, applicable to certain well-known companies only, which eliminates the waiting period on acquisition of securities. Generally, the securities offered in a public offering may be acquired only after registration thereof has become effective, which in principle occurs on the 16th day (usual method) or eighth day (reference method which can be used by the companies that meet certain requirements) from and excluding the filing date of the relevant securities registration statement. Under this amendment, however, registration for qualifying companies becomes effective immediately upon filing, enabling acquisition without this waiting period.

Gabbay: From an Israeli perspective, we see a slow but steady trend of opening up the Israeli financial sector to international players. A few years ago, an innovative legislative amendment introduced the "Foreign Dealer" mechanism, allowing foreign investment advisors and portfolio managers to render their services to non-eligible Israeli clients under the conditions of the mechanism. Recently, another legislative amendment enables foreign fund managers to market their funds to the Israeli investing public without having to publish a prospectus under Israeli law. Additionally, there are a number of amendments promoted by the Israel Securities Authority that should continue this trend, increasing the exposure of Israeli investors and traders to foreign funds, foreign fund managers and issuers.

Stephen: With the implementation of MiFID II and MiFIR, although in train for some time, some of the new provisions will have increasing relevance for the UK and Scotland, even outside the EU. In particular, following the vote in favour of Brexit, the third country and third country firm provisions in MiFID II may form the basis for elements of UK investment activity across Europe once the UK has left the EU. The provisions, probably some of the more controversial and intensely debated elements of the amended directive, would allow third country firms to operate in EU member states whether through an established branch in the relevant EU member states or on a cross-border basis where permitted. This permission is subject to satisfying various conditions. We could still see some political debate in the future, not so much around the provisions themselves but rather as to whether the UK continues to meet the equivalence tests set out in the directive to the extent UK and EU regulation starts to diverge.

Tomori: It is worth highlighting that the Hungarian capital market regulation has recently undergone significant changes. In February 2015, the HNB first suspended, and later withdrew the licence of one of Hungary's oldest brokerage houses as its financial data over a 15-year period was falsified. The suspension also led to the liquidation of four banks that had close links to this brokerage house. Later that year the activities of some other market participants were also suspended for similar reason.

These events caused huge shock. As a consequence of the above events the Hungarian Parliament adopted several laws in order to strengthen regulation, increase the general 'safety level' of the capital market and to improve the control mechanism of the HNB by incorporating further checkpoints and strengthening internal processes and reporting requirements (e.g. the HNB will conduct investigations more frequently, compliance officers will be obliged to examine monthly the accounts of the client and shall report to the HNB and to the board of the company, the managers of the investment companies will face higher professional expectations and stricter liability). Besides, the Parliament introduced a new regime as well, which provides special compensation to the clients who suffered losses from these events.

The practical consequence of these events is that it became more difficult to obtain licence from the HNB to enter the market.

There have further been interesting changes in the EU legislation. As an example, an amended legislation was adopted on insider trading with the intention to ensure more efficient, transparent and trustworthy European financial markets.

Hamilton: The Market Abuse Regulation (MAR) came into effect in July 2016. It introduced a new regime for market abuse (market manipulation and insider dealing), together with new rules on disclosure of inside information, insider lists and restrictions on dealings by persons discharging managerial responsibilities and their associated persons. The new rules apply to listed companies, including those listed on AIM. The new rules are comparable to the existing UK rules, but there are a number of differences which will affect listed company procedures. The new rules have more significant impact for AIM-listed companies, which previously were not required to comply with the same standards as main market companies on disclosure of inside information and insider lists.

Young-Hee Jo: There have been no regulatory changes or developments in Korea in relation to Brexit. However, the Capital Market Act has been amended in July 2015, among other things, (i) to allow listed companies to issue bonds with detachable warrants (following a two-year ban on such issuances) and (ii) to significantly ease regulatory requirements for private equity funds.

Since 2013, any issuances by listed companies of bonds with detachable warrants (regardless of whether carried out as a public offering or by private placement) have been prohibited. The recent amendment of the Capital Market Act has somehow overturned such ban to allow listed companies to issue bonds with detachable warrants if such issuances are public offerings. We expect listed companies of small and medium size to benefit from the recent amendment by lowering their costs of capital-raising.

In relation to the private equity fund, the regulatory framework has been simplified by reclassifying the various types of funds previously defined in the Capital Market Act into two basic categories: "Specialised Investment Funds" and "Management Participation Funds". It is anticipated that such amendment will eliminate opportunities for regulatory arbitrage as well as making possible the funds pursuing a wider range of investment strategies. Also, the prior registration requirement applicable to private equity funds has been abolished so that a post-establishment report following the establishment of the fund is only required.

In addition, new legislation of the Act on the Corporate Governance of Financial Companies has been passed in the National Assembly on 31 July 2015. As its title suggests, the Act was introduced in an effort to improve and strengthen the current financial corporate governance regime and provide for uniform and systematic standards for the corporate governance of financial companies in Korea. The Act introduces new corporate governance standards that must be satisfied by all Korean financial companies. For example, the largest shareholders of all non-banking financial companies (e.g., securities companies, insurance companies, credit card companies, asset management companies, funds, etc.) will now be required to conduct periodic largest shareholder eligibility tests under the Act, whereas only banks and savings banks were required to conduct such tests under the current Banking Act and Mutual Savings Banks Act.

Boardman: The most important recent regulatory change is the introduction of the Market Abuse Regulation ("MAR"), which came into effect across the EU on 3 July 2016 (although some of its provisions will not apply until January 2017).

<u>There are six key changes:</u>

There is a requirement for issuers to inform the FCA if they have delayed the disclosure of inside information. The FCA may then request an explanation of why this delay was consistent with MAR.

Amendments have been made to the regime for the approval and reporting of transactions by persons discharging managerial responsibilities. For example, the Model Code has been deleted and an annual threshold introduced.

The Disclosure and Transparency Rules and the Code of Market Conduct have been substantially amended. The changes include a requirement for issuers to inform the FCA if a disclosure of inside information was delayed, for written records of the justification for such a delay to be kept, and a slight change to the information that must be included on an insider list.

The market abuse regime has been extended beyond regulated markets to financial instruments traded on multilateral trading facilities or other organised trading facilities and certain over-the-counter activities (e.g. derivatives and credit default swaps). The geographical reach of the regime has also been extended to cover all instruments admitted to trading on an EU trading venue (which could mean that abusive trading in a US-listed security by a hedge fund based in New York with a US bank as a counterparty would be subject to the MAR regime if the US security were traded on a single EU OTF).

A new offence of "attempted market manipulation" has been introduced. This may include situations where the activity is started but not completed, such as an instruction to trade that is not acted upon.

Specified procedures have been introduced which issuers must follow when conducting market soundings (also known as "pre-marketing"). This is the communication of information before the announcement of a transaction to one or more potential investors in order to gauge their interest. A safe harbour will now apply if certain disclosure and record-keeping conditions are met. For example, an issuer must assess whether the market sounding will involve the disclosure of inside information. If it will, the consent of the person to whom the disclosure is being made must be obtained and the person must be informed that they will be restricted by MAR from trading or acting on that information and that they will be obligated to keep it confidential. A record of all information given to the person receiving the sounding should be maintained.

What are the current trends and strategies for companies raising funds in capital market?

Yoshii: One of 2016s notable trends in Japanese equity markets is a decline in the number of issuers pursuing IPOs or follow-on offerings, reflecting reluctance to undertake offerings in the current low-share-price, high-volatility Japanese market environment. As an alternative, some issuers have chosen to pursue convertible bond offerings. For example, one of 2016s most prominent equity market transactions to date has been the June convertible bond offering of Kansai Paint Co., Ltd., comprised of JPY 40,000,000,000 of Zero Coupon Convertible Bonds due 2019 and JPY 60,000,000,000 of Zero Coupon Convertible Bonds due 2022.

In Japan's debt markets, issuances of TLAC bonds by Japanese mega banks have also comprised a notable trend. A number of such issuances by Japanese mega banks have taken place in 2016, with the goal of meeting the TLAC requirements expected to become applicable to such banks in 2019. In the case of overseas issuers in Japan, increasing issuances of subordinated Samurai bonds by Europe financial institutions have been visible since December 2014, when Rabobank made the first issuance of this kind.

Gabbay: Israeli policy makers are highly aware and deeply troubled by the trend that has developed in recent years according to which growing businesses in Israel raise funds through foreign stock exchanges, instead of going public in Israel. This trend has led the Israeli regulator, together with the Tel Aviv Stock Exchange ("TASE"), to promote important legislative amendments aimed at turning the TASE into a more attractive platform for raising funds. The amendments include, among other things, an adjustment period during which only part of the obligations and requirements applicable to public companies will apply to the company that offers its securities for trade under these amendments, as well as a fundamental change in the holding structure of the TASE that will enhance the attractiveness of the exchange.

Martin: The capital markets have been slow for the first six months of the year, but we are hearing good noises regarding the remainder of the year. Of course, there is the US Presidential election coming up in November, so things might get a bit tougher around then, but I would hope there will be a lot of activity after the election, given that uncertainty will be removed from the equation.

Stephen: It is not a surprise that there is increasing interest in capital market funding for larger infrastructure projects with longer term funding requirements being met and life of income generating assets being well matched with investor appetite.

To what extent is shareholder activism an issue for companies operating within capital market?

Yoshii: Historically, shareholder activism has been rare in Japan. However, the Corporate Governance Code, adopted by the Tokyo Stock Exchange in 2015 to basically pursue conformity with the equivalent code adopted by the OECD, is intended to influence the corporate governance of Japanese companies, and is expected in particular to change the relationship between listed companies and their shareholders.

The Corporate Governance Code calls upon listed companies to engage in "dialogue" with investors, and this in turn is expected to create incentive for such companies to seek increased investor satisfaction. Increased investor returns, whether through stock repurchases or increased cash dividends, are likely to become a considerable option within these companies going forward. Furthermore, investor interest in improved corporate value may also drive corporate restructurings, whether triggered by shareholder proposals or by management initiatives.

In line with the above, securities litigation historically has been rare in Japan; however, emerging trends suggest that it may be on the rise. This in turn may require issuers in the Japanese market to be more sensitive to this risk going forward.

Gabbay: Israel is unique in the typical holding structure of public companies. Most of the Israeli companies traded on the Tel Aviv Stock Exchange are controlled by a controlling shareholder or shareholding group that owns approximately 70-80% of the shares, while the public holds the remaining 20-30%. Therefore, when using the term "shareholder activism" in Israel, it typically describes minority shareholders seeking to protect their rights vis-à-vis the majority shareholder that controls the company. In addition, during recent years a number of legislative amendments were introduced to increase the minority shareholders' involvement in certain aspects of the company's management. For example, the Israeli version of the U.S. "Say on Pay" was implemented by legislation that requires enhanced transparency of the compensation methods and structure as well as shareholder approval in specified circumstances. On the other hand, shareholders – especially minority shareholders – may take a narrow approach trying to maximise their short term agenda, while not giving sufficient weight to broader long term planning. This is one of the main challenges that the regulator must deal with in connection with shareholder activism, ensuring that the company's management can steer the company's business as it deems appropriate.

Martin: I think shareholder activism is something that all public companies need to think about and address, but only a very small percentage of shareholder activism campaigns are capital markets focused. Where shareholder activism normally manifests itself is in annual general meeting proposals or activist shareholders speaking up at shareholders' meetings. I suppose the results of those efforts might have an impact on an issuer regarding the terms they are able to achieve in raising capital, but as I said before, I think uncertainty is much more of a factor in the success of the capital markets than any particular event.

Tomori: Although shareholder activism is not as widespread as in the US, the problems arising from them are familiar to public companies operating on the capital market. Under Hungarian law the shareholders not only have voting rights, but also the right to participate, request or obtain information, make remarks and proposals at the general meetings. By using the opportunities arising from these shareholder's rights, certain market participants purchase shares in order to obtain information in connection with their operation.

Although this may not be the most typical example for shareholder activism, recently a consumer protection association active in litigations against banks bought a single share in one of the largest Hungarian banks in order to obtain information on the bank's financial standing in connection with the potential risks arising from foreign exchange (FX) consumer loan agreements. Since the management of the bank failed to provide an answer that satisfied the association, but still approved the annual report for the year of 2015 and dividends payment in its resolutions, the association filed a claim against the bank asking the courts to annul these resolutions. The association argued that the challenged resolutions are unlawful, since the FX consumer loan agreements are still causing substantial risks for the bank (and potential future payment obligations) therefore the management is obliged to give shareholders a clear explanation of the potential impact of these risks before the approval of the annual report and the payment of dividend. If the court decides in favour of the association (as shareholder) and finds the resolution unlawful, this would, even if only temporarily, block the dividends payments of the bank.

The new Civil Code tries to give an answer to questions raised by shareholder activism. It intends to draw a fine balance between the right to information of the shareholders and the legitimate interests of the company. The Civil Code provides that the management may refuse to give information to the shareholder if the information would infringe the business secret of the company or if the request for information qualifies as an abuse of right. In such cases the shareholder may turn to court, which will decide on the lawfulness of the management's decision.

Boardman: Shareholder activism has historically been rare in the UK compared with some other jurisdictions (notably the US). Whilst shareholder activism has increased in recent years, the sharp increase predicted after both the 2007 financial crisis and the 2012 "shareholder spring" has not materialised.

Recent high-profile shareholder activism – such as at Anglo American, Shire, and BP – has been with regards to executive pay. Other issues tend to be raised by investors privately, with public attempts at shareholder activism only being used rarely and after such attempts have failed.

There are several reasons for shareholder activism being rarer in the UK than the US, including greater protection of shareholders in the UK (for example, shareholder consent is required in a far broader range of circumstances in the UK than the US) and the rules on disclosure of acquisition of interests making it more difficult for activist shareholders to build up a stake in a company without alerting the target board.

Can you outline the main global economic risks along with how an organisation can benefit from an improved understanding and management of risk?

Young-Hee Jo: Brexit would likely cause decrease or hold-off in the investments by UK companies into Asian countries and may lead to a recession. HK, Vietnam and Singapore are much exposed to trade with UK and Europe, and therefore they would likely be vulnerable to a slowdown in the UK and Europe.

From Asian perspectives, we believe that the main economic risks would be China. China's monetary policy has caused too much liquidity in China and may threaten their banking system. If liquidity supply decreases in China, it may lead to a global recession.

Korean economy highly relies on trade to China. KRW has become more correlated with CNY which we expect to gradually depreciate. Accordingly, Korean companies needs to get prepared for a slowdown in China although Korea is considered to have a room for policy support.

With regards to both new opportunities and cyber security challenges, can you discuss the way in which new financial technologies are changing the capital markets landscape?

Gabbay: The regulation of capital markets is based, to a great extent, on the concept of disclosure. The premise of such regulation is that the investing public must have all material information in order to evaluate and consider whether to invest in a certain security. Commonly, all material information comes from the company and its "insiders", hence the duty to disclose material information, on the one hand, and the prohibition of trading while in possession of material information, on the other hand. However, new technologies are now challenging this belief.

Nowadays, business and financial intelligence companies are able to collect and analyse data that provides a clear picture regarding a company's financial status without breaking into any computer or committing any crime. In addition, we are all highly (and painfully) familiar with hackers breaking into corporate databases, and leaking their contents to the media and the public. This explosion of data may require regulators to seek new ways in which to incentivise market participants to invest efforts in collecting and analysing data legally before deciding on a securities trade, and at the same time, vigorously sanction anyone who tries to take a "shortcut" by using information obtained illegally.

Stephen: Reporting and information requirements associated with the STS securitisation framework under Capital Markets Union will be challenging for those required to collate and maintain information. For some the response is further investment in technology but greater clarity over the rules would be welcome.

Technology development is a balance between developing a competitive edge and delivering the industry objective of ensuring all market participants have sufficiently robust systems in place to ensure cyber security. One of many challenges is around improving the users' service experience, which is very high on executives' agendas. Part of that will be having systems that can capture and analyse big data and that can be flexible enough to deal with continuing change in regulatory requirements, and more rapid changes in the participants' strategic focus as a result of movements in market conditions, changes in geographical reach and rationalisation and development of new products. The rise of the Fintech industry is no surprise in that context.

Hamilton: New cloud and mobile technology (fintech) are changing capital markets processes in a number of ways. Among the most important are: (1) improving core market infrastructure through more efficient platforms for trading and clearing; (2) post-trade digitisation: automating manual processes for securities lending, clearing and settlement and reporting; and (3) alternative funding platforms for equity and debt capital formation.

In relation to market infrastructure, market participants are increasing moving to electronic trading, with more and more assets classes becoming available through virtual trading environments. Fintech is also being used to establish centralised securities settlement systems, to optimise the use of collateral and to increase the efficiency of post-trade operations.

Blockchain, or distributed ledger technology (DLT), is attracting a large amount of attention and investment. Blockchain is a network of distributed databases where secure copies of the data are replicated across the network and transactions are signed using digital signatures to prevent fraud. Blockchain prototypes are being developed for use in cross-border payment systems, trading and handing of less liquid instruments (such as single name CDS) and in the issuance of private securities.

Since the financial crisis regulators have placed emphasis on better and more transparent reporting. Fintech is being used by firms and institutional investors to create reports for compliance, risk and regulatory purposes, using data management tools to clean and parse internal data and visualisation technology.

Alternative funding platforms are changing the traditional channels for equity and debt capital markets. Similarly, the evolution of crowdsourced loans and investments through peer-to-peer (P2P), business-to-business (B2B) and business-to-consumer (BTC) lending has opened up new methods of accessing capital. Lenders and borrowers are able to connect directly through online platforms, bypassing intermediaries. To improve the functioning of capital markets, European governments have supported the use of alternative financing methods to stimulate the real economy.

> *"The rise of big data, combined with other financial technologies, will mean a different mix of skills is required by participants in the capital markets"*
> *- Nigel Boardman*

Boardman: The main change that technology is likely to bring to capital markets is an increased use of big data. Big data already plays a big role in trading, for example to increase understanding of market movements and to identify arbitrage opportunities. It seems likely that big data will extend beyond this and will play an increasing role in regulatory reporting, pricing and credit analysis.

The rise of big data, combined with other financial technologies, will mean a different mix of skills is required by participants in the capital markets. This means specialist financial technology companies may play an increasing role in capital markets, potentially taking work from established players such as banks. Interestingly, this comes at a time when banks across Europe are consolidating rather than expanding into new areas, which is something new, technology-focussed entrants could capitalise on. Within companies, individuals with big data and coding expertise will be particularly in demand.

Regulation will need to adapt to take account of the increased automation of capital markets and the role of big data. The potentially rapid pace of change may make it challenging for regulators to ensure that the regulatory structure remains relevant in this respect.

Are you noticing any particular capital flow trends, such as direction, impacts, and policy options?

Yoshii: A significant recent trend in capital flows in Japan has been an increase in demand for US dollars. Illustrating this, three Japanese mega banks have recently undertaking US dollar denominated issuances of TLAC bonds; and additional US dollar denominated debt issuances by Japanese banks, including issuances of US dollar denominated convertible bonds, are possible.

In addition, following the implementation of the Bank of Japan's negative interest rate policy, Japanese companies have shown a preference for longer bond terms in their issuances. The number of issuances with terms of over 10 years has increased, reflecting the appeal of these bonds to both issuers (who benefit from lower long-term rates) and investors (for whom these long-term rates are still preferable to the low rates available for shorter-term securities in the current policy environment).

Young-Hee Jo: From Korean perspectives, no. Although uncertainty in the UK has increased due to its decision to leave the EU, we understand that bank CDS spreads and marginal funding costs have remained stable. Thus we do not see any liquidity risk at the moment. There seems to have been no particular impact on Korean companies' funding capability in the European capital market.

What key trends do you expect to see over the coming year and in an ideal world what would you like to see implemented or changed?

Yoshii: I view curtailment of the long period currently applicable to equity offerings as a desirable goal going forward. For example, the required period between the filing of the securities registration statement and the closing date of the relevant offering, set by the Companies Act at not less than two weeks, exposes both issuers and investors to equity market volatility risk in spite of elimination of the waiting period on acquisition of securities for certain well-known companies under the amended Disclosure Guidelines, and reducing the period of this exposure has the potential to increase the attractiveness of the Japanese equity markets.

Gabbay: It may sound like a cliché but the world is becoming smaller and smaller, and this is highly visible in the capital markets. Major institutional investors seek interesting global investing opportunities, and are not constrained to invest only in their local market. High net-worth individuals seek the advice and assistance of professional asset managers and investment advisors who may be situated in other countries, and legal and natural persons commonly open accounts with banks and brokers in foreign countries. In other words, cross-border financial activity is all over the place. On the other hand, financial regulation is still very domestic in its nature. This creates regulatory arbitrage that may be manipulated by market participants, but more importantly, this imposes unnecessary costs and creates legal uncertainties that are never good for domestic and global economies. In an ideal world I would like to see the formation of clear international regulatory standards that will enable this cross-border financial activity while protecting the investing public around the world.

Martin: The main trend I would expect to see, at least in the IPO market, is continued efforts by PE investors to sell down their holdings in portfolio companies. As I understand it, PE investors continue to hold a number of investments from their previous capital-raising rounds, and many of them will want to return capital to their investors. It's becoming a bit of a theme for me, but if I get to define the ideal world, I would like to see a global growth rate of around 3% in terms of GDP, less uncertainty, and higher growth rates in the relatively advanced emerging markets.

Tomori: We would highlight two areas.

One of the most important legislation for the next few years within the EU will be the updated rules for markets in financial instruments, MiFID 2. Although the application date of MiFID II and MiFIR was extended by one year (the date of application will be 3 January 2018 and for the transposition of MiFID II into national laws 3 July 2017), some of the Commission delegated regulations are already adopted. This will make it inevitable for the market participants to thoroughly review their contracts and internal procedures.

It would also be important to make financing easily available. To give one example, we refer to securitization, which was a vital funding tool in Europe before the crisis. Currently there is no specific legislative regime for securitisation in Hungary. The rules of assignment of the Civil Code and the Credit Institutions Act apply to the transfer of receivables by way of securitisation. Parallel to the recent efforts within EU to establish

> *These reforms aim to unify European capital markets in order to promote investment and growth by diversifying fund sources and reducing the traditional reliance of companies on bank lending*
>
> *- Neil Hamilton*

common rules on securitization and creating a European framework for simple, transparent and standardised securitization, the HNB also started consultation with the market participants. Although the outcome of the consultation is not yet published, the market would very much welcome a flexible securitization regime.

Hamilton: Alternative finance platforms are increasingly attracting the interest of regulators and it is likely that over the coming year we will see mergers of alternative funding platforms with institutions with strong regulatory compliance structures.

The current year is also likely to see further progress in the package of EU reforms known as the Capital Markets Union. These reforms aim to unify European capital markets in order to promote investment and growth by diversifying fund sources and reducing the traditional reliance of companies on bank lending. The impact of Brexit on the progress and shape of these reforms remains to be seen.

In an ideal world the rules in the Capital Markets Union relating to risk retention would be more closely aligned with US risk retention rules and the rules relating to 'simple, transparent and standardised' (STS) securitisations clarified and extended to additional securitisation products and structures.