

# Security guard



**W**hen he took the job as the European Union's chief financial-markets regulator two years ago, Steven Maijoor already knew the first half of 2013 would be dominated by a thorough review of the huge and intricate European System of Financial Supervision.

What he could not have guessed was how early into his five-year term as chairman of the European Securities Markets Authority (ESMA) the policy-making boundaries of his agency would be so tested that they would urgently need review. Arguably more than its two fellow European Supervisory Authorities (ESAs), ESMA and its boss have been thrust onto the regulatory frontline as the political fallout from the financial crisis has deepened.

Headline problems such as excessive bonuses, the behaviour of credit ratings agencies and interest-rate manipulation have all crossed Maijoor's desk in the past 12 months. After the scale of long-rumoured falsification of the London interbank offered rate (Libor) was revealed last summer, ESMA announced a review into the compilation of these critically important 'benchmark' rates that resulted in a proposal for a complete set of new guidelines. The ratings agencies, which failed to assess accurately the risks of holding US sub-prime mortgage securities, then overcompensated for their failure during the eurozone's sovereign-debt crisis, have been publicly criticised by ESMA for their opaque decision-making. As anger grew over the size of bonuses paid to hedge-fund and private-equity managers, ESMA stepped in to persuade funds to withhold payments for three to five years in an attempt to align managers' interests with the long-term performance of their funds.

While Maijoor's moves to change behaviour in these high-profile areas have so far been of the persuasive variety, ESMA also has the power to set standards, to ban activities such as 'short-selling' securities not owned by the seller, in the hope of buying them back later at a lower price during a period of excessive market volatility, and to fine ratings agencies for violations of EU law. Indeed, the future holds the prospect of further powers including bans on specific financial products and supervision of interest-rate benchmarks. Maijoor and his Paris-based staff are working flat-out to compile

evidence for the review body to bolster their case for additional resources to match their current and future regulatory responsibilities and change ESMA's funding model in readiness for a public hearing in the spring and completion in January next year.

Building new institutions has been a central theme of this 49-year-old Dutch professor's curriculum vitae. Born in Hong Kong to a father who worked for a shipping line, Maijoor was raised in South Africa until the age of six. During student vacations in the Netherlands, Maijoor would regularly join his father on two-month voyages to South America or Asia; these were great opportunities both for exploring distant countries and catching up on his academic reading. Maijoor was already fascinated by economics and had gone to the university with the strongest reputation in the field, Groningen. Here, he was gripped by the behaviour of financial markets and the challenge of designing rules that would sustain trust but also keep them as free as possible.

From Groningen, he headed south to Maastricht to take a PhD in business economics. He stayed, joining the faculty in 1991. So began his attraction to new organisations with ambition. Maastricht University, then the Rijksuniversiteit Limburg, had been established only 15 years earlier and had little reputation in Maijoor's chosen field of accounting and financial reporting. But it had dynamism and an enthusiasm for new educational technology. The choice paid off. By 29, he was a full professor and, by 37, dean of the business school responsible for 400 staff and 5,000 students.

Three years into his deanship and juggling childcare commitments with his wife, Maijoor had no intention of moving on from the Maastricht campus. Then he received a telephone call from the Autoriteit Financiële Markten (AFM), the financial-markets authority, in Amsterdam. The AFM had only been established only in 2002 with powers to monitor and regulate all savings, investments, loan and insurance products and accounting. Arthur Docters van Leeuwen, a liberal politician who had overseen the creation of the AFM, was determined that the new managing director should be forceful and from outside the financial markets.

For personal reasons, Maijoor was hesitant to take this demanding and politically conspicuous job nearly 200

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kilometres from Maastricht. But professionally it was hard to refuse for a man whose academic career was built on the study of the AFM's responsibilities: ensuring market integrity, oversight of financial reporting, auditing, prospectuses and public offerings of equity. It was a chance to break new ground too, since aggressive market supervision – at least outside the US Securities and Exchange Commission – was in its infancy and the new European regulators were learning by doing. Maijoor's seven years at the AFM allowed him to develop and shape a new institution and its team and, in doing so, foster an international reputation. After three years, he became vice-chairman of the International Forum of Independent Audit Regulators (IFIAR), then its chairman in 2009, and he was an active participant in ESMA's predecessor: the Committee of European Securities Regulators.

When opportunity knocked in mid-2010 to head the ESMA, Maijoor was well-placed to make the move to Paris. He had opted for Maastricht University and AFM during their start-up, underdog phases and he wanted to do the same again. The challenge of turning a committee into an authority and hiring the right staff to combine eagle-eyed firmness in conducting inspections and analytical skill in setting technical standards was one that he relished. Even more so against the backdrop of the most dangerous global economic and financial crisis in decades.

It has certainly been a challenge and has seen ESMA drawn into political clashes between the European Commission and the European Parliament when MEPs threatened to reject ESMA's proposals for improved monitoring of over-the-counter derivatives trading and claimed the authority was overstepping its powers.

For Maijoor, whose overriding aim in the second half of his first term in office is to help restore investor confidence in financial markets not just through strong regulatory enforcement but its consistent application across the EU, these accusations come with the territory, at least until the review clarifies ESMA's role and powers. The accrual of competences and resources takes time and Maijoor has the patience of the long-distance runner, having completed his first marathon in Amsterdam in 2009 and his most recent in Paris last April.

Tim Jones

## CURRICULUM VITAE

1964:	Born, Hong Kong
1987:	Gains master's degree in business economics, University of Groningen
1987:	Research student, London School of Economics and Political Science
1991:	Gains PhD in business economics, Maastricht University
1991-94:	Assistant and associate professor, Maastricht School of Business and Economics
1992-93:	Visiting professor, University of Southern California
1994-2004:	Professor, Maastricht School of Business and Economics
2001-04:	Dean, Maastricht School of Business and Economics
2004-12:	Managing director, Dutch financial markets authority (AFM)
2004-07:	Member of the Committee of European Securities Regulators
2007-09:	Vice-chairman, International Forum of Independent Audit Regulators (IFIAR)
2009-12:	Chairman, IFIAR
2012-:	Chairman, European Securities Markets Authority