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SUMMARY PRESS RELEASE

EU Regulators respond to rapid integration in Europe's financial markets heralded by the measures introduced by the Financial Services Action Plan with progress on 4 key initiatives

CESR announces today progress on 4 key initiatives of the capital markets agenda and moves forward to ensure EU regulation takes into account the increasing global interdependency of financial markets.

As the measures introduced by the Financial Services Action Plan (launched in 2001) are finalised, Europe's regulators, through the CESR network are working towards greater convergence and consistency in regulatory practices to ensure a smoother transition to the new regulatory regime for Europe's financial services markets.

The initiatives include:

- **In the field of Investment Management, CESR launches a consultation (at the request of market participants) on guidance for regulators on how to apply transitional provisions introduced by the UCITS III Directive.**

The amending UCITS Directive introduced in 2001 (commonly known as the UCITS III Directive) contain a number of transitional provisions which apply both to UCITS I funds and to grandfathered management companies respectively, and these have given rise to differing interpretations across Europe regarding how they should be implemented.

The draft guidelines, presented today for consultation have therefore been developed at the request of market participants to converge the different administrative practices which have arisen in Member States. In the four months since CESR has been given responsibility to advise the European Commission in the field of investment management, it has drawn on its capacities under Level 3 (which includes the ability to implement own initiative actions to foster regulatory convergence as introduced by the Lamfalussy process), to develop tangible and pragmatic solutions which when finalised, will foster convergence between regulatory practices, which have hindered the single market in this sector for the past two years.

For further information on the proposals please see the [full press release \(Ref: CESR/04-541\)](#) or the [Consultation Paper itself \(Ref: CESR/04-434\)](#). CESR will host a hearing for all interested parties at CESR's offices in Paris on 18 November 2004. All those wishing to attend can register for the open hearing via the CESR website (www.cesr-eu.org) under the heading "hearings". Comments on the guidelines are also welcomed by 8 December 2004 and can be submitted online via CESR's website under the heading "consultations".

Reflecting the global interdependency of Europe's financial markets, CESR announces progress on two initiatives:

- **The publication of CESR's concept paper which sets out, for consultation, how CESR intends to measure equivalence between Third Country GAAP and IAS/IFRS**

Both the newly adopted Prospectus Regulation and the Transparency Directive state that third country issuers (non-EU issuers), who have their securities admitted to trading on an EU regulated market, or who wish to make a public offer of their securities in Europe, will be required, as from 1st January 2007, to prepare and present the financial statements that they publish on the basis of EU endorsed IAS/IFRS accounting standards or, on the basis of the third country's national accounting standards if they have been declared as equivalent to IAS/IFRS. In particular, the Prospectus Regulation and Transparency Directive require the European Commission to establish a mechanism and to take the necessary decision as to whether a given third country GAAP is equivalent to IAS/IFRS. For this reason, the European Commission has requested CESR to prepare technical advice which will assist them in reaching the final assessment of US, Canadian and Japanese GAAP. As a first step towards an assessment of third country GAAP, CESR is publishing for consultation a concept paper which will set out the various principles by which CESR will assess equivalence of third country GAAP. The impact of CESR's final advice and the European Commission's final decision will be that where a third country GAAP is not found to be equivalent, the third country issuer will be asked to either restate their accounts in accordance with IAS/IFRS, or to take some remedial action. The purpose of this measure is to ensure that EU investors can reach similar investment decisions whether the information has been prepared on the basis of IAS or third country GAAP.

For further information on this subject please see the [full press release \(Ref: CESR/04-542\)](#) or CESR's [Concept paper \(Ref: CESR/04-509\)](#).

Responses to the Concept Paper are welcomed by 22 December 2004 and can be submitted online via CESR's website under the heading "consultations". CESR will also be hosting a public hearing on 23 November 2004 from 2 pm to 5pm at CESR's premises in Paris. All those wishing to attend the open hearing can register via the CESR website (www.cesr-eu.org) under the heading "hearings".

- **CESR and the US Commodity Futures Trading Commission (CFTC) announce the launch of a Trans-Atlantic Co-operation Initiative and set out a 'Statement of Intent to Develop an Action Plan on Cross Border Issues'**

The *Initiative*, states that the two bodies intend to develop a practical action plan on cross border issues.

In particular, the CFTC and CESR have agreed to hold regularly scheduled meetings of relevant staff counterparts to share views on regulatory issues of common operational concern, particularly with respect to facilitating:

- Cross-border transactions by exchanges and firms in each of the respective markets through the promotion of appropriate convergence and developing practical operational arrangements to ease access to each others markets and to avoid unnecessary obstacles or duplicative supervisory requirements;
- The exercise of the Authorities respective supervisory responsibilities with regard to cross-border conduct by intermediaries, exchanges and clearing organisations and the identification of common evolving issues from our respective enforcement experiences; and
- The early identification, discussion and resolution of regulatory issues arising from the CFTC's and CESR's regulatory initiatives.

On announcing this new facet of Trans-Atlantic dialogue, CESR's Chairman Arthur Docters van Leeuwen commented:

The formalisation of a regular dialogue with the CFTC is essential given the interdependency of our markets and will ensure that CESR is conducting a comprehensive dialogue with all the key regulatory authorities in the US. This increased dialogue is particularly timely given that CESR is currently preparing the advice for the European Commission on implementing measures for a key pillar of the investment business services legislation in Europe, the MIFID Directive. Indeed, the revision of this key EU legislative measure will now extend on an EU-wide basis, the scope of regulation to cover both markets and investment firms dealing in commodity derivatives. As a consequence, our dialogue with the CFTC will gain a new resonance as we move ahead, not only



as this legislation is drafted, but also, as supervisors move towards the critical phase of implementation.

For further information, please see the joint CESR – CFTC press release available on CESR's website ([Ref: CESR/04-534](#)).

- CESR presents for consultation its draft advice on the second set of mandates from the European Commission on the Markets in Financial Instruments Directive (MiFID)

CESR publishes today its consultation paper (CESR ref: 04-562) with its proposed advice responding to the second set of mandates from the European Commission on the legislative measures to implement the Markets in Financial Instruments Directive. CESR's advice on this second set of mandates must be submitted to the European Commission by the end of April 2005.

When completed, CESR's advice on both this set of mandates and the first set of mandates received in January 2004 (which must be submitted by the end of January 2005), will assist the European Commission in developing a legal text which will take the form of either a Regulation or a Directive. This legislation will set out what is known under the Lamfalussy legislative process as Level 2 technical implementing measures.

The draft technical advice on the second set of mandates under the MiFID covers aspects falling under two areas. The first aspect of this advice is related to Intermediaries and includes; the definition of investment advice and the list of financial instruments (article 4); the general obligations to act fairly, honestly and professionally (article 19.1); the suitability test (on article 19.4); the appropriateness test (article 19.5 article 19.6); the execution only business and the transactions executed with eligible counterparties (article 24). The second aspect of this advice relates to Markets; in particular, limit order displays (article 22) and pre-trade transparency of internalizers (article 27).

For further information on the proposals please see the [Consultation Paper \(Ref: CESR/04-562\)](#). CESR will host a hearing for all interested parties at CESR's offices in Paris on 19 November 2004. All those wishing to attend can register for the open hearing via the CESR website (www.cesr-eu.org) under the heading "hearings". Comments on the guidelines are also welcomed by 21 January 2005 and can be submitted online via CESR's website under the heading "consultations".

- CESR Conference in Paris on 6 December 2004.

Finally, CESR also takes this opportunity to highlight the Conference CESR will host in Paris on 6 December 2004. The list of speakers include senior figures from across the EU institutions such as the incoming Commissioner for the Internal Market, Charlie McCreevy, Gerrit Zalm, the Dutch Minister of Finance (and currently Chair of ECOFIN), Jean-Claude Trichet, President of the ECB, and the Chair of EMAC, Pervenche Berès. In addition, a wide range of key figures from Europe's financial services industry will participate. To book please visit the CESR website www.cesr-eu.org and go to the page indicated on the navigation bar by 'CESR Conference'. If you are interested in attending as an accredited member of the press please email the CESR secretariat at skleiveland@cesr-eu.org to receive an invitation.



Notes for Editors:

1. CESR is an independent Committee of European Securities Regulators. The role of the Committee is to:

- Improve co-ordination among securities regulators;
- Act as an advisory group to assist the EU Commission, in particular in its preparation of draft implementing measures in the field of securities;
- Work to ensure more consistent and timely day-to-day implementation of community legislation in the Member States;
- The Committee was established under the terms of the European Commission's decision of 6 June 2001 (2001/1501/EC). It is one of the two committees envisaged in the Final Report of the group of Wise Men on the regulation of European securities markets, chaired by Baron Alexandre Lamfalussy. The report itself was endorsed by the European Council and the European Parliament. The relevant documents are available on CESR's website.

Each Member State of the European Union has one member on the Committee. The members are nominated by the Member States and are the Heads of the national public authorities competent in the field of securities. The European Commission has nominated the Director General of the DG Market, as its representative. Furthermore, the securities authorities of Norway and Iceland are also represented at a senior level.

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