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PRESS RELEASE

CESR publishes Annual Report for 2007

CESR, the Committee of European Securities Regulators, published today its 2007 Annual Report which it has submitted to the European Commission, Parliament and the ECOFIN Council. The annual report is an important element of CESR's accountability obligations.

The report details how CESR has delivered outcomes to its stakeholders throughout the year. The work described in the report is intended to fulfil CESR's key objectives which include:

- strengthening market integrity and efficiency;
- protecting retail investors;
- delivering convergence of day-to-day implementation by CESR Members;
- simplifying processes for firms and issuers and delivering greater transparency on regulation.

Whilst much of CESR's work in 2007 was based on longer term working programmes directed at delivering convergence following the implementation of the Financial Services Action Plan; CESR quickly reacted to the market turmoil during the second half of 2007 and added a number of new key priorities to its work. These flowed from requests set out in the ECOFIN Conclusions of May 2007, which proposed a comprehensive set of EU measures intended to bolster market and investor confidence.

Eddy Wymeersch, Chairman of CESR, noted that:

"The year 2007 will not easily be forgotten in the history of financial markets, including their supervisors and CESR. The year was characterised by a watershed between the first half that developed without great occurrences, at least on the surface, and the second half that required us to mobilise all our forces to cope with the strong headwinds blowing from across the Atlantic."

Amongst the many steps taken by CESR to increase **market integrity, efficiency** and deliver **convergence**, CESR undertook work in the field of credit rating agencies (CRAs). Following a request by Commissioner Charlie McCreevy, CESR investigated the role of CRAs in relation to structured products and how the IOSCO code of conduct could possibly be strengthened. In its advice to the European Commission, published in May 2007, CESR addressed both the substance of the code as well as the monitoring and enforcement of its application.

Again within the context of ensuring convergence and simplifying processes for firms and issuers, CESR responded with frequently asked questions and guidance in a number of areas (Prospectuses, Markets in Financial Instruments Directive (MiFID) and Market Abuse Directive (MAD)). This has ensured a speedy and common response by Members in the day-to-day queries they receive from market participants. In the field of financial information, for example the European Enforcers Co-ordination sessions sought to deliver greater clarity and certainty for issuers and auditors in the presentation of financial information, by publishing key enforcement decisions.

CESR's Review Panel has continued its efforts to bring about greater **transparency in implementation** and to use this as a key means to achieve greater convergence through peer pressure. The publication



of key findings on the general powers of CESR Members under the MAD and Prospectus Directives, which described the ability of Members to issue practical rules, set out co-operation powers across the Member States and assessed supervisory practices. Complimenting this type of work, CESR expert groups undertook, for example, the issuing of an overview of how national discretions allowed by MIFID Level 1 had been implemented. In the area of prospectuses, an overview of Members' language requirements for the vetting of prospectuses has been created. This type of work will greatly contribute to delivering greater transparency on the implementation of EU regulation for market participants, but will also prove a useful contribution to dialogue with third countries. In this regard, CESR will play a significant role by providing clarity on the extent of convergence and transparency regarding supervisory practices which will greatly facilitate the mutual recognition process with the US Securities and Exchange Commission (SEC).

CESR has also met with other third country regulators for the purpose of establishing equivalence of local GAAPs with IFRS.

Implementing the strengthened EU regulatory regime in a convergent manner across Europe will significantly assist **retail investor** by providing them with greater **confidence**. However, in addition CESR has sought with its Members to take this element a key step further by explaining to retail investors the regulatory regime in place to protect them. In this respect CESR, for the first time, published in March 2008 a guide especially designed for retail investors explaining, in plain language, the new protections they will experience in buying financial services, following the introduction of the MiFID. This guide has now been translated into many EU languages. One of the main purposes of the MiFID Directive, which entered into force on 1 November 2007, is to harmonise investor protection throughout Europe and increase consumers' confidence.

In addition, recognizing that in order for retail investors to make informed decision when buying a financial product, the information provided to them, its structure, simplicity, length and comparability is of key importance. As such, in the field of investment management, work was launched during 2007 to create a Key Information Document for all instruments in collective investment schemes (UCITS) which are sold in Europe. CESR considers this a key opportunity to protect retail investors and assist this distinct type of market participant whose needs differ greatly from the professional investor.

Finally, CESR continues to work closely with the fellow 3L3 Committees (CEBS and CEIOPS) on a number of cross-sectoral projects to ensure convergence between the sectors.



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. Baron Alexandre Lamfalussy chaired this group. The report itself was endorsed by the European Council and the European Parliament. The relevant documents are available on the CESR website.
2. Each Member State of the European Union has one member in 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.
3. Apart from describing the institutional environment within which CESR works, CESR's Annual Report 2007 covers the activities of CESR in 2007 and includes the activities undertaken by the Committee until the end of January 2008. The Annual Report 2007 is available on CESR's website.

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