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PRESS RELEASE

CESR recommends the Commission to introduce a mandatory trade transparency regime for non-equity markets

CESR publishes today its final report (Ref. CESR/09-348) and feedback statement (Ref. CESR/09-349) on the transparency of corporate bond, structured finance product and credit derivatives markets. CESR is of the view that current market-led initiatives have not provided a sufficient level of transparency. CESR considers that an increased level of transparency would be beneficial to the market and that a harmonised approach to post-trade transparency would be preferable to national initiatives taken in this area on the basis of the flexibility allowed by MiFID. CESR has therefore considered it necessary to inform the European Institutions on the main conclusions reached in its report and to recommend the adoption of a mandatory trade transparency regime for corporate bond, structured finance product and credit derivatives markets as soon as practicable.

Jean-Paul Servais, Chair of the Belgian Commission Bancaire, Financière et des Assurances (CBFA), Chair of the CESR MiFID Level 3 Expert Group stated:

“The recent market turmoil has highlighted the need for more transparency in the non-equity markets. We think that it might be helpful in improving current market conditions, supporting liquidity in normal times and contributing to greater accuracy in valuations. CESR has been closely following the progress of the market-led initiatives, but after careful reflection has drawn the conclusion that they have not provided a sufficient level of transparency. As such anticipating the upcoming MiFID review of the Commission, CESR wanted to seize the opportunity to improve the current situation and ensure that any changes are implemented in as consistent a manner across Europe as possible, to ensure a level playing field and real transparency given the nature of our integrated markets.”

CESR’s proposal for corporate bonds:

CESR thinks that a post-trade transparency regime for corporate bonds should cover bonds for which a prospectus has been published (i.e. including all corporate bonds admitted to trading on a regulated market) or which are admitted to trading on an MTF. The information to be published should include a description of the bond (including a standardised format of identification), price/yield, volume and date and time of execution. The regime should minimise any potential drawback on liquidity by allowing for delayed publication and/or the disclosure without specified volumes if the transaction exceeds a given threshold. When setting the thresholds, the initial issuance size (total value) and/or turnover of a particular corporate bond would need to be taken into account, in a similar way as in the case of shares under the existing MiFID regime.

CESR’s proposal for structured finance products and credit derivatives:

In CESR’s view any post-trade transparency regime for structured finance products should be seen as complementary to existing initiatives designed at improving transparency earlier in the transaction chain.

In the case of asset-backed securities (ABSs) and collateralised debt obligations (CDOs), CESR recommends that a phased approach would be used so that the post-trade transparency regime would gradually apply to all ABSs and CDOs that are commonly considered as standardised.



With regards to asset-backed commercial papers (ABCP), CESR came to the conclusion that additional post-trade transparency is not one of the pressing topics for participants in these markets. Therefore CESR does not currently see a need for a post-trade transparency regime for ABCPs.

CESR is of the view that a post-trade transparency regime should cover all credit default swap (CDS) contracts which are eligible for clearing by a central counterparty (CCP) due to their level of standardisation, including single name CDS, although there may not yet be an offer for clearing of these CDS by a CCP.

The post-trade transparency regime for structured finance products and credit derivatives should minimise any potential drawback on liquidity by allowing delays in or exemptions from the publication in a similar way as suggested for corporate bonds.

At this stage, CESR's proposal does not include all the details needed for an effective post-trade transparency regime for non-equity markets, for example regarding the details of the phased approach for ABSs and CDOs and the exact conditions for the delayed publication of information on large trades. However, CESR stands ready to assist the Commission in developing the necessary details to ensure that any possible drawbacks on liquidity of these markets can be avoided.

This report is part of CESR's work to address some of the recommendations of the Financial Stability Forum in its report "Enhancing the Market and Institutional Resilience", issued after the request, in October 2007, by the G7 Ministers and Central Bank Governors to undertake an analysis of the causes and weaknesses that have produced the turmoil that broke out in the summer of 2007. CESR has also taken note of the Declaration of the Summit on Financial Markets and the World Economy of the Leaders of the Group of Twenty (of 15 November 2008) which stated the commitment to: "strengthen financial market transparency, including by enhancing required disclosure on complex financial products [...]."



1. CESR published a consultation paper on the transparency of corporate bond, structure finance product and credit derivatives markets on 19 December 2008. 46 responses to the consultation were received, four of which were confidential. The responses have been published on the CESR website under <http://www.cesr.eu/index.php?page=responses&id=127>.
2. 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 European 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.
3. 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 as its representative the Director General of DG MARKT. Furthermore, the securities authorities of Norway and Iceland are also represented at a senior level.

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