



Date: 14 January 2002  
Ref. : CESR/02-003

**PRESS RELEASE**

**FINAL ROUND OF CONSULTATION BY CESR ON STANDARDS  
FOR ALTERNATIVE TRADING SYSTEMS (ATSs)**

CESR published today, for a second round of consultation, revised proposals for common European standards for Alternative Trading Systems (Ref. CESR/02-001). These have been prepared by an expert group chaired by Howard Davies, Chairman of the UK Financial Services Authority. Also published today was a feedback statement summarising the responses received in the first consultation round (Ref. CESR/02-002).

CESR has decided to issue the proposed standards for a second round of consultation in response to the important issues raised by respondents to the first consultation paper (Ref. FESCO/01-035b), which was issued in June 2001. The responses received focused specifically on a) the interlinkages between the CESR work and the revision of the Investment Services Directive (ISD), b) the definition of an ATS, c) the need for more clarity on implementation of the standards, d) the potential overlap of certain standards with existing conduct of business rules, and e) the need for more cost benefit analysis. Respondents also commented on specific standards. The expert group considered the respondents' comments carefully and has revised the proposed standards for regulation of ATSs accordingly. Given the extent of the changes made, CESR decided to provide interested parties with another opportunity to comment.

This paper sets out proposed standards for ATSs in the European Economic Area (EEA) with a view to providing appropriate regulation under the ISD of investment firms operating ATSs. It builds on FESCO's report to the European Commission on the Regulation of Alternative Trading Systems (ATSs) in Europe, which was published in September 2000 (Ref. FESCO/00-064c)

The standards aim to ensure, in particular, that the integrity of the markets is protected, and also that users of ATSs are given adequate protection. In response to comments received in the first round of consultation, CESR has narrowed the definition of an ATS (the 'qualifying system' to which the standards apply) to multilateral ATSs. However, this narrowing of the definition does not mean that CESR believes that there are no regulatory issues raised by trading activity outside multilateral ATSs. It is likely that further work will be conducted by CESR in this area, focusing specifically on the issue of transparency.

The need for additional regulatory standards for ATSs arises because existing conduct of business rules do not fully address the particular risks posed by the nature of services provided via ATSs. CESR considers it important to move ahead with these additional standards, providing an appropriate interim regime, before the revised ISD comes into force.

The standards identify particular areas in which CESR believes that additional regulation is required to secure the two primary objectives of market integrity and investor protection. The standards will need to be applied in a differentiated way to ensure that the risks posed by different trading systems are appropriately addressed.



CESR believes that its objectives can best be met by concentrating on standards in the following areas:

- Authorisation/registration: the investment firm running an ATS should provide to the competent authorities information about the price formation process, rules of the system, system participants and the types of instruments traded.
- Transparency: ATSs should comply with minimum transparency requirements.
- Reporting Rules: additional reporting requirements should be imposed on ATSs to the extent needed to enable competent authorities to monitor market share of ATSs and changes to the information provided during authorisation/registration.
- Prevention of Market Abuse: requirements placed on ATSs should make it possible to detect, deter and punish market abuse.

In response to the comments received, Howard Davies said:

“We are grateful for the thoughtful comments we received to the first consultation paper on regulatory standards for Alternative Trading Systems. A clear majority of consultees agreed that a new regulatory approach to ATSs was required but many raised concerns about some of the detailed proposals. In particular, it was argued that the new standards were justified for multilateral ATS, but not necessarily for bilateral systems. This second consultation paper has taken these concerns into account and significant changes have been made to the definition of ATSs and to the proposed standards.

We believe that these proposals are needed to ensure a level playing field, to maintain confidence in the integrity of European financial markets and to further develop the European single market in financial services. The standards will also be an important input to the revision of the ISD.”

CESR invites responses to this second round of consultation by March 15, 2002. Interested parties may review the documents on the CESR web site ([www.europefesco.org](http://www.europefesco.org)), where they may also submit comments via e-mail ([secretariat@europefesco.org](mailto:secretariat@europefesco.org)), sections “consultative papers” and “Recent publication” for the full inventory of responses). CESR intends to finalise the standards thereafter, with the aim of publishing final standards by June of this year.

**CESR**

Fabrice Demarigny

Secretary General of CESR

Tel: +33.(0)1.53.45.63.61

Fax: + 33.(0)1.53.45.63.60

E-mail: [secretariat@europefesco.org](mailto:secretariat@europefesco.org)

Web site: [www.europefesco.org](http://www.europefesco.org)



#### Notes for Editors:

CESR was established as an independent committee of European securities regulators. All undertakings, standards, commitments and work agreed within the Forum of the European Securities Commissions (FESCO) will be taken over by CESR. The role of this 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 Wisemen on the regulation of European securities markets. Baron Alexandre Lamfalussy chaired this group. The report itself was endorsed by the Stockholm European Council Resolution.

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