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PRESS RELEASE

FESCO CONSULTATIVE PAPER ON “THE HARMONISATION OF CORE CONDUCT OF BUSINESS RULES FOR INVESTOR PROTECTION” (REF. FESCO/00-124b)

During its last meeting in Vienna, FESCO members decided to start a consultation process on their proposal for the harmonisation of conduct business rules for investor protection (ref. FESCO/00-124b) (see www.europefesco.org, section “Consultative Papers”).

The area of investor protection and particularly the harmonisation of article 11 of the Investment Services Directive (ISD) are considered by FESCO members one of the major obstacles to the effective cross-border provision of investment services. Conduct of business regimes adopted at domestic level are still different throughout the European Economic Area (EEA). The harmonisation of conduct of business rules has been considered by the Financial Services Action Plan and by a recent Communication from the European Commission on upgrading the ISD, as a priority for the achievement of an integrated securities market and an effective passport for investment firms.

A FESCO expert group, chaired by Jacob Kaptein, Commissioner of the Dutch STE, has worked intensively in this area and, after a comparison of different regimes throughout FESCO members, FESCO has:

- adopted in March 2000 a paper on the “Implementation of article 11 of the ISD: Categorisation of investors for the purpose of conduct of business rules” (00-FESCO-A) following an intense period of consultation. It provides criteria and procedures to implement an appropriate differentiation between categories of investors; among others, these criteria were endorsed by the European Commission in its recent Communication on the interpretation of article 11 of the ISD, which was widely welcomed by FESCO members;
- and agreed to start a consultation on a new paper on “The harmonisation of core conduct of business rules for investor protection” (ref. FESCO/00-124b).

These two documents are intended to be complementary and part of the same exercise, aimed at providing a harmonised framework for the provision of investment services throughout EEA. First, intermediaries have to categorise their clients on the basis of the criteria laid down in the FESCO document; then, depending on the outcome, either the retail or the professional regime will apply.

The elaboration of these documents is a significant contribution to the EU Action Plan for Financial Services developed by the European Commission. In line with the conclusions of the Lisbon European Council, this will contribute to enhancing investor confidence and, therefore, to the implementation of efficient and transparent financial markets in Europe.

The today’s consultative paper is intended to be exhaustive: it covers the provision of services to non-professional clients, as well as the services rendered to professional investors. Furthermore, it provides principles and rules on all aspects of the provision of the investment services, as defined in Section A of the Annex to the ISD, but, where appropriate, it covers non-core services.

The document is open to public consultation for a period of 3 months.

NOTE FOR THE EDITORS



1. FESCO is composed of 17 national statutory securities regulators - one from each of the EU member states, together with one from Norway and Iceland. FESCO's objectives are:
 - i. sharing experiences and work together to facilitate the fair and efficient realisation of the Single Market for financial services;
 - ii. uniting efforts in order to develop common regulatory standards in respect of the supervision of financial activities or markets concerning aspects that are not harmonised by existing EU Directives and where a common approach is appropriate;
 - iii. providing the broadest possible mutual assistance and to strengthen cross border co-operation so as to enhance market surveillance and effective enforcement against market abuse.
2. The EU Commission participates in FESCO as an observer.
3. FESCO sets up expert groups to work on common standards. The Expert Group on Investor Protection that drafted this paper was chaired by Mr Jacob Kaptein, a Commissioner at the Dutch Securities Regulator, the STE. The group included experts from each of the FESCO members together with an observer from the European Commission.
4. The members of FESCO are: Bundes-Wertpapieraufsicht (Austria); Commission bancaire et financière/Commissie voor het Bank- en Financiewezen/ Kommission für das Bank- und Finanzwesen (Belgium); Finanstilsynet (Denmark); Rahoitustarkastus (Finland); Commission des opérations de bourse (France); Bundesaufsichtsamt für den Wertpapierhandel (Germany); ΕΠΙΤΡΟΠΗ ΚΕΦΑΛΑΙΑΓΟΡΑΣ / Capital Market Commission (Greece); Financial Supervisory Authority (Iceland); Central Bank of Ireland; Commissione Nazionale per le Società e la Borsa (Italy); Commission de surveillance du secteur financier (Luxembourg); Stichting Toezicht Effectenverkeer (Netherlands); Kredittilsynet (Norway); Comissão do Mercado de Valores Mobiliários (Portugal); Comisión Nacional del Mercado de Valores (Spain); Finansinspektionen (Sweden); Financial Services Authority (United Kingdom).
5. FESCO is chaired by Georg Wittich, Chairman of the Bundesaufsichtsamt für den Wertpapierhandel (Germany).
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