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PRESS RELEASE

FESCO PROPOSES NEW COMMON REGULATORY RESPONSES FOR THE EUROPEAN SINGLE  
MARKET FOR FINANCIAL SERVICES

During their last meeting in Paris, the members of FESCO have decided to publish two key papers contributing to the EU Action Plan for Financial Services : "The regulation of Alternative Trading Systems in Europe" and "A European regime against Market Abuse". Mindful of the role to be played by securities regulators in a European framework for the regulation of accounting and in particular the consistent implementation of International Accounting Standards (IAS), FESCO has created an experts group to study these issues. FESCO is also presenting a consultation paper: "Stabilisation and Allotment – A European Supervisory Approach".

1. FESCO CONTRIBUTION TO THE EU ACTION PLAN

- a. "The regulation of Alternative Trading Systems in Europe. A paper for the EU Commission". (Ref. Fesco/00-064c)

Alternative Trading Systems (ATS) offer electronic securities trading facilities outside the traditional trading channels. An expert group chaired by Howard Davies, Chairman of the UK FSA, has studied the impact of such systems in depth. The group has prepared a comprehensive report identifying and assessing the benefits and risks associated with the emergence of ATS and analysing the current regulatory treatment of such systems, within Europe and elsewhere. The report proposes both a short term and a long term option for a harmonised regulatory treatment of such systems in Europe. To achieve a harmonisation of regulatory standards under the short term option, this expert group will in a next step develop agreed specific regulatory standards for ATS's operating as investment firms under the terms of the current Investment Services Directive.

In preparing this paper, the expert group invited market participants (investment firms, exchanges, ATS's and consumers as well as trade and professional associations) to respond to a "request for information" followed by a workshop in London in February. FESCO has submitted this paper to the European Commission to contribute to its preparation of a Green Paper on possible ISD amendments.

- b) A European regime against Market Abuse (ref. Fesco/99-096l)

The proposal for a European regime against market abuse, aims at preventing market abuse in all its forms, which are insider dealing, market manipulation and the dissemination of false or misleading information. The latter two are not currently regulated as such at the European level.

The regime has two important parts. First, the substantive regulation of market abuse, which encompasses high level definitions of undesirable conduct. Second, with a "network of regulators", the paper proposes a unique framework suitable for an integrated securities market.



FESCO believes this network could be created through a directive which would require members states to set up competent authorities with more common base of responsibilities and powers in each member state. These competent authorities acting together in the network would be responsible for fleshing out the high - level principles set out in the directive subject to a rigorous accountability at the European and national level. The network would also ensure the common application and enforcement of the European legislation against market abuse at a national level.

An expert group, chaired by Juan Fernández-Armesto, Chairman of the Comisión Nacional del Mercado de Valores, has prepared this paper that has been sent to the European Commission, the European Parliament and the Ministers of Finance participating in the ECOFIN. Public comments on this paper can be sent to the Secretary General of FESCO.

Under the chairmanship of Stavros Thomadakis, Chairman of the Hellenic Capital Market Commission, the group will continue its work and draft guidance on the implementation of this Market Abuse Regime.

## 2. FESCO CREATES AN EXPERT GROUP ON ACCOUNTING STANDARDS

FESCO has decided to create an expert group on Accounting, chaired by Henrik Bjerre Nielsen, Director General of the Finanstilsynet of Denmark. This group will explore institutional and substantial issues in relation to accounting standards, and in particular to the implementation and enforcement of IAS in the EEA. FESCO is taking up the challenge posed by the communication of the European Commission "EU Financial Reporting Strategy: the way forward", which makes clear securities regulators must play an important role in the implementation and the consistent enforcement of IAS throughout the EEA.

## 3. FESCO PRESENTS THE CONSULTATIVE PAPER "STABILISATION AND ALLOTMENT: A EUROPEAN SUPERVISORY APPROACH" (REF. FESCO/00-099b)

With this paper, FESCO proposes:

- a harmonised regulatory treatment of stabilisation practices by way of defining a "safe harbour" against charges of market abuse;
- a "FESCO European code on Allotment" ensuring that allotments of securities are conducted with one single and clear set of standards across Europe.

These proposals serve the over-riding goal of FESCO, the protection of investors in two important stages of the offering process by providing stringent transparency and disclosure requirements.

This consultative paper, prepared by an expert group, chaired by Kaarlo Jännäri, Director General of the Rahoitustarkastus of Finland; will be open to public consultation and consulted by FESCO members nationally before November 30, 2000. A final paper is expected for early 2001.

## 4. STATUS OF IMPLEMENTATION OF FESCO STANDARDS PUBLICLY DISCLOSED

Under the agreed disclosure mechanism, FESCO members have for the first time published the status of implementation in their respective jurisdiction of two sets of standards "Standards for Regulated Markets under the ISD" (ref. 99-fesco-C) and "Market Conduct Standards for Participants in an Offering (ref. 99-fesco-B)".

For further information, please contact Fabrice Demarigny, Secretary General of FESCO, tel.: +33.1.53.45.63.61, fax +33.1.5345.63.60. The documents are available on the FESCO home page: [www.eurofefesco.org](http://www.eurofefesco.org)