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PRESS RELEASE

FESCO Consults on the regulation of Alternative Trading Systems (ATS's)

FESCO has today published proposals for common European standards for Alternative Trading Systems. These have been prepared by an expert group chaired by Howard Davies, Chairman of the UK Financial Services Authority, and issued for consultation.

The paper sets out proposed standards for alternative trading systems in the European Economic Area (EEA) with the view to providing appropriate regulation under the Investment Services Directive (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 last year.

The standards aim to ensure, in particular, that:

- users of ATSs are adequately protected
- the integrity of the market is protected

The need for these additional standards arises because existing conduct of business rules do not fully address the particular risks posed by the specific nature of services provided via ATSs. The standards therefore identify particular areas in which FESCO believes that additional regulation is required to secure these two overall objectives. FESCO recognises that the standards will need to be applied in a differentiated way to ensure that the risks posed by different trading systems are appropriately addressed.

FESCO 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, amongst others, 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 ATSs' market share, compliance and changes to the information notified at authorisation/registration.
- **Prevention of Market Abuse:** requirements placed on ATSs should make it possible to detect, deter and punish market abuse.



Howard Davies said:

“Alternative Trading Systems are increasingly active in Europe. The emergence of these systems is contributing to rapid change in market structure which raises significant issues for European regulators. By proposing these standards for the regulation of ATs, FESCO aims to further foster confidence in the European financial markets. They are an important step to building the regulatory structure in Europe which will support development of the single market in financial services.”

FESCO will formally consult on these proposals over the next few months. It is inviting responses to the questions posed in the paper, as well as any general comments, by end August. Interested parties may review the documents on the FESCO web site (www.européfesco.org), where they may also submit comments via e-mail (secretariat@européfesco.org). FESCO intends to finalise the standards thereafter, with the aim to publish final standards by the end of the year

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