



Date: 8 July 2002
Ref.: CESR/02-117

PRESS RELEASE

CESR ADOPTS FINAL STANDARDS FOR ATSs AND FINAL CONDUCT OF BUSINESS RULES TO PROTECT RETAIL AND PROFESSIONAL INVESTORS IN EUROPE.

During its fourth meeting held in Copenhagen on June 11 and 12, 2002, CESR agreed on common European Standards for Alternative Trading Systems (Ref. CESR/02-086b) and on a harmonised professional and counterparty regime of investor protection (Ref. CESR/02-098b) that will complement the Retail Conduct of Business Rules (Ref. CESR/01-014d) adopted in April 2002.

I. Standards for Alternative Trading Systems (ATS)

CESR published today common European Standards for Alternative Trading Systems (Ref CESR/02-086b). 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 final round of consultation (Ref. CESR/02-087b).

This paper sets out standards for ATSs in the European Economic Area (EEA) with a view to providing appropriate regulation of investment firms operating ATSs under the current ISD. 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.

After careful consideration of the comments received, 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 :

- Notification: the investment firm running an ATS should provide the competent authorities with 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 initially notified.
- Prevention of Market Abuse: requirements placed on ATSs should make it possible to detect, deter and punish market abuse.

In order to follow the application of the standards in the different Member States, and maintain a continuous dialogue with investment firms operating qualifying systems, CESR has decided to establish an informal and specific contact group ('Contact Group') of relevant experts among CESR members.

Arthur Docters van Leewen, Chairman of CESR, said: "We are grateful for the thoughtful comments we received from all industry players throughout the consultation on regulatory standards for ATSs. We believe that these standards will be of use to regulators and market participants in clarifying the appropriate regulatory regime for investment firms operating ATSs in the period before the revised ISD enters into force. The standards will provide an efficient interim regime tackling the issues



raised by multilateral ATs. It will also help to ensure a level playing field, maintain confidence in the integrity of European financial markets and further develop the European single market in financial services.”

II. Conduct of Business Rules for investor protection.

CESR also published today a document which completes its work on investor protection, under the existing Investment Services Directive.

In April 2002, CESR adopted the harmonised set of detailed conduct of business rules applicable to investment services provided to non-professional customers, the “retail regime” (Ref. CESR/01-014d). This document has now been complemented by the principles applicable to professional investors, the “professional regime” (Ref. CESR/02-098b). To enable a common definition of retail and professional investors, CESR has agreed on a revised categorisation of investors. In addition to these regimes for investor protection, CESR adopted a common regime for market counterparties willing to waive from any rules of conduct for investor protection. The “counterparty regime” is intended to address market-integrity concerns. This regime is available for licensed financial institutions (excluding collective portfolio managers and pension funds) under a specific choice to enter into a “counterparty relationship”. Members of CESR, having defined the appropriate quantitative thresholds, may extend this regime to companies.

These standards are based on the work prepared by the Expert Group chaired by Jacob Kaptein, Commissioner at the Dutch Authority for Financial Markets, and several sets of in depth consultations and close discussions with all market participants and interested parties across Europe.

Mr Arthur Docters van Leeuwen said : “By agreeing on a set of standards for investor protection, CESR is harmonising the rules of conduct applicable to retail and professional business in Europe. Investment firms and consumers of financial services should be able to provide services or invest all across Europe with only one set of protective rules. This is a major step forward for the Single Market for Financial Services.”

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The members of CESR will introduce these standards in their regulatory practices in the coming months. The work achieved will be sent to the European Commission.

All documents mentioned in this press release are available on the CESR Internet home page : www.europefesco.org, section CESR Standards, sub-section Recent Publications.



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.

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