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**PRESS RELEASE**

**CESR takes steps to strengthen market confidence**

CESR welcomes the report of the Financial Stability Forum (FSF) on Enhancing Market and Institutional Resilience published 7 April, and launches work to address some of its recommendations, as well as to implement some of the decisions taken by Europe's Ministers at the informal ECOFIN Council of 4 and 5 April 2008. This action can therefore be seen as part of the response by CESR to issues raised by the current market turmoil. This work will be undertaken, where appropriate, in close co-ordination with our fellow Level 3 Committees covering banking, insurance and pensions (namely, CEBS and CEIOPS).

The Chairman of CESR, Eddy Wymeersch noted:

*“Europe’s securities regulators are currently assessing and instigating action which will contribute to the efforts being made to re-establish confidence in financial markets at a global level through IOSCO and the FSF. Today, as a first instance, we announce the launch of work in a number of key areas which will include, amongst others, finalising CESR’s work on credit rating agencies and intensifying existing efforts to co-ordinate on the investigation of market abuse. Further new work will be launched in the area of valuation of assets; market transparency and risk management by investment firms. In addition, in response to the particular request of the ECOFIN Council, CESR will develop a framework for a periodic contribution which will seek to identify major sources of potential risks in financial markets for the Financial Stability Table of the Economic and Financial Committee.”*

Following discussion with market participants (organised in the form of a wholesale markets day), and following discussion with CESR's Market Participants Consultative Panel, CESR Members met in Malta on 11 April to discuss the possible actions that regulators may take in Europe to address the concerns raised by the current market developments. As a result, CESR's initial review has led to the decision to carry out work in relation to:

- **Credit Rating Agencies (CRAs):** CESR is finalising its advice to the European Commission on CRAs and structured finance. After a public consultation and a public hearing, and following calls for further information from CRAs, CESR will deliver its advice to the Commission by mid-May. This work has been closely coordinated with CEBS (our sister Banking Committee) and with the US SEC, and developed in close cooperation with IOSCO, who published a consultation paper on potential changes to the IOSCO standards on 26 March 2008. *This work is conducted by a Task Force chaired by Ingrid Bonde, Director General of Finansinspektionen, Sweden (see the note for editors for further information).*
- **Market abuse:** CESR will seek to strengthen its current efforts to increase co-operation between its members in joint-investigations on possible cases of market abuse emerging during this period of market turbulence. At present an MOU exists to facilitate the sharing of information by Members; urgent issues groups are also established to co-ordinate and conduct joint investigations; and work has been undertaken to exchange experience and share approaches to investigations to improve best practice. *Further work to review additional steps which might be*



*taken to intensify these efforts will be conducted by CESR-Pol, chaired by Kurt Pribil the Chief Executive Officer of the Financial Market Authority (FMA) in Austria.*

- **Valuation of Assets:** Within the framework of current IFRS, CESR will conduct work to facilitate convergent interpretation in the application of the accounting principles by listed companies regarding the valuation of illiquid financial instruments in the light of the current market conditions. The first step will be to establish the exact scope and timetable for the work following discussion by CESR-Fin. *This work will be conducted by CESR-Fin, chaired by Fernando Restoy, Executive Board Member of the Comisión Nacional del Mercado de Valores (CNMV), Spain.*
- **Market transparency:** CESR will review the conclusions contained in its technical advice to the Commission on “non-equities market transparency” (published 9 August 2007 Ref. CESR/07-284b). In particular, it will focus on aspects of post trade transparency for both retail and wholesale markets. *This work will be conducted by the MiFID Expert Group, chaired by Jean-Paul Servais, Chairman of the Commission Bancaire, Financière et des Assurances (the CBFA), Belgium.*
- **Risk Management:** CESR is working to achieve progressive convergence on risk measurement systems used by investment management companies. Initial work has begun on this issue, in the form of a questionnaire to establish how CESR Members were applying the Commission Recommendation of 27 April 2004 on the use of financial derivative instruments. Drawing on this survey, CESR will now explore whether it might be possible to establish some convergent methodologies to identify and manage risk and whether some common principles for risk management could also be developed. *This work will be conducted by the Investment Management Expert Group, chaired by Lamberto Cardia, Chairman of the Commissione Nazionale per le Società e La Borsa (CONSOB), Italy.*
- **CESR’s contribution to identification of potential market risks:** Following the request of the ECOFIN Council, CESR will develop a framework for a periodic contribution to the Financial Stability Table of the Economic and Financial Committee, which will seek to put in place a regular report to assist in the identification of major sources of potential risks in financial markets. *This work will be conducted by ECONET, chaired by Alexis Pilavios, Chairman of the Capital Market Commission in Greece.*



## Notes for Editors:

1. **Summary of work on Credit Rating Agencies:** Following a request for advice from the European Commission in July 2004, CESR proposed a voluntary framework to monitor the application of the IOSCO Code of conduct by CRAs. This framework was launched in December 2005, and CESR reports to the Commission on an annual basis on its assessment of CRAs compliance with this code – this is the second year in this process. The participating rating agencies are DBRS, Fitch, Moody's and S&P, and CESR publishes the assessments on its website. In its report published in January 2007, CESR noted the potential conflicts of interest in the rating of structured finance instruments, and stated that further work would be done on this issue. In order to gather information for its report on structured finance, CESR published a questionnaire to market participants in June 2007, followed by a consultation early this year. In September 2007, the Commission requested CESR to evaluate whether the current framework would still be appropriate after the market turmoil which began in the summer and posed a number of further question that they requested CESR include in its report (such as the transparency of rating methodologies, the resources of the rating agencies, amongst others). CESR will report on all these issues in its report on CRAs, which will be sent to the Commission in mid-May. For further information, please see press release Ref. CESR/08-131.
2. CESR is an independent Committee of European Securities Regulators. The role of the 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 Wise Men on the regulation of European securities markets. Baron Alexandre Lamfalussy chaired this group. The report itself was endorsed by the European Council and the European Parliament. The relevant documents are available on the CESR website.
3. Each Member State of the European Union has one member in the Committee. The members are nominated by the Member States and are the heads of the national public authorities competent in the field of securities. The European Commission has nominated as its representative the Director General of the DG Market. Furthermore, the securities authorities of Norway and Iceland are also represented at a senior level.
4. For further information please contact:

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