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PRESS RELEASE

CESR changes its profile and starts operational tasks to deliver effective supervisory convergence in the EU

An enhanced capacity embedded in the founding Charter

Following successful finalisation of the legislative and regulatory phase of the Financial Services Action Plan (FSAP), CESR has decided to shift its priorities to more operational tasks so as to deliver effective supervisory convergence across the EU. This policy orientation was confirmed in the Commission's White Paper (White Paper on Financial Services Policy 2005-2010, December 2005) and by the recent ECOFIN Conclusions of 5 May 2006 (8500/06). The EU Institutions and CESR recognise that the continued success of the FSAP is now dependent upon an intensification of supervisory convergence. CESR has responded with a number of changes to the way that it now works in order to become more operational in nature and to function as a cohesive network of supervisors who act in a convergent manner. The key rationale of the change in CESR's profile is developed in its recent supervisory convergence report to the FSC (Ref. CESR/06-259b).

In order to further embed this new dimension, for the first time since its creation in 2001, CESR is amending its charter (Ref. CESR/06-289c) to include:

- a more straightforward decision making procedure, including the possibility to vote; (Art 5.5, 5.6 and 5.7);
- a mediation mechanism between members to facilitate a rapid outcome (Art 4.4 and specific protocol);
- the integration of the Review Panel into the Charter, which will permit a more thorough cross examination on the way in which members apply the new legal framework (Art 4.3. A specific protocol will be published in the next months);
- a commitment to respect data protection rules when developing databases (Art 5.2);
- greater legal certainty of confidentiality to allow the secretariat to fully assist the members on operational issues (Art 7.4).

A mediation mechanism amongst supervisors

During the course of 2006 and in line with the ECOFIN conclusions, CESR has finalised its mediation mechanism which is in the process of being put in place following the change to the CESR Charter. The development of the mechanism by CESR was lead by Manuel Conthe, Chairman of the Spanish CNMV. It is anticipated that this mechanism will be up and running by September 2006.

The finalisation of the mechanism follows a consultation paper (Ref. CESR/05-483c. See also Feedback Statement Ref. CESR/06-287b) that was published in the autumn of last year, and an open hearing and a meeting with mediation experts. The mechanism will enable the network of regulators to deal with potential disputes in an efficient, fair and confidential manner.

Key features of the mechanism are set out in the Protocol on CESR's mediation mechanism (Ref. CESR/06-286b), and include:

- a comply or explain approach by members to both a request for mediation and its outcome;
- market participants' ability to bring issues for mediation to the attention of the relevant competent authority;



- a flexible approach to dispute resolution through the use of either an evaluative or facilitative procedure depending on the preferences of the parties;
- confidentiality;
- speed and efficiency.

The mechanism includes a number of procedures through which:

- the appropriateness of an issue for mediation can be assessed;
- potential disagreements of the parties to either the initial assessment of the suitability of the case for mediation or its outcome can be dealt with in a speedy, fair and efficient manner;
- conflicts of interests of gatekeepers, panel members and mediators are dealt with;
- the European Commission is consulted for their views on conflicts of interpretation of EU legislation;
- publication of outcomes in the form of reports and summaries to enhance supervisory convergence or provide guidance to authorities or market participants has been introduced.

Strict timeframes into all aspects of the procedure have been introduced to ensure that cases do not take any longer than 6 months maximum, but can be completed within 6 weeks. It is anticipated that a case will normally take around 3-4 months depending on its complexity and the number of embedded appeal procedures that get used.

A more straight forward structure of CESR-Fin (Operational group on Financial Reporting)

CESR-Fin, which is CESR's group of experts in the field of accounting and auditing, has revised its structure to be even more operational in nature (Ref. CESR/06-117b). The restructuring of CESR-Fin should ensure it is more efficient in dealing with the new practical challenges faced by securities regulators in the area of financial reporting. After three years, John Tiner, Chief Executive of the UK Financial Services Authority, has stepped down as Chairman of CESR-Fin. CESR would like to take this opportunity to thank him for his valuable contribution to CESR's work. Paul Koster, a member of the Executive Board of the Netherlands Authority for the Financial Markets (AFM) since March 2001 will take on the Chairmanship of CESR-Fin as it adapts to face the next phase of the work which lies ahead for the CESR members.

These new challenges include above all the reinforcement of the cooperation among EU national Enforcers in the field of enforcement of compliance with IFRS. Furthermore, in considering its new structure, CESR-Fin took into particular consideration the need to work on the global acceptance of IFRS financial statements prepared by EU entities subject to supervision in Europe and outside Europe, CESR-Fin was also encouraged to deepen the relationship with securities regulators in major third countries on financial reporting matters.

CESR-Fin will also maintain its influence on the European and global stage by continuing to play an active role in relation to the future developments and EU endorsement of standards/interpretations published by the IASB and IFRIC, as well as in relation to future regulatory developments concerning auditors' work. This entails the maintenance of structures within CESR-Fin for the oversight of the standard setting processes in the area of financial reporting and to maintain or develop a closer relationship with relevant EU and international third parties such as the ARC, AuRC, EFRAG, IASB, the EU Accounting Roundtable, or IAASB.

These objectives will therefore be best achieved by maintaining one standing committee (CESR-Fin) responsible for all financial reporting issues and one subcommittee working specifically on operational aspects (the European Enforcers Coordination Sessions – EECS – which includes CESR and non-CESR members who have competences in the enforcement of compliance with IFRS). In addition, Project Groups will be set up and disbanded by CESR-Fin in a more flexible manner as needed in order to respond rapidly on key issues arising in the area of activity of CESR-Fin.

In addition, CESR-Fin will maintain close working relationship with the staff of the US SEC to endeavour to avoid conflicting regulatory decisions on the application of IFRS and US GAAP. CESR-Fin will in particular develop a framework Protocol for bilateral use by the SEC and CESR members (See Press Release Ref. CESR/06-423).



A new operational structure for CESR-Pol (Operational group for enforcement of Market Abuse)

CESR-Pol, CESR's group of experts in the field of cooperation and enforcement, has revised its organisation to achieve a more operational structure (see new terms of reference Ref. CESR/06-114). It has established operational working groups to promote closer cooperation and to ensure the consistent and effective application of EU key directives, particularly the Market Abuse Directive.

To ensure a greater operational focus, CESR-Pol has set up a permanent sub-group, the Surveillance & Intelligence Group chaired by Regina Schierhorn, Head of the Division for Investigation into Market Manipulation with the German BaFin. This sub-group provides experts in the investigation and enforcement of market abuse with a forum for sharing their experiences on the basis of individual cases, and exchanging valuable information on methods and procedures used in day-to-day supervision. In addition, CESR-Pol has the capacity to create on an ad-hoc basis Urgent Issues Groups. These groups are established when necessary, and allow the respective CESR-Pol members to co-ordinate and jointly conduct investigations in urgent cases. So far, four ad hoc Urgent Issues Groups have been established.

A research and impact analysis capacity through the establishment of ECONET

For a number of years an ad hoc group of economists (financial economists' network) have met on a regular basis, primarily to discuss potential statistics which could be drawn upon in order to report on economic trends in the securities markets sector to the Financial Stability table of the Economic and Financial Committee.

In recognition of CESR's move to Level 3 work, it is now considered necessary to change this group into a more structural one (Ref. CESR/06-216d). This will facilitate the ability of CESR to meet an increasing number of reporting commitments that require the input of financial market economists and its ability to anticipate market evolutions. The group will be chaired by Alexis Pilavios, Chairman of the Hellenic Capital Markets Commission.

The objectives of CESR-Econet are to:

- enhance CESR's capability to undertake economic analysis of market trends and key risks in the securities markets that are, or may become, of particular significance for its Members;
- evaluate and, as appropriate, develop and maintain CESR's approach to the use of impact analysis.

The launching of IT data sharing arrangements through CESR-Tech

In order to implement the MiFID, CESR has been asked to play a role in facilitating the inter-connection between CESR members' IT systems for transaction, and has therefore established CESR-Tech (Ref. CESR/06-112c), which will be chaired by Hector Sants, Managing Director for Wholesale and Institutional Markets at the UK Financial Services Authority (FSA).

In this context, as a first project, and taking into account the technical work that needs to be achieved for the MiFID, the objective of CESR-Tech will be:

- to help the members of CESR to take a concrete decision on the best way forward, on the major technical choice, the governance of an IT data sharing arrangement and the related funding issues;
- to clarify the technical choices for the establishment of such an IT data sharing arrangements for the purpose of the exchange of transaction reports;
- to propose accordingly the way in which CESR should be organised internally. The proposal will clarify in particular: the responsibilities in carrying out the various steps of the project, the sharing of estimated costs, the legal aspects as well as the staffing consequences and/or the outsourcing of certain functions.

Practical work to facilitate the implementation of MiFID (Level 1 and Level 2)



In light of the changing emphasis of CESR's work on MiFID, CESR has dissolved the previous three Expert Groups and its MiFID Steering Group, having submitted its Level 2 technical advice on implementing measures. Work to deliver supervisory convergence in the day to day application of the legislation (i.e Level 3) will now take place. CESR has established a new single 'MiFID Level 3 Group'. The MiFID group will be chaired by Arthur Philippe, Directeur and member of the Management Board at the Commission de Surveillance du Secteur Financier, Luxembourg's securities supervisor. This group is not intended to be of permanent nature; it aims to facilitate a smooth and consistent implementation of the new regime, which will come into force in November 2007. Further work will be performed as warranted.

A consultation has been launched on the work programme for the Expert Group, and comments are welcomed by: 11 September 2006. The document is available in the section Consultations on CESR's website (Ref. CESR/06-413).



Notes for Editors:

The Biographies of the newly elected Chairs of the CESR Expert Groups described in the Press Release:

1. New chair for CESR-Fin

After three years, John Tiner, Chief Executive of the UK Financial Services Authority, has stepped down as chairman of CESR-Fin. CESR would like to take this opportunity to thank him for his valuable contribution to CESR's work.

Following the restructuring of CESR-Fin, a new Chairman has therefore been elected: **Paul Koster** has been member of the Executive Board of the Netherlands Authority for the Financial Markets (AFM) since March 2001 and Chairman of CESR-SISE (Committee of European Securities Regulators). Mr Koster will now take over the position as Chairman of CESR-Fin. Prior to this, Mr Koster has occupied the following posts:

- executive vice-president of Koninklijke Philips Electronics N.V., chief auditor for the Philips Group worldwide. (1998-2001);
- senior managing partner of Coopers & Lybrand (Corporate Finance) (1988-1998)
- head of the Compliance and Enforcement Office of Amsterdam Exchanges N.V. (AEX), deputy Officer of Quotations (1986-1988);
- finance director of CBS Records (1985 to 1986);
- director of Internal Audit and later manager in the corporate finance department for Continental Grain Inc. in New York (1983-1984);
- responsible for audit activities at Arthur Andersen & Company (1975-1982).

Paul Koster has a registered accountant qualification from NIVRA (Netherlands Institute of Registered Accountants). He has written for leading international newspapers like the Financial Times and Wall Street Journal. He was a columnist for the leading daily newspaper in The Netherlands for ten years.

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| <ul style="list-style-type: none">• ARC Accounting Regulatory Committee• AuRC Audit Regulatory Committee• EFRAG Economic and Financial Reporting Advisory Group• IASB International Accounting Standards Boards• IAASB International Auditing and Assurance Standards Board |
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2. MiFID

Arthur Philippe is Directeur and member of the Management Board at the Commission de Surveillance du Secteur Financier (since 1999).

Prior to this, he held the following posts:

- 1974 to 1983: worked for the Commissariat au Contrôle des Banques;
- 1983 to 1998: worked for the Institut Monétaire Luxembourgeois where he was Secretary to the Board;
- 1998: member of the Management Board of Banque Centrale du Luxembourg.

Mr Philippe is a University Graduate in Economics from the University of Louvain, Belgium. His other functions are member of CESR, member of CEBS, former member of EU Financial Services Policy Group, former member of EU Banking Advisory Committee, former member of Basle Committee of Banking Supervision, former Chairman of EU Contact Group of Banking Supervisors

3. CESR-Econet

Alexis Pilavios has a long career in banking, securities and investment management. He was a lending officer at Ergo Bank (now part of EFG Eurobank Ergasias), senior officer of the Investments Division at the Commercial Bank of Greece, and senior fund manager at ETEVA, the investment



banking subsidiary of the National Bank of Greece. Between 1992 and 2004 he was the Managing Director of Alpha Investments and then Alpha Asset Management, the investment management and mutual funds subsidiaries of Alpha Bank. He was also a Member of the Board of the Athens Exchange (1994-1996), of Hellenic Exchanges (2000-2003) and served as Vice-President and then President of the Association of Greek Institutional Investors. He became Chairman of the Hellenic Capital Markets Commission in May 2004. He holds Degrees from the London School of Economics (B.Sc.Econ), the University of Essex (M.A. Economics), and the University of London, Institute of Education (Ph.D.)

4. **CESR-Tech**

Hector Sants is Managing Director, Wholesale and Institutional Markets at the FSA. He has responsibility for all regulated markets, the related infrastructure such as clearing and settlement, the operation of the UK Listing rules, the regulation of firms or groups which conduct primarily wholesale or institutional market business and the associated policy framework.

Prior to taking up this post in May 2004, Mr Sants was European Chief Executive for Credit Suisse First Boston and a member of the firm's Executive Board. Prior to joining CSFB in 2000, when the firm merged with Donaldson, Lufkin & Jenrette he held a number of senior investment banking management roles at DJJ and UBS in both London and New York.

He was a member of the FSA Practitioner Panel and was previously a Board member of, among other bodies, the SFA, the London Stock Exchange and LCH.Clearnet.

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