

Mrs. Ieke van den Burg MEP
European Parliament

Brussels, 10th March 2005

**Draft own-initiative report on 'The Current State of Integration of the EU Financial Markets' –
Comments by FESE**

Dear Mrs van den Burg,

Could I on behalf of FESE, the Brussels based trade association for Europe's regulated financial markets, provide you with a few comments on the very interesting and illuminating draft report that you have submitted to the Economic and Monetary Affairs Committee. I understand that you are in the process of discussing amendments with Committee Members and our comments below, which we have not couched in amendments language in order not to complicate your life even further, perhaps could find a place in your further discussions.

1. Generally speaking I would like to refer to the Lefebvre Report that our Federation published in November last year which was at that time sent to you. I add it here however for your reference (also available from www.fese.org/initiatives/fese_reports/2004/post_fsap_priorities.pdf). In that report our Federation presented in brief words its views on the post-FSAP environment and our priorities for further work. You will easily see that putting implementation of FSAP first is a priority that you in your draft report and we in our Lefebvre report very much share. We also seem to be of the same opinion relating to studying the effects of existing legislation before coming up with any new proposals. We found interesting and worthy of our support your suggestion that the Economic and Monetary Affairs Committee regularly invites the Chairs of CESR, CEBS and CEIOPS for dialogue with the Committee.
2. Where you discuss action vis-à-vis consumers and private users of financial services (paragraph 6) I would suggest that for cultural and historical reasons such education initiatives should primarily remain at the Member States level.
3. As we discussed with you before, your views on the Himalaya Report of CESR and in general on supervisory and regulatory systems at the EU level point clearly in a direction where we would all expect to be in a number of years. We would however find it of the greatest importance that developments take place in an evolutionary step by step approach. In many areas the temptation should be resisted to jump right away from the national level to the EU level. There are quite a number of intermediate steps one can consider to take which would be more effective. By way of example may I stress that the current forms of intensive co-operation between the Euronext regulators provide a much more adequate and effective way of supervising such a cross-border complex than an EU level supervisor could ever hope to do. In our submission to CESR relating to the Himalaya Report we go into some detail at such aspects as well.

With reference to a current problem in the government bonds markets we note that five or six separate regulators at this moment simultaneously undertake major work in terms of time, cost and resources in what can only be called a great duplication effort. There again the idea of a co-ordinating or lead regulator would bring at least a part solution to an approach that is currently clearly

unsatisfactory. However to put that right away at the EU level would rather complicate matters than solve them.

4. We noted with interest your comments about mediation within CESR (paragraph 13) but regret our proposal for an “Ombudsman” has not found a place in your report. As you know we are considering the next phases of our proposal which would contain a different name than Ombudsman but we would stick with the original idea that there should be a mechanism or a procedure that allows harvesting the discontent and complaints of financial market participants – wholesale and professionals only - in an anonymous but effective and fast fashion. We are not quite sure that the mediation within CESR as proposed in the Himalaya paper is an answer to that problem.
5. We noted with interest your comments about access to and transparency of bond trading in the European Union. Contrary to what you seem to suggest, we do not believe that the US market is the better example but we would of course be interested in co-operating on studies on markets on both sides of the Atlantic.

We regret that you have not mentioned the issue of trading screens access from European electronic Exchanges to the US which is permanently blocked by what I can only call a protectionist attitude of the US SEC. As you may know the CFTC does allow foreign trading screens on American soil and so far there have been no problems whatsoever.

6. Finally I'd like to mention (with reference to paragraph 30) that the financial services industry is in our view in advance of many other sectors in the economy relating to providing effective fast and cheap redress for private investors in the form of the national components of FinNet. We do not believe that high degrees of harmonisation here would necessarily help the private investor. We do hold the informality of many of the mechanisms in the FinNet system provides exactly the kind of effectiveness that we are all looking for.

We would be delighted to discuss some of these issues with you if you were to find the time and would consider it could be of help and interest.

Yours sincerely,

Paul Arlman
Secretary General
FESE