FESE AISBL
Avenue de Cortenbergh, 52 B-1000 Brussels
VAT: BE0878.308.670
Tel.: +32 2 551 01 80 – Fax : +32 2 512 49 05

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30/01/06

Response to the Inter-institutional Monitoring Group Questionnaire for Industry

I. Introduction

1. The Federation of European Securities Exchanges (FESE) represents operators of the European regulated markets and other market segments. Established in 1974 as a small forum of Stock Exchanges in Europe, FESE today has 24 Full Members representing 36 Securities Exchanges and clearing houses from all the countries of the EU, Iceland, Norway and Switzerland as well as 6 Corresponding Members from other non-EU countries. FESE co-operates with European settlement and securities depository organisations and works closely with the European Association of Central Counterparty Clearing Houses (EACH).

2. FESE has participated in the process of the IIMG consultations in the past and very much welcomes the current consultation launched by the IIMG. We believe that the IIMG has played a very positive role in the process of improving the Lamfalussy structure since its establishment in 2003. We welcome the newly constituted group and wish them success in carrying out their new mandate.

3. As the IIMG Questionnaire notes, there are a number of inter-related initiatives that touch upon the same subjects considered in the Questionnaire. We attach our response to the Commission's consultation on the Evaluation of the FSAP Phase I as well as the recent response we submitted to CESR concerning their mediation mechanism proposal. We will keep the IIMG informed of future responses we submit on related subjects.

4. The current response is structured as follows: In the next section, we summarise our views in an **executive summary**. In the third section, we provide answers to the IIMG's **specific questions**. In the fourth section will **conclude**.

II. Executive Summary

5. Our general assessment of the application of the Lamfalussy structure to capital markets is so far quite **positive**. While not all of the advantages expected from the process can be tested at the current point in time, we consider that the process has so far led to a greater involvement of market expertise via more structured consultations and use of expert groups; clearer primary legislation in the form of Level 1 text (with fewer loopholes and ambiguities); and a potential (albeit untested) possibility to bring legislation up to date (or rectify problems identified during implementation) via use of the Level 2. However, care should be taken to prevent the process from leading to more time-consuming legislative processes as a result of controversial issues being re-opened for discussion at every stage.

6. We also consider that various factors generally extraneous to the design of the Lamfalussy process itself – above all the insufficiency of the time available to the tight timetables, the lack of a more structured application of a better regulation approach, and occasional lack of transparency of the legislative procedure – led to a number of problems, such as excessive detail and ambiguous language in some cases, some legislation that did not benefit from a cost-benefit analysis, and inefficient/nontransparent practices in the consultation processes. These factors created an excessive focus on the completion of the overall program which sometimes overshadowed the quality of the individual measures.

7. We find a general trend of improvement in the consultation processes utilised throughout the FSAP, in particular with regard to the setting of clear benchmarks. However, the effectiveness of these

consultations showed some variation, and depended above all on adequate time and resources being available and the openness of the policymakers launching the consultation. We welcome the recognition that the pre-legislative consultation, which started a relatively limited but promising process in the case of MiFID, has to be structured into a comprehensive study of all the options and involving all stakeholders, including a full **regulatory impact assessment (RIA)** on an ex ante basis. We make some recommendations with the objective of enhancing the role of CESR's advice in the Level 2 drafting process.

8. **Regulatory impact assessments** as targeted by the Commission will require major changes in the institutional set-up of assessing and monitoring legislation. We find the institutional set-up of RIAs (and ex-post assessments) very important, and recommend arrangements that could ensure independence and neutrality (e.g. separation of staff working on the RIA or ex-post assessments from staff tasked with designing/executing the legislation); appropriate sequencing so that new legislation is proposed only after there is an opportunity for the market to review and comment on the results of an RIA. We also believe that the methodology used for the RIAs has to be robust and credible.

9. The Lamfalussy process allowed greater clarity in the **distinction between principles and technical details**. The relatively high level of detail, combined, paradoxically, with the lack of clarity in some parts of the early Lamfalussy legislation can be ascribed to the lack of prior consultation and the rush in adopting these laws. These problems could be resolved naturally in the next round of the proposals prepared under the Lamfalussy process if more time is allocated to the political discussions, a consensus is found earlier on, and better regulation principles are adhered to.

10. While the transparency of the system as a whole has increased, there were **institutional loopholes in the transparency** of the legislative procedure (for example with regard to the sometimes substantial changes proposed by the Council) which undermined the assessment of the impact of the proposed legislation.

11. We observed a higher incidence of **CESR advice** being rejected by the Commission than one might have expected. If CESR advice is not utilized in an optimal way in the process, this could lead to a waste of resources, loss of institutional motivation, and confusion regarding the usefulness of the consultation process. We make a number of specific recommendations that could increase the relevance of CESR's advice to the process of drafting Level measures.

12. We stress the positive role played by the Parliament in many of the dossiers under review (in particular with regard to the Prospectus Directive), and urge all parties to come to **an inter-institutional agreement** as soon as possible to extend the Lamfalussy process.

13. As we expect the **cooperation between the three sectors** (banking, supervision and securities) to gain in importance over the coming years with the growing prominence of cross-sectoral issues and the blurring of lines between products and types of institutions, we urge more attention to be paid to this area and believe that the IIMG with its new multi-sector mandate could pay a particularly helpful role.

14. Among the **bottlenecks** we identify are the impact of **unrealistic timetables** on consultation; the need to clarify the role of Level 3 in the process; steps needed to improve the timeliness and consistency of transposition; and the pending institutional arrangements concerning the future of the Lamfalussy process. In particular, the institutions have a tendency to underestimate the time needed for national implementation – including crucially national democratic processes - and the time needed by market participants to adapt to a totally revised legal environment.

15. We see a concrete risk that the process could lead to poor quality legislation in general, and over-regulation in particular, if certain conditions are not met, particularly if sufficient time and resources are not allocated to the regulatory impact assessments. We make a number of recommendations to reduce this risk, among which the setting up of a new cross-sectoral advisory group that could focus

on the effect of all new legislation on the overall simplicity of the regulatory framework (as well as other high-level questions such as the right split between Level 1 and Level 2 issues).

16. We support the new steps proposed by the Commission to improve the transposition and implementation processes, and recommend additional mechanisms to involve market input in the assessment of transposition. While we believe an appropriate designed mediation mechanism – which should, among others, take due account of the views of market participants - could also ultimately help the consistency of implementation, we see potential benefit in a complementary mediation mechanism (such as the ombudsman mechanism proposed by FESE) that could assist in the specific disputes involving market participants directly.

III. Answers to the IIMG's Questions:

The Lamfalussy approach is aimed at creating a new regulatory system which would allow the European legislation to respond rapidly and flexibly to developments in financial markets.

Is it your perception that the Lamfalussy approach has brought greater speed and more flexibility into the process? If so, in what way? If not, what are your suggestions for improvements?

17. The enhanced speed of the Level 1 process – due to better technical preparation and consultation at the pre-legislative stage and clearer political discussions focused on framework principles during co-decision - is only one of the expected advantages of the Lamfalussy process, and perhaps not the most important one. The Market Abuse Directive was adopted in 19 months and MiFID in 17 months, compared with more than 24 months on average for previous co-decision measures. But the Prospectus Directive, which was significantly revised during co-decision, took more than 25 months (from the start of the original proposal to adoption). This in itself is not a failure in terms of speed, since we consider that the time that was taken to negotiate and improve the Prospectus Directive was very important to the quality of the final legislation (although the extended time could have been avoided if the Directive proposal had benefited from earlier consultation, as has been usefully acknowledged by the Commission). The extensive consultation on the TOD made it possible for the EP to adopt the Directive in one reading, although its adoption still took 21 months. These experiences show that there have been some time gains, but these gains are not very prominent.

18. In addition, given that the Level 2 process that follows the adoption of the Level 1 is just a first step towards actual implementation, the time gains tend to be quite minimal. For example for MiFID, the overall legislative process will have taken more than 36 months.

19. When evaluating the implementation of the Lamfalussy process in securities markets, one needs to recognise that the constraints brought by the FSAP itself prevented the Lamfalussy process from revealing its full potential in terms of speed, clarity or quality of the resulting legislation. The tradeoffs between these different variables were probably also not yet optimal. Speed sometimes prevailed over quality. As we point out in our response to the Commission on the FSAP Evaluation, we consider that implementation of the FSAP through the use of a package approach has been essential to realising a systematic reform of the financial sector. At the same time, future packages, if justified, should benefit from more realistic timetables and a stronger focus on sequencing and prioritisation. Moreover, since the FSAP as a package was designed at a time when the structural and practical steps related to better regulation principles had not yet been elaborated, neither the full scope of the package nor the majority of the measures benefited from the higher standards of regulatory impact assessment the Commission has adopted today.

20. As for the element of flexibility, which will be possible to test once the Level 2 measures are modified to bring the legislation up to date, it is too early to make a judgment as to the structure's potential adaptability. It seems clear, however, that in order to allow Level 2 to function effectively in this way, excessive detail at Level 1 (or 2) should be avoided, and that there should be a good distinction between the framework principles (which should set the more long-term objectives) and the Level 2 measures (which should cover areas that need to adapt to unexpected changes in markets). Since even Level 2 is not very quick, one needs to recognise the limits of Level 1 and 2 together in this regard and also allow some room for Level 3 to adapt the supervisory approach to changes in markets.

Has the Lamfalussy process improved the quality of legislation?

21. Overall, we find the quality of the legislation adopted with the use of the Lamfalussy process better than would have been the case in the pre-Lamfalussy period. Our assessment of the balance between quantity and quality produced by the FSAP process needs to be tentative by definition as the underlying quality of the measures can only be determined once implementation is completed. While we recognise the role of the deadlines in maintaining the political momentum that was required to adopt the comprehensive package, we believe that the positive results may have been possible to attain even with a slight slippage of time where the substance of the measures necessitated it. We therefore stress that quality should always take precedence over speed.

22. Finally, despite the utilisation of a package instrument, the review of interactions between the measures that are in the capital markets part of the FSAP – as well as their sequencing and prioritisation – was not optimal.

Have you been affected and/or involved by the Lamfalussy process? If so, in what way?

23. As the pan-European representative of all securities exchanges across Europe, FESE, like many of its members, has been closely involved in the consultation processes launched under the Lamfalussy process. Generally speaking, these consultation processes have given the industry a fair chance to express its concerns and provide input. However, the effectiveness of these consultations showed some variation, and depended above all on adequate time and resources being available and the openness of the policymakers launching the consultation. We come back to our views on consultation below.

Have you perceived any significant changes since the Lamfalussy process has been launched? If so, do you consider them improvements? Please describe your concrete experience.

24. Generally speaking, the Lamfalussy process has increased the participation of market experts in policy and technical design via comprehensive consultation. The first true example of Lamfalussy-style consultation at the pre-legislative stage, MiFID, enabled the Commission to transform a very complex set of issues into a narrower range of questions for debate at co-decision. Since 2001, the comprehensiveness and accessibility of the consultation processes have improved constantly. For example, we consider the informal consultation process launched by the Commission before draft level 2 measures are submitted to the ESC as extremely positive. We also value the by now standard

CESR practice of issuing a call for evidence on the scope of proposed Level 3 work as very beneficial.

25. Nonetheless, it is too early to say whether these changes have resulted in an irreversible change of doing of business for the better. Regulatory impact assessment as targeted by the Commission will require major changes in the institutional set-up of assessing and monitoring legislation. The true test for the progress will come with the regulatory impact assessment being carried out on clearing and settlement of securities and asset management.

The Lamfalussy regulatory system distinguishes between Level 1 legislation (framework principles) and Level 2 legislation (technical implementing measures). In practice, there is some uncertainty as to what should be included in the Level 1 framework principles and what should be left to Level 2.

a) What would be your suggestions to resolve this?

b) *Do you have any concrete examples of excessive detail in Level 1 legislation and/or over-regulation?*

26. We do believe that the Lamfalussy process allowed greater clarity in the distinction between principles and technical details. Mostly thanks to the distinction between core principles and technical rules, it was possible to establish the basis of a passport for cross-border issuers of capital in EU markets (PD) and a clearer passport for intermediaries (MiFID). The use of the Lamfalussy technique made it possible to focus on the key objectives and resulted in a clear passport system based on mutual recognition and harmonisation of high-level principles at Level 1 and implementing measures at level 2.

27. The relatively high level of detail, combined, paradoxically, with the lack of clarity in some parts of the early Lamfalussy legislation can be ascribed to the lack of prior consultation and the rush in adopting these laws. These problems could be resolved naturally in the next round of the proposals prepared under the Lamfalussy process if more time is allocated to the political discussions, a consensus is found earlier on, and better regulation principles are adhered to.

28. In addition, we would like to mention here one specific suggestion we made in the context of the Commission's FSAP Evaluation consultation: we believe that there would be merit in establishing an advisory group of experts – as was done in the case of the SLIM initiative – to advise the Commission on two aspects of the legislation under consideration:

- The degree to which such legislation could be expected to reduce the complexity of the existing regulatory framework; and
- The appropriate split between the issues that should be established at Level 1 and Level 2.

How do you perceive the co-operation between the European Institutions (EP, Council, EC) themselves; between the European Institutions and Level 2 Committees (ESC, EBC, EIOPC); between the European institutions and Level 3 Committees (CESR, CEBS, CEIOPS) as well as between Level 3 Committees themselves?

29. As we point out in our response to the FSAP Evaluation consultation, there were occasional gaps in the transparency of the legislative procedure which made it difficult to maintain a continuous overview of the impact of the proposed legislation. As for Level 2, we observed a higher incidence of CESR advice being rejected by the Commission than one might have expected. As at Level 1, we fully recognise and support the respective roles of CESR, which produces technical advice, and the Commission, which, in exercise of its sole right of initiating policy, utilises such advice by balancing

the different interests of the market participants and the wider EU economy. However, if CESR advice is consistently set aside, this approach risks thwarting the very rationale of the Lamfalussy process by ignoring the contribution made at the advisory committee level and could lead to a waste of resources, loss of institutional motivation, and confusion regarding the usefulness of the consultation process. At the same time, it is worth noting that in many cases, the Commission's solutions were better and less detailed, enabling easier consensus during the informal ESC discussions.

30. In our view, this part of the process could be improved as follows:

    - The choices to be made among the technical options offered by CESR should be made in a transparent way that involves good consultation (in this sense we fully support the established practice of the Commission consultations before the submission of level 2 measure drafts to the ESC);
    - CESR should seek to rely on the conclusions of its working groups to the maximum extent possible;
    - The dialogue between the Commission and CESR should be streamlined;
    - The Commission should provide CESR with clearer and quicker terms of reference focused on the technical issues and ensure an adequate timeframe for this work;
    - CESR should focus on technical issues, but strictly limit its work on the terms of reference, but also recognise explicitly if there are other technical solutions than the one it is recommending which the Commission may wish to consider; and
    - On important issues, the Commission should provide a fuller explanation of the reasons why it has chosen not to make use of CESR's advice.

31. As for cooperation with the Parliament, we would like to stress the positive role played by the Parliament in many of the dossiers under review (in particular with regard to the Prospectus Directive and MiFID), which shows the importance of safeguarding the rights of the Parliament to be involved in and provide input to the process, both at Level 1 and Level 2. In this context we urge all parties to come to an agreement as soon as possible to extend the Lamfalussy process.

32. Finally, we expect the cooperation between the three sectors (banking, supervision and securities) to gain in importance over the coming years with the growing prominence of cross-sectoral issues and the blurring of lines between products and types of institutions. Given the intense amount of work that was carried out in the securities areas since 2000, there is the risk of both double regulation and artificial sources of regulatory arbitrage have been created. In that sense the mandate of the IIMG which covers all sectors is to be fully welcomed.

What bottlenecks have you identified and what would you suggest to improve the process?

33. At times, consultation was compressed by time constraints, leading to an inadequate discussion of technical points.

34. The timely and accurate transposition of EU law remains an important goal for the future. There were significant delays in the transposition of both the Market Abuse Directive and the Prospectus Directive. It is too early to assess whether the transposition has been accurate, although early indications suggest some divergence. The postponement of MiFID implementation by a total of 18 months (welcomed as a necessary step for many practical reasons), as well as the substantial delays

in MAD implementation, underscore the need for deadlines to take into account the minimum time needed by the Member States and the industry to prepare new systems and processes.

35. Note that providing adequate time is equally important for Directives and Regulations, which, despite their seemingly direct and immediate application in national law, often require a parliamentary procedure to abrogate the contradicting rules in national law. In addition, the Commission needs to be prepared to give clear, official and specific guidance on the interpretation of issues dealt with in a Regulation. This is particularly necessary when the quality of translations is inadequate (as it has been on several occasions). (Please also see our response to the question regarding choice of legal instrument).

36. Finally, the uncertainty regarding the institutional arrangements between the Commission, Council and Parliament has emerged as a real bottleneck that created unnecessary tensions and distracted the attention away from the substantive debate at hand.

37. We would suggest the following solutions to address the above mentioned bottlenecks:

    - Future timetables should be based on realistic estimates of the time needed for the preparation, adoption and implementation of legislation;
    - All technical advice to be prepared by CESR should benefit from the existing IIMG recommendation concerning the minimum time needed;
    - Initiatives currently underway to strengthen supervisory convergence should be continued, including the search for satisfactory mechanisms to settle disputes among CESR members and CESR members and the market (please see our comments on page 10 in respect to an alternative mediation mechanism);
    - Given the stalemate over the draft Constitution, which provided a clearer legal basis for Lamfalussy-type legislation which better reflected and protected the overall inter-institutional balance in the EU, it is absolutely essential that there be a long-term arrangement to avoid, if at all possible, the need for "sunset clauses" in the future.

Do you see a risk of the Lamfalussy process leading to overregulation (regulatory burden)?

38. As we explained above in relation to the quality of the legislation, there is a concrete risk that the process could lead to poor quality legislation if certain conditions are not met, particularly if not sufficient time and resources are allocated to the regulatory impact assessments. Over-regulation is one manifestation of poor quality. Specifically, we believe that the following steps should be taken to ensure that all future regulation is fully justified and does not create an unnecessary burden on the industry or the eventual users of the system, the investors and customers:

    - Before new legislation is proposed in any area, all efforts must be exhausted to ensure that the existing legislation is transposed accurately;
    - All new legislation should be subject to a full regulatory impact assessment that occurs in an institutional set-up that ensures independence and neutrality;
    - All new legislation should be tested specifically against the criterion of simplicity: Is the new legislation likely to create unnecessary complexity? Are there simpler ways of achieving the same goals? Have non-legislative options been exhausted?

39. As we have pointed out above, the Commission could consider being advised specifically by an advisory group of experts in the assessment referred to in the final bullet point.

Is appropriate use now being made of regulatory impact analysis tools? How effective are such analyses and do you have any concrete suggestions for improvement?

40. As we stated above, all new legislation should be subject to a full regulatory impact assessment that occurs in an institutional set-up that ensures independence and neutrality. This means that the staff who will design the proposed legislation should not be responsible for carrying out the regulatory impact analysis, as this would constitute a conflict of interest. For the same reasons, the staff tasked with evaluating the effectiveness of legislation on an ex post basis should be different from the staff who designed the legislation. The RIAs should benefit from a robust methodology that is credible.

41. Additionally, we would find it useful for the Commission to carefully reflect on the sequencing of the regulatory impact analysis and the publication of the proposed legislation. A proposal should not be made at the same time as the publication of the RIA; there should be an opportunity for the stakeholders to consider and comment on the results of an RIA before the Commission staff make up their mind as to whether or not to make a proposal.

B. CONSULTATION

Consultation and transparency are leitmotifs of the Lamfalussy approach.

Is it your perception that:

a) The consultations are run in an open, transparent and systematic way?

b) The market participants and end-users (issuers and consumers) have been consulted sufficiently within the Lamfalussy framework?

If not, what would be your suggestions?

Have you been involved in the consultation process? If so, in what capacity?

Does the practical implementation of the Lamfalussy approach allow for adequate transparency and feedback on the use of responses to consultation?

42. We refer to our comments regarding adequate time and resources being made available for consultation and the recommendations we have made regarding the process of CESR's advice being used by the Commission.

C. IMPLEMENTATION

The Lamfalussy structure and in particular the strengthened cooperation between national regulators (Level 3) should improve consistent and equivalent transposition of Level 1 and Level 2 legislation.

Is it your perception that the Lamfalussy process has helped to improve the timing and consistency of the transposition of Community rules? If not, what would be your suggestions to improve the process of transposition?

Have you been involved in the process of implementation of Lamfalussy Directives? Please describe your concrete experience.

43. Transposition is far too early to judge at this point. Although some divergences have been observed during the implementation of the Market Abuse and Prospectus Directives, we will be unable to assess the accuracy and consistency of the implementation of the Lamfalussy Directives for a while.

Therefore here we focus on the elements that we think will play a key role in improving transposition and implementation.

44. We support the steps proposed by the Commission to strengthen Level 4. In particular, we agree that a close working relationship between the Commission and the Member States has to exist in order to ensure accurate transposition both in terms of timing and content.

45. As we have indicated above, we believe that problems encountered so far show that the transposition timetables need to be set more realistically in the future.

46. While we support the new tools planned by the Commission to strengthen transposition, we would like to propose the use of additional mechanisms to directly involve market input in assessing and improving transposition of EU legislation. This could take a variety of forms, from regular workshops with stakeholders to discuss experience with the transposition to an alternative mediation/ombudsman mechanism as outlined in our response to CESR's recent consultation on the subject.

47. Another important tool to improve transposition is to provide additional incentives to Member States for timely and accurate transposition. Apart from the already existing transposition tables, the Commission could also consider employing additional mechanisms, such as conferring to the best performers priority places in certain events.

48. We consider that the success of transposition depends ultimately on the legislation itself. While the Lamfalussy process has already improved the clarity of legislation in a way that will make consistent implementation more likely, it is useful to stress that the impact of the wording of legislation on the transposition should take centre stage throughout the co-decision procedure. In this sense, we can identify the following points that need further consideration:

    - The impact of recitals in Level 1 or Level 2 legislation on transposition;
    - Presence of wording that allows uneven implementation (e.g. waivers or exceptions);
    - The role played by translation in ensuring consistent EU-wide implementation;
    - Uncertainties regarding the designation of the competent authority (this has become a problem particular in the context of the Market Abuse Directive where multiple authorities are assigned to supervision of the same entity).

49. Finally, settlement of disputes arising from the implementation of EU legislation will be an important vehicle for enhancing supervisory convergence and consistent implementation. As we explain in more detail in the attached response to CESR's mediation mechanism, we believe that there is a need to consider an alternative mechanism to settle disputes between market participants and regulators. We believe that by definition CESR's mechanism will likely provide only a limited and indirect opportunity for market participants to resolve their disputes (although maximum effort should be made to include input from market participants). We therefore believe that now is a useful opportunity to start the consideration of a potential complementary mechanism to be managed by the Commission, CESR, or a 3rd party coordinated by market participants (such as an ombudsman system as proposed by FESE); we are fully prepared to work with CESR and all other interested parties to develop such a proposal further.

The Lamfalussy report recommends the use of Regulations rather than the use of Directives i.a. in order to avoid uneven transposition and different interpretations. Previous IIMG reports tended to uphold this recommendation.

To what extent do you agree with this statement?

50. While we share the general belief that Regulations might in some cases lead to more consistent national application than Directives, we find that the specific circumstances of each case need to be considered before determining whether a Regulation is indeed warranted and will lead to a smoother and speedier implementation process. We also stress the importance of national legislative actions to clean up national statute books, which the Commission, citing direct applicability, at times tends not to take into account as much as necessary.

51. While we share the Commission's belief that consistent implementation could be easier to achieve with a Regulation, we also see some disadvantages. To start with, a Regulation may not serve the "educational purpose" involved in the local transposition of EU legislation, which allows the local regulators and governments to consider in detail the changes brought on by the new EU legislation. For example, some of our members report that it is more difficult to receive a local interpretation of a Commission Regulation than it is for a Directive (although this could be addressed through the transposition workshops planned by the Commission as part of Level 4). Separately, precisely because of its direct effect, there can also be ambiguities in a Regulation and/or it may require more negotiation and thus lead to a more protracted political process. Moreover, the implementation of a Regulation may not be as smooth as a Directive in those cases where local law has to be adjusted. This is particularly the case when the regulation touches on local civil and contract law.

52. In addition, if the Level 1 instrument is a Directive and the Level 2 instrument a Regulation, there might be inconsistencies in the legal application of the overall regime that could lead to unexpected delays. In particular, we would like to stress the need for clarity as regards the transposition of Level 1 and Level 2 legislation at the national level: for example, there is no certainty as to whether a Level 2 Regulation is to be considered as "entered into force" in a Member State when the Level 1 Directive has not been transposed into the national law of that Member State yet.

IV. Conclusion

53. We attach great importance to the role played by the reports prepared by the IIMG and look forward to the report of the newly constituted IIMG. In our response we have addressed questions pertaining to our experience with the process as implemented in the securities field over the last years, which in many ways is positive, but we have also pointed to bottlenecks and deficiencies which should be addressed in order to take full advantage of the Lamfalussy process. While there are important differences between the sectors now covered by the IIMG, lessons drawn from the securities field should be helpful not only for improving the further implementation of the process in securities markets but also in the application of the process to banking and insurance fields.