

Press Release

FESE Welcomes the SEC's Work Plan on Mutual Recognition

Brussels, 1st April 2008

The Federation of European Securities Exchanges (FESE) welcomes the SEC's announcement on **March 24th, 2008**, concerning the series of actions it intends to take to further the implementation of the concept of **mutual recognition** for high-quality regulatory regimes in other countries.

Judith Hardt, the Secretary General of FESE, stated: "FESE members **welcome** the SEC's initiative. It has long been the view of our members that a mutual recognition regime that allows European and American exchanges to offer access to their services in each other's markets **will benefit the investors, market participants and economy** as a whole in both jurisdictions. Moreover, we believe that **the time is ripe to build such a regime**. Nobody assumes that this task will be easy, but it will be fully worth the effort. We commend the SEC for its vision in launching this important process."

"With the completion of the EU's Financial Services Action Plan (FSAP), the European Union has built a unified regulatory framework which is enforced by a robust supervisory framework coordinated by the Committee of European Securities Regulators (CESR). Furthermore, as the EU-US Financial Markets Regulatory Dialogue enters its 6th year, there is sufficient knowledge of each other's market structures and regulatory approaches, accompanied by trust, to establish the system of cooperation that would be needed to bring this concept to reality."

"The benefits of a future mutual recognition system for American and European investors are compelling and tangible. Investors will be able to access a **wider range of investment opportunities**, allowing them to improve diversification and returns, with a higher level of **legal certainty and investor protection** than is currently the case, thanks to the well-defined and clear framework that will allow investors to access foreign products. FESE encourages the SEC to launch its dialogue with foreign counterparts as soon as possible and is ready to assist both the SEC and European regulators in the timely completion of this endeavour."

To realise the full potential of this reform, FESE highlights the importance of the **following points**:

- The mutual recognition framework should be based on **high-level principles** and an **efficient and unbureaucratic process**. We are very encouraged by the SEC's statements in this regard. Given the integrated regulatory and supervisory framework of the EU, we believe that this process can be built efficiently and will be helped greatly by the already existing channels of cooperation.
- The framework should avert the burden of **duplicative supervision of exchanges** by domestic and foreign supervisory authorities and create a level playing field on both sides of the Atlantic in order to ensure a smooth development of financial markets worldwide. Avoiding additional costs

for exchanges, market participants and investors in ensuring adequate regulatory compliance should be at the heart of the design of the regime being contemplated.

- FESE supports that the **reform of Rule 15a-6**, the mutual recognition for high-quality regulatory regimes work plan and any other course of action undertaken by the SEC in this context should be coordinated in order to safeguard a **level playing field** between the global broker-dealer community and the exchange industry. If the reforms are not synchronised, Rule 15a-6 could potentially distort business flows *away* from European regulated exchanges to the detriment of the investors. In the context of the current credit crisis, the benefits of exchanges' well-regulated trading environments and established track records in meeting investors' needs are more evident than ever. If these reforms are **executed in parallel**, **U.S. investors will benefit** from access to foreign exchanges through US broker-dealers as well as streamlined requirements for foreign brokers who transmit their orders onto foreign exchanges.

About FESE:

FESE represents the operators of the European "regulated markets" and other market segments, which are active in not only stocks and bonds but also financial, energy and commodity derivatives. Through our 24 full members we represent more than 40 European securities exchanges from all the countries of the European Union (EU) and Iceland, Norway, and Switzerland and, through our corresponding members, several emerging markets from non-EU countries.

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