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PRESS RELEASE

CESR to consult on non-equity markets transparency

CESR publishes today a consultation paper on the transparency of non-equity markets (Ref. CESR/08-1014). Given the recent market crisis, the consultation seeks to gather views that will assist CESR in analysing the role of trade transparency on markets for corporate bonds, structured finance products and credit derivatives. In relation to corporate bonds, the objective of CESR's work is to review whether CESR's conclusions on trade transparency in bond markets, published in August 2007 (Ref. CESR/07-284b), remain appropriate in light of the experiences from the recent market turmoil. Regarding structured finance products and credit derivatives, the key question CESR seeks to consider is the extent to which post-trade information plays a role to support price formation, reinforce valuation practices and provide supplementary information about the scale of credit risk transfers.

Transparency of corporate bond markets

In its advice to the European Commission on trade transparency in the non-equity markets (Ref. CESR/07-284b) in August 2007, CESR noted that it had not seen evidence, at that stage, of a market failure in relation to trade transparency which would have warranted mandatory transparency for bonds. However, CESR concluded that some re-distribution of the existing transparency information could be useful to help retail participants and noted that there were some market led initiatives that, once in place, should be evaluated to establish if these had addressed potential concerns.

Given the recent financial crisis, CESR decided however to re-evaluate these conclusions as a matter of urgency and consequently, in its consultation paper published today, notes that it is not of the view that insufficient post-trade transparency was the key reason behind the problems of the corporate bond market, nor does it believe that additional post-trade transparency would be able to solve these problems as a singular measure. However, CESR believes that there would be value for market participants in receiving access to greater post-trade information. CESR notes that it is willing to explore with market participants whether additional post-trade transparency could play a role in supporting a return to more normal market conditions in the corporate bond markets and be of value thereafter. CESR is therefore seeking to hear from market participants, as to whether they share this view and whether they consider that an approach which distinguishes between the needs of participants active in the wholesale market from those active in retail market might be appropriate.

Market participants are also asked to provide their views on the sufficiency of trade information available on corporate bond markets, and in particular whether more trade information would be required in order to comply effectively with best execution requirements. Furthermore, in this context, CESR is also seeking to identify the experience of market participants who use the U.S. Trade Reporting and Compliance Engine (TRACE) and to establish what conclusions, if any, can be drawn from this.

CESR has also analysed the existing market-led solutions and noted that they focus on aggregated and delayed data and have a limited coverage in terms of issues and transactions covered as well as institutions providing the data. However, at this stage CESR considers that market-led solutions in this area could still be appropriate provided that they can deliver an adequate level of post-trade transparency in a timely manner and are subject to close external monitoring.

Transparency of structured finance product and credit derivatives markets

In order to analyse whether a post-trade transparency regime could be envisaged for structured finance products and credit derivatives, the consultation paper describes the main characteristics of those



markets, providing background on the recent turbulence and highlighting the expansion of new financing techniques based on securitisation.

CESR is of the opinion that post-trade information plays a role in these markets, although CESR notes that insufficient post-trade transparency may not have been the key reason behind the recent market turmoil and additional post-trade transparency would not be able to solve the different problems experienced in the structured finance market as a single measure on its own. However, the appropriate level of transparency should be calibrated taking into account the relevant instruments, their trading methods as well as market participants active in the markets for these instruments. In light of the above, CESR is particularly interested in receiving the views of market participants on any specific technical, market impact or efficiency reasons that might limit the introduction of a post-trade transparency framework for these instruments.

Consequently, CESR puts forward a number of questions in order to further develop its conclusions on the extent to which post-trade information plays a role to support price formation, reinforce valuation practices and provide supplementary information about the scale of credit risk transfers for Asset Backed Securities, Collateral Debt Obligations, Asset Backed Commercial Papers and Credit Default Swaps in Europe's secondary markets.

CESR invites responses to the consultation paper. All contributions shall be submitted online via CESR's website (www.cesr.eu) under the section "Consultations" by 19 February 2008. In addition to general comments, we would appreciate receiving your views on the specific questions presented.



Notes for editors:

1. The consultation is part of CESR's work to address some of the recommendations of the Financial Stability Forum in its report "Enhancing the Market and Institutional Resilience", issued after the request, in October 2007, by the G7 Ministers and Central Bank Governors to undertake an analysis of the causes and weaknesses that have produced the turmoil that broke out in the summer of 2007. CESR has also taken note of the Declaration of the Summit on Financial Markets and the World Economy of the Leaders of the Group of Twenty stating the following: "We will strengthen financial market transparency, including by enhancing required disclosure on complex financial products [...]."
2. The development of this consultation paper has benefited from the information provided by Financial Industry Regulatory Authority (FINRA), ICMA and SIFMA, some industry experts from both the buy and sell-side and representatives of the retail investors.
3. For further information on CESR's original conclusions on trade transparency in non-equity markets, please visit <http://www.cesr.eu/index.php?docid=4708>. For the consequent conclusions of the European Commission, please see http://ec.europa.eu/internal_market/securities/docs/isd/nemt_report_en.pdf.
4. 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 European 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.
5. 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 MARKT. Furthermore, the securities authorities of Norway and Iceland are also represented at a senior level.

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