



COUNCIL OF
THE EUROPEAN UNION
DG MARCHÉ INTERIEUR

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Brussels, 17 July 2000

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OUTCOME OF PROCEEDINGS

of : ECOFIN Council
on : 17 July 2000
Subject : **Regulation of European Securities Markets**
- **Terms of reference for the Committee of Wise Men**

The introduction of the euro and the resulting structural changes have speeded up integration of the European financial market. To deliver the full prospective benefits to European business and the EU economy, to compete in the global market for financial services and to help European business to compete in the global market for goods and services, EU capital markets need to be dynamic, competitive and innovative. They need to embrace new technology and new opportunities. To support this, regulation of capital markets needs to support the Lisbon vision of a dynamic knowledge-driven economy, with good access to capital in order for businesses to invest, grow and create jobs.

A single market in securities must be achieved rapidly to allow:

- more competitive financing on the markets of EU enterprises, including SMEs
- increased liquidity and
- greater competitiveness between intermediaries and infrastructures, in order to achieve better provision of services at lower cost.

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However, growth and competitiveness will be hampered unless the administrative, regulatory or other types of obstacles which in practice impede cross-border securities transactions are eliminated.

Regulation of the markets and of financial reporting in Europe is based primarily on European directives which have established standards for regulation of a broad range of financial activities. This legislation, which was drawn up in the context of fragmented national markets, may need to be adjusted in the light of market developments. The Financial Services Action Plan is designed to make progress in these areas and remove the most significant barriers to the single market.

However, given the scope of the changes taking place on the market, it seems clear that an appropriate response is also required from national regulators.

It is therefore necessary to follow up the Action Plan with discussion on the conditions for practical implementation of the directives by the competent national authorities so as to meet the expectations of dealers and brokers, issuers and investors who wish to be able to deal with one another throughout the European Union in an effective, entirely secure and informed manner.

Taking into account the existing institutional framework, the need to respond effectively to the challenges of integrating the financial markets makes it necessary to set up a committee of independent persons, to be assisted by the Commission. The Committee will therefore focus its discussion on the practical arrangements for implementation of the Community rules concerning the areas identified by the Action Plan and will propose various approaches to adjusting the practice of regulation and cooperation between regulators in response to current developments. Without prejudice to the work being done in the framework of the Financial Services Action Plan and taking into account the measures being undertaken by securities market regulators within FESCO, the Committee will consider how to achieve a more effective approach towards transposition and implementation, in particular in the following areas of regulation : the listing of enterprises, the public offer of securities and requirements relating to reporting by issuers, the conduct of cross-border financial operations, the day-to-day operation of the regulated markets, the protection of consumers and investors in the provision of investment services, and the integrity of the market.

In this context, the Committee will have to :

1. assess the current conditions for implementation of the regulation of the securities markets in the European Union.

In addition, the Council invites the Commission to identify a priority -related critical path to achieving the relevant parts of the Lisbon target of Financial Services Action Plan, and the implementation, by 2003, of the Risk Capital Action Plan. The Commission will propose possible indicators of progress in realising economic benefits. The Commission will report to the Council on November 27th.

2. assess how the mechanism for regulating the securities markets in the European Union can best respond to developments under way on the securities markets, including the creation of markets resulting from either the alliance of European (and non-European) stock exchanges or from technical innovation (ATS), while still guaranteeing the effective and dynamic operation of markets throughout the European Union to achieve a level playing field.
3. in order to eliminate barriers and obstacles, propose as a result scenarios for adapting current practices in order to ensure greater convergence and co-operation in day-to-day implementation and take into account new developments on the markets.

It will not, however, deal with the prudential supervision.

The Committee should be able to present an initial report to the ECOFIN Council early in November 2000. This report will present the state of play and initial approaches to solutions. The final report will be presented to ECOFIN during the first six months of 2001.



The Council appointed the following members of the Committee :

- Alexandre Lamfalussy
- Cornélis Herkströter
- Luis Angel Rojo
- Bengt Rydén
- Luigi Spaventa
- Norbert Walter
- Sir Nigel Wicks