



CESR's Work Programme for 2010

I. Overall presentation of the CESR Work Programme 2010

Preliminary remarks

1. The CESR Work Programme 2010, which has been approved by the CESR Members, is based on the views collected from CESR Members and suggestions made by the relevant CESR Expert Groups.
2. The work programme relates exclusively to CESR-work streams, with the exception of the first item of the TOP priorities: the transformation into ESMA (the European Security and Markets Authority), work streams which are related to the future Authority are, with the exception indicated, not reflected in this Work Programme.

Continuity of CESR work streams

3. The Work Programme refers partly to on-going work with indications of priorities. Much of the work streams represent the continuity of the work undertaken by CESR during the last years to promote supervisory convergence in the day-to-day application of the European financial services legislation.

CESR work streams related to the Ecofin roadmap

4. The CESR work streams stemming from the last Ecofin roadmap, have been completed – a revision of this roadmap is under way (see “revised draft EcoFin roadmap on financial supervision, stability and regulation” from 24 September 2009). However, continued work leading into the 2010 work programme might exist in areas such as those related to a common format to disclosure of national transposition, where CESR will rely on the new web-site, and strengthening of national application of level 3 measures, which will rely on the continued work of the Review Panel. Also, work in relation to items like valuation and examination of non-regulated debt markets will continue in 2010 and are ECOFIN-related work streams. Another highly important item for CESR will be Credit Rating Agencies (see the key priorities below), which also continues from the ECOFIN roadmap.
5. The recent Commission proposal for regulation to establish ESMA, following the EU Council conclusions of 19 June 2009 will bring about a great deal of work of an institutional character (again, see the key priorities below). It is expected that CESR will also be asked to contribute further on work streams already dealt with such as continued detailed mapping of the directives for the purpose of putting the new supervisory structures in place. It is also expected input to the work conducted by the Council and EP on the negotiations of the proposal.

II. Reacting to the financial crisis: key priorities of CESR's work programme for 2010

6. Keeping in mind the particular and exceptional market conditions and the responses given by the G20, CESR will have three paramount priorities in the year 2010:
 - the transformation into ESMA,



- the organizational aspects and the content of a regulatory and supervisory regime for credit rating agencies, and
- work streams related to OTC markets.

Work streams related to the transformation into ESMA

7. Since the publication of the de Larosière Report on 25 February 2009, the necessary reform of the regulatory and supervisory architecture in Europe (and beyond) has taken a more concrete shape. Further directions were given by the Communication of the European Commission of 27 May 2009, the Council/Ecofin Conclusions of 9 June 2009, and finally the European Commission Regulations on new institutional arrangements on European financial services supervision from 23 September 2009. CESR has accompanied this work by its Post-EcoFin Task Force which was instrumental in preparing the agreed positions which were already communicated by CESR in this area. The Task Force will also in future continue to produce papers, elaborate common CESR positions, and stand ready to give advice to the Commission in these matters with as ultimate goal the full transformation of CESR into a “European Authority” between September 2009 and December 2010. This will include not only general and specific aspects of the Authority, but also very operational aspects of the transition from current structure of CESR into the new body.
8. As a result of the many details of the Commission proposal concerning ESMA which still need to be worked out, it should be kept in mind that some flexibility is needed with respect to the work plan within the constraints imposed by the budget – as long as it is not revised.

Credit Rating Agencies (CRAs)

9. The EU Parliament has approved the Regulation on CRAs which gives CESR a multi-faceted role, including in particular coordinating and advising competent authorities, assisting the EU Commission with respect to the determination of the equivalence of arrangements in 3rd countries, and acting as a central repository for data provided by CRAs. More specifically, CESR should act as a single point of entry for applications of registration, and effectively advice and inform competent authorities in all Member States which are supposed to set up an operational network (a college) supported by an efficient information technology infrastructure. In particular, CESR should establish a subcommittee specialised in the field of credit ratings of each of the asset classes rated by credit rating agencies. Moreover, CESR should maintain a central repository where information on the past performances of credit rating agencies and information about credit ratings issued in the past should be kept. This information should be made available to the public in a summarised form on an annual basis. CESR is supposed to enhance and facilitate the cooperation and coordination of competent authorities in supervisory activities and issue guidance where appropriate. Therefore CESR should establish a mediation mechanism and peer review in order to facilitate a coherent approach by the competent authorities. Not surprisingly, the tasks assigned to CESR will capture a large part of its time and resources, and preparatory work for implementing the structural changes required by the new Regulation is already well under way.

Over-the-counter (OTC) markets

10. Concerning OTC markets, CESR work will be focusing on five areas :

- Responding to Commission mandates in relation to the MiFID review of 2010 related to OTC markets - CESR is expecting to contribute to the Commission’s 2010 MiFID review. That review is likely to cover also specific issues related to OTC markets.
- Market abuse through OTC derivatives – As part of the operational work of CESR-Pol, CESR Members will share their supervisory experiences on market abuse involving OTC derivatives in order to contribute to Members’ possibilities to detect and investigate market abuse through these instruments.



- Central storage of data (“warehouse”) - After publication of the CESR consultation paper on trade repositories in the European Union, CESR will continue to develop its policy in this area on the basis of the feedback received and the work conducted in other important international fora (e.g. CPSS-IOSCO, OTC Derivatives Regulators’ Forum).
- Suspicious Transaction Reports - CESR continues to work on raising market participants’ awareness on the importance of their obligation under MAD to send suspicious transaction reports (STRs) to the regulators, with particular focus on OTC derivatives. CESR will also aim at developing harmonised format for STRs in OTC derivatives.
- Working Group on Derivatives - After the expiration of the 31 July 2009 deadline for the migration of CDS clearing onto CCPs, the Working Group on Derivatives (with representation of CESR) will continue to take account of progress made by market participants in the CDS clearing when formulating its policy orientations for OTC derivatives in general.

11. In light of the global nature of market activities in this area, international consistency is thereby one key aspect that will have to be constantly borne in mind and solutions will have to be found at the corresponding level. In particular, this will imply close contacts with IOSCO and the U.S. Authorities.

12. Also, particularly with respect to trade transparency and product disclosure, any regulatory and supervisory measures will have to be flexible in order to accompany the desirable evolutionary nature of contemporary financial markets.

III. Analysis of CESR’s work programme according to CESR objectives

CESR’s objectives

13. As CESR’s work becomes more operational in character, it was decided to summarise the various elements of its work programme as actions to deliver a limited list of key objectives:

- Market integrity, transparency and efficiency;
- Convergence;
- Transparency of implementation;
- Investor protection;
- Technical advice and reporting to EU institutions, implementation of EU roadmaps;
- Efficiency of CESR’s operational work.

14. It is important to note that it is possible for a particular stream of work to assist CESR in delivering more than one of the above objectives. This has therefore been reflected in the statistics.

15. In addition, it is possible that any given work stream may, for example, deliver greater ‘Market Integrity’ than ‘Market Efficiency’, and whilst separating these objectives was considered, for the purposes of the high-level analysis and, in order to limit the number of objectives, these have been kept together.

16. Furthermore, some objectives are clearly interlinked. For example, market integrity and transparency promotes investor protection. As such, the number of measures which ultimately contribute to investor protection may be higher than that indicated in this analysis.

17. It may be useful to explain more fully that the objective described as ‘transparency of implementation’ is meant to address the significant amount of work done by CESR to either



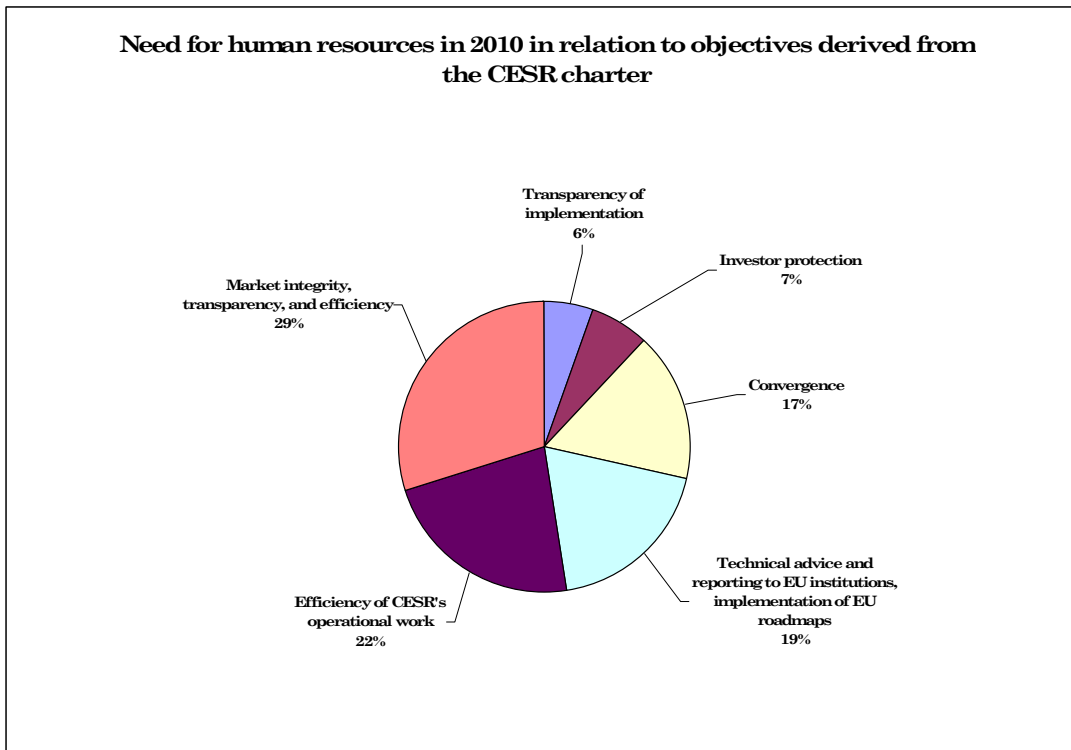
explain where differences in implementation occur (for example in assessing how Members have implemented derogations) or, through guidance of a Level 3 nature and Q & A, both of which seek to provide Members and the market participants with clarity on implementation.

Division of work plan according to CESR's objectives

18. The following pie chart provides an overview of how the human resources of the CESR work streams interact with the six CESR objectives proposed. A further addition had been made where a particular work stream only relates to efforts to increase operational efficiency. These are mainly internal facing such as the building of IT tools etc.

19. The largest single part of the human resources needed for CESR's Work Programme is aimed at delivering "Market integrity, transparency and efficiency". Next comes work aimed at improving the "Efficiency of CESR's operational work". Human resources needed for delivering "Technical advice and reporting to EU institutions, implementation of EU roadmaps", are closely followed by the resources for work streams relating to "Convergence". "Investor protection" is next, and "Transparency of implementation" comes last.

Chart 1



20. The detailed table of the workplan is in a separate spreadsheet document which is attached.