

5^{ème} anniversaire de CESR
Intervention de M. Thierry BRETON,
Ministre de l'économie, des finances et de l'industrie
Paris, le 18 octobre 2006
CESR, 11-13 avenue de Friedland, 75008 Paris

Ladies and Gentlemen,
Mesdames Messieurs les Présidents,
Mesdames Messieurs,
Chers amis,

Please allow me a few words in French first.

Je voudrais en effet commencer mon intervention de ce soir par quelques mots en français, comme la tradition, et d'ailleurs la loi, m'y conduit.

Et ces mots seront simplement des mots de remerciements pour votre invitation de ce soir, à l'occasion du 5^{ème} anniversaire du Comité Européen des régulateurs de marchés de valeurs mobilières. Et des mots de bienvenue à Paris pour ceux d'entre vous qui honorent notre pays de leur présence lors des journées de travail organisées à l'occasion de ce 5^{ème} anniversaire.

Turning to English I would first like to thank all of you again for your invitation tonight. It is an honour for me to deliver this statement on the occasion of the 5th anniversary of CESR.

I would like to go through two main issues in my short statement. The first one will be to recall the background of CESR and its key dates. It will allow me to thank those who every day have made and still make CESR a success. My second point will be on the work ahead, I mean the main challenges we, as financial markets stakeholders, have in front of us.

1. Many of you take part in the European regulatory process, whether because you are responsible for regulation in your own country or because you are involved in the regulated business. **That's why most of you know about CESR, its origins, its goals, its perspectives.**

I will therefore simply recall the basics of CESR to formally celebrate this 5th anniversary.

CESR is the independent Committee of European Securities Regulators. It was established under the terms of the European Commission's Decision of 6 June 2001

Its creation has been envisaged in the final report of the Committee of Wise Men on the regulation of European securities markets, chaired by Baron Alexandre Lamfalussy. The report itself was endorsed by Heads of State in the European Council in 2001 and the European Parliament in 2002.

I don't need to remind you that France has always been a strong supporter of the Lamfalussy process in general and of CESR in particular – I will add that it is still the case, now more than ever.

In summary, the role of CESR has first been to improve co-ordination among securities regulators: developing effective operational network mechanisms to enhance day to day consistent supervision and enforcement of the Single Market for financial services; CESR has made a significant contribution to greater surveillance and enforcement of securities activities;

CESR has also acted for 5 years as an advisory group to assist the EU Commission: in particular in its preparation of draft implementing measures of EU framework directives in the field of securities;

Thirdly, CESR has been working since 2001 to ensure more consistent and timely day-to-day implementation of community legislation in Member States: this work is carried out by the Review Panel under the Chairmanship of your Vice Chairman - and I would like to thank for that Mr Kaarlo Jännäri, who also chairs the Financial Supervision Authority in Finland.

We in France are specifically honoured to host the CESR meetings and the CESR Secretariat here in Paris. **I would like to strongly express tonight the French Government's commitment to support CESR and to facilitate your collective work now and in the future here in Paris. If more can be done, please let me or my services know. It is our duty to support the European Institutions and the development of an efficient and fair financial market for our Union.**

CESR has played a key role in the process achieved in the last years thanks to the Lamfalussy method and the ambitious Financial Services Action Plan (FSAP). For all that, I would like to thank Mr Arthur Docters van Leeuwen: under his leadership this institution has performed the best it could during this period. During three mandates as Chair of CESR, his ambitious vision on how the Single Market for financial services should function and be supervised, has played a determining role.

2. Most people agree on it: the Lamfalussy framework has proved essential in fostering the **creation of a single unified capital market in Europe.**

Thanks to the Lamfalussy process we have been able to significantly change the landscape of financial markets in just a few years and to contribute significantly to the Lisbon objectives for increased growth.

Thanks to this efficient process, the EU has been able to adopt and implement an impressive series of directives: prospectus, transparency, market-abuse, takeovers are the main purposes of these directives. They have changed the structural framework applicable to European issuers, which now all benefit from a largely harmonised set of rules as well as from the "European passport".

This success of the Lamfalussy process relies on the merits of all the parties involved. But I would like to underline the leading role that so called "Level 3 Committees" – and especially CESR – have played in that process.

These Committees have proved helpful in advising Member States when adopting directives and regulations. Their technical advices always proved relevant, as they stem from the day-to-day practice.

Eventually, CESR and the other level 3 bodies have engaged in a fruitful cooperation with their non-European counterparts.

I think for example of the CESR-SEC work plan on the implementation of IFRS and US-GAAP, definitely a positive step. I appreciate that CESR's staff has worked really quickly on this topic, although its implementation remains to be tested.

I would like to draw your attention to this question of **equivalence of IFRS and US GAAP**. I believe we need a clear framework giving visibility and certainty to the markets and to all stakeholders on what we expect and what we are able to deliver. I feel concerned about the existing competitive disadvantage of European companies due to the reconciliation obligations imposed by the United States.

In France, I have given support, together with my German colleague, to the Commission during the negotiation process that took place in the last months to look for a more balanced framework. In particular, I have asked my staff to put under scrutiny the risk of conflicting interpretations of IFRS by the authorities of the two continents.

I consider this IFRS/US-GAAP issue as a major challenge for all of us and for CESR as well, in the next years.

3. You will have all understood that I consider the Lamfalussy process as a true success. **But we should not stop now: we are still in the middle of the process and we have to produce efforts in order for the Lamfalussy process to give its full potential.**

In this regard, I see a short list of actions that are of the utmost importance.

- a. The first one is to pay special attention to the question of implementation.

It is a good point to have been able to adopt so many directives in such a short time, but this effort would be useless if now these directives are implemented inconsistently across the EU. What we need to ensure a truly unified financial market is coherent and convergent implementation.

This is why the role of Level 3 Committees is so important now: it is up to you, CESR, in the securities field, CEBS and CEIOPS in the banking and insurance field, to ensure that directives are applied in the same way across the EU.

It is up to you to ensure more cooperation and convergence among supervisors and I must say that it is a real challenge because it is a new role for you and appropriate resources should be allocated to this task.

After having devoted most of your time during the last few years to advising the European Commission on legislation, you have now turned to a new job and to focus on the implementation of existing EU legislation.

My European colleagues and I decided to give a strong impetus to the Level 3 work at our Ecofin meeting last May. We clearly endorsed the recommendations of the *Financial Services Committee's (FSC)* report on supervision.

We invited, in particular, the Level 3 Committees to settle mechanisms such as mediation or delegation of tasks and competences between supervisors.

I am indeed convinced that these kinds of tools will prove useful in helping solve day-to-day questions on interpretation. I hope that these mechanisms will be soon implemented in the three sectors. I would like in particular to congratulate CESR for having already agreed on a mediation mechanism.

- b. My second view is that there are still major initiatives to take.

I fully support the concept of “legislative pause” that has been set forth by Commissioner McCreevy. I fully endorse the notion of “better regulation” as well. I see the merits of concentrating on implementation and monitoring the permanent cost/advantage analysis this implementation requests.

Here in France, I am glad that the AMF has engaged its own “better regulation” exercise.

I take this opportunity to thank Michel Prada in your name for the constant support he gives to CESR.

I am sure the AMF will learn a lot from this “better regulation” exercise, not because it does not work well, but simply because there is always room for improvement.

That being said, specific initiatives are still needed in areas where integration is not sufficient, such as in clearing and settlement.

- i) On that specific issue, as you know, France considers that Europe needs **safe and efficient cross boarder clearing and settlement**.

This is vital for Europe’s financial markets integration and to promote Europe’s attractiveness as a location for international financial services.

As you know, France believes that this requires an environment where there is an open and non discriminatory access to central counterparties, securities settlement systems and security depositories. This also requests the unbundling of services which means, as a minimum, the obligation to offer a competitive unbundled alternative to services sold on a bundled basis.

Despite the proposals made by some Member States, in particular the United Kingdom and France, the Commission remains currently in the view to proceed in this field without a specific directive. It is therefore crucial that competition authorities in the EU enforce competition policy rules with respect to clearing and settlement.

- ii) There is also a lot to be done on **asset management**.

We think that the Commission should propose a modernization of the existing framework. In spite of the successes achieved under the UCITS Directive, the European fund market still faces a number of challenges: for example, the existing framework could be improved to streamline and facilitate notification procedures, modify and simplify the prospectus of the UCITS, or make the management company passport work properly.

- c. The last quarter of 2006 will be a busy period for European capital markets, as all parties involved race to do their homework on the implementation of the **MIFID**.

My administration is busy working on the legislation draft, as is the AMF on its *General Regulation*. Most of the draft legislative modifications are now under review by market participants and I am personally committed to reach the January 2007 target for implementation; simply because I am fully convinced MIFID is key to the future of European financial markets. MIFID is creating a European level playing field. And I am fully committed to have Paris’s financial centre fully benefit from it. I will be in New York next week to deliver this message to all Paris’s financial centres’ stakeholders.

As for legal implementation, my orientation is to avoid “goldplating” on one side and on the other, to carefully assess the merits of the options that the Directive has left open.

Meanwhile, we need some comfort that the European level playing field will neither be a battle arena for free riders, nor a sub-optimal equilibrium at the expense of retail investors.

This comfort can only come from all of you. I mean you as CESR and you as individual supervisors as well: you are to be the keepers of the “best execution rule”, that cardinal principle which should ensure that the most important person in any business community, the client, is fairly served.

This is a daunting task.

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But I will invite you to put it away for a little while and enjoy the cocktails-party Fabrice Demarigny has arranged for us. I would like to thank him and the secretariat's team for all the work accomplished during the last five years and for all they will do for our Member States in the future.

I thank you for your attention and again wish a happy 5th Birthday to CESR.

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Mr Thierry Breton, French Minister for Economy, Finance and Industry



Left to right: Mr Arthur Docters van Leeuwen, Chairman of CESR, Mr Thierry Breton,
Mr Fabrice Demarigny, Secretary General of CESR