

MEMO# 12860

November 16, 2000

EUROPEAN COMMITTEE OF WISE MEN PUBLISHES INTERIM REPORT

[12860] November 16, 2000 TO: INTERNATIONAL COMMITTEE No. 41-00 RE: EUROPEAN COMMITTEE OF WISE MEN PUBLISHES INTERIM REPORT On November 9, 2000, following a public comment period, the Committee of Wise Men on the Regulation of Securities Markets published an interim report reviewing the current regulatory conditions and proposing methods to enhance a single financial services market in the European Union. The Institute had submitted comments to the Committee of Wise Men during the comment period on a number of issues relating to an integrated European securities market.¹ The Committee of Wise Men plans to publish its final report in mid-February 2001 in advance of the Stockholm European Council meeting in March 2001. The Committee's interim report describes the benefits of European financial integration, the trends in the European financial markets, and the shortcomings of the current European regulatory framework. The Committee agreed with commentators, including the Institute, that the current regulatory system is too slow and rigid, contains too much ambiguity resulting in inconsistent implementation, and relies overly on European legislation to provide detailed rules. The interim report provides the Committee's preliminary views on a number of issues. With respect to European regulation, the Committee suggests that one possible solution would be to introduce a four-level approach to regulation. The first level would be to enact an EU securities legislation that provides a framework of broad principles on various issues. The second level would be an EU Securities Committee that would be responsible for the implementation of the broader EU legislation. The EU Securities Committee would be formed from the members of the European Commission and representatives of the Member States. The EU Securities Committee also would be advised by a committee composed of EU regulators on the implementing details of the framework principles. Moreover, there would be a mechanism created that would permit the industry to provide regular and systematic input to the committee of EU regulators and to the European Commission. At the third level, the Member States would have responsibility for implementing the Community law in the context of enhanced and strengthened cooperation among the regulators. The Committee envisions the national regulators agreeing to joint protocols on interpretations and to peer review to ensure consistent enforcement practices in the EU ¹ See Memorandum to International Committee No. 33-00 (September 29, 2000). ² regulators committee. Finally, at the fourth level, there would be strengthened enforcement of Community rules through more vigorous action by the Commission and enhanced cooperation between the Member States and their regulators. In the report, the Committee does not recommend a single EU regulator. First, the Committee does not believe that the basic harmonized rules that are necessary for the proper functioning of an integrated market are yet in place. Second, the Committee believes that the creation of a single regulator would require a change in the EU Treaty, causing further delays, and that reforms in the regulatory process must be adopted

immediately. Third, the Committee hopes to provide an opportunity to determine whether its proposed approach could achieve an effective integrated market before recommending a single EU regulator. The Institute is considering whether to comment further on the Committee's initial conclusions and recommendations. Please forward your comments to me by phone at (202) 326-5810, by fax at (202) 326-5841, or by e-mail at jchoi@ici.org by December 15, 2000. Jennifer S. Choi Assistant Counsel Attachment Attachment (in .pdf format)

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