


Procedure file

| Basic information | | |
|--|--------------------------------|---------------------|
| INI - Own-initiative procedure | 1994/2207(INI) | Procedure completed |
| Financial derivatives: their present role on capital markets, their advantages and risks | | |
| Subject 2.50.03 Securities and financial markets, stock exchange, CIUTS, investments | | |

| Key players | | | |
|---------------------|--|---------------------------------------|------------|
| European Parliament | Committee responsible | Rapporteur | Appointed |
| | ECON Economic and Monetary Affairs, Industrial Policy | | 30/11/1994 |
| | | PSE KATIFORIS Giorgos | |

| Key events | | | |
|------------|--|---|---------|
| 12/12/1994 | Committee referral announced in Parliament | | |
| 07/09/1995 | Vote in committee | | Summary |
| 07/09/1995 | Committee report tabled for plenary | A4-0207/1995 | |
| 20/09/1995 | Debate in Parliament |  | Summary |
| 22/09/1995 | Decision by Parliament | T4-0432/1995 | Summary |
| 22/09/1995 | End of procedure in Parliament | | |
| 16/10/1995 | Final act published in Official Journal | | |

| Technical information | |
|----------------------------|--------------------------------|
| Procedure reference | 1994/2207(INI) |
| Procedure type | INI - Own-initiative procedure |
| Procedure subtype | Initiative |
| Legal basis | Rules of Procedure EP 54 |
| Stage reached in procedure | Procedure completed |
| Committee dossier | ECON/4/06247 |

| Documentation gateway | | | | | |
|---|--|------------------------------|------------|----|--|
| Committee report tabled for plenary, single reading | | A4-0207/1995 | 07/09/1995 | EP | |

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|--|--|---|------------|----|---------|
| | | OJ C 269 16.10.1995, p. 0024 | | | |
| Text adopted by Parliament, single reading | | T4-0432/1995 OJ C 269 16.10.1995, p. 0194-0217 | 22/09/1995 | EP | Summary |

Financial derivatives: their present role on capital markets, their advantages and risks

The committee adopted the report by Mr Giorgios KATIFORIS (PSE, EL) on financial derivatives. The rapporteur stressed that it was impossible to legislate on this matter without broad support, both at European Parliament level and from the profession in this sector, given that the aim was to introduce a certain degree of self-regulation into the system. The report dealt with general guidelines and the question would have to be re-examined at a later date in order to resolve the more specific problems. The report called for the Commission to file proposals a year after the adoption of the present text seeking mainly to: - make the codes of conduct compulsory if voluntary compliance proved to be insufficient; - harmonize accounting standards in order to take account of financial derivatives; - increase training for operators, by introducing a uniform professional examination at European level; - strengthen the validity of compensation agreements covering contracts relating to derivatives, including by using private-sector initiatives to finalize such mechanisms; - ensure that these measures covered all agencies involved in derivatives. The report called for the Commission to examine the possibility of introducing an instrument which allowed the specific degree of risk linked to various types of derivative to be evaluated and quoted on a public listing. In addition, the report called for the Commission to draft regular reports on developments on the derivatives markets in order to increase the information available on this type of instrument. Similarly, the Commission was called upon to draft and submit to the European Parliament and the Council a report on the systematic risks which financial derivatives might present. Obviously if the report highlighted any such risk, the approach would have to be completely changed. Finally, the Committee on Economic Affairs and the Sub-Committee on Monetary Affairs should contact the American Congress and the Japanese Diet, with a view to introducing an international code of conduct governing trading in and the use of derivatives. ?

Financial derivatives: their present role on capital markets, their advantages and risks

Commissioner MONTI noted that the KATIFORIS report on financial derivatives demonstrated a considerable degree of expertise on this matter. As regards the harmonisation of the rules on accounting and information, the Commission was in the process of determining whether or not it was appropriate to legislate in this area in light of the different Anglo-American and European accounting cultures, which were not entirely compatible. Similarly, the objective of ensuring that operators were highly knowledgeable should be linked to the requirement for subsidiarity, which was fundamental in the area of training. In relation to strengthening netting agreements, Mr MONTI referred to the Council's recent common position on the proposal for a directive on netting agreements and guarantees. Finally, the Commissioner stated that he could take over Amendments Nos 1 to 11 and 16; however, he rejected Amendments Nos 12, 13, 14, 15 and 17.

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Adopting the report by Mr KATIFORIS (PSE, EL), the European Parliament called on the Commission to present proposals in its annual programme of work for 1996 seeking to: - codify the proposals submitted to date by the various professional organizations on voluntary rules of conduct for managers, brokers and users operating on the financial derivatives market and supplement or regroup these rules as codes of conduct; - adapt accounting and advertising standards to the specific characteristics of conditional assets and liabilities (especially financial derivatives) in approved company accounts (with a view to encouraging Member States to clarify their legislation and harmonize accounting standards on the internal market); - increase the level of training of managers of this type of instrument by introducing a uniform professional examination at European level; - strengthen the validity of compensation agreements covering contracts relating to financial derivatives and encourage other techniques for improving credit, including by creating multilateral compensation mechanisms; - ensure that the measures described cover both banks and financial (or non-financial) companies which manage this type of instrument. Parliament also called for the Commission to examine the possibility of introducing an instrument which allowed the specific degree of risk linked to various types of financial derivative to be evaluated and quoted on a public listing. It also called for the Commission to draft regular reports on developments on this type of market and on the risks inherent in the development of this type of instrument. Finally, Parliament called on its Sub-Committee on Monetary Affairs to take immediate steps to contact the American Congress and the Japanese Diet in order to deploy a joint coordinated initiative at global level. ?