

Corporate & Financial Weekly Digest

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CESR Publishes Consultation Paper on Standardization and Exchange Trading of OTC Derivatives

On July 19, the Committee of European Securities Regulators (CESR) published a consultation paper (CESR/10-610) on the standardization and exchange trading of over-the-counter (OTC) derivatives, seeking views on a number of issues, including:

- **Exchange trading.** CESR supports providing incentives to promote the use of organized trading venues for derivatives and is consulting on whether it would be desirable to make such usage mandatory.
- **Standardization.** CESR considers that greater standardization of OTC derivatives contracts could deliver efficiency benefits, although firms should be able to retain the flexibility to customize aspects of an OTC derivatives contract such as standard valuation, payment structures and payment dates. The consultation seeks views on how standardization can be increased. CESR is also considering recommending that the European Commission take regulatory action to make the use of electronic confirmation systems mandatory for European trading of OTC derivatives.

The consultation period ends on August 16. CESR intends to send technical advice to the Commission, based on responses to the consultation, in September 2010.

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