Press release | 18.10.2011

EU financial rules

Sovereign debt speculation clamp-down, as EU rules against naked CDS agreed

The European Parliament and Council agreed today on a compromise to ban naked credit default swaps (CDS) on the sovereign debt of European countries under new EU rules. Commenting on the agreement, Green MEP and EP draftsman for the legislation **Pascal Canfin** said:

"Today's agreement, notably the decision to ban naked credit default swaps, is a major step forward in clamping down on sovereign debt speculation, which continues to wreak havoc across the Eurozone. The deal is also a victory for the European Parliament, which fought to have a ban on naked CDS included in this legislation from the outset, and shows that Europe can act effectively to deal with the excesses of the financial system.

"Under the rules agreed today, it will no longer be possible for a hedge fund to purchase CDS of sovereign debt without holding actual bonds of the countries involved. This will prevent cynical traders from speculating on the bankruptcy of a country.

"The new rules will also allow better EU-level coordination in crisis situations. The European financial markets agency (ESMA) will now have the power to impose its decisions on equity markets on national regulators. Parliament would have preferred that ESMA had the same prerogatives on sovereign debt matters but, regrettably, this was refused by member states in the negotiations."

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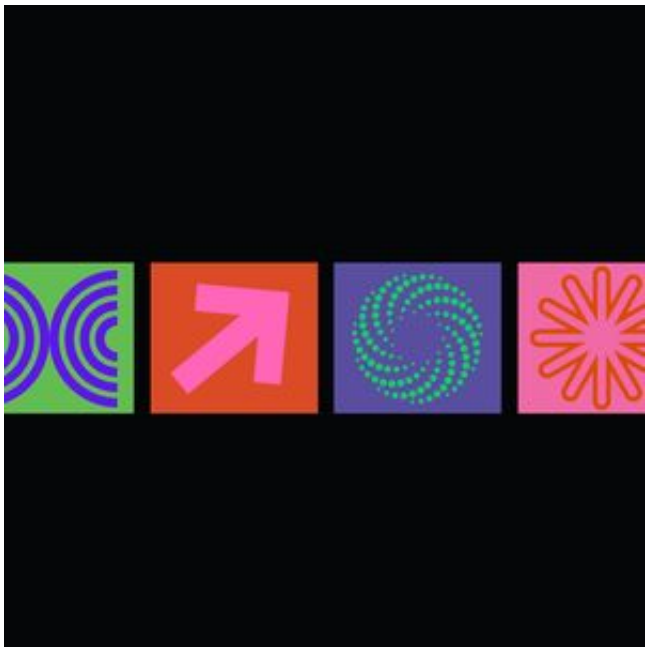
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