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

1994/2207(INI) - 07/09/1995

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.