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EU financial rules

EP votes to approve new rules on CDS and short-selling, tackling sovereign debt speculation

The European Parliament today approved an agreement on new EU legislation, including a ban on naked credit default swaps (CDS) on the sovereign debt of European countries, as well as curbs to the practice of uncovered short-selling. Commenting on the vote and the new legislation, Green MEP and EP draftsman for the legislation **Pascal Canfin** said:

"The legislation adopted by the EP today, notably the decision to ban naked credit default swaps, is a major step forward in tackling sovereign debt speculation, which continues to wreak havoc across the Eurozone. The European Parliament pushed to ensure a ban on naked CDS was included from the outset, and its inclusion is a victory for the EP and our efforts to curb the excesses of the financial system.

"These new rules will prohibit market actors from purchasing CDS of sovereign debt without holding actual bonds of the countries involved as a general rule. This will prevent cynical traders from speculating on the bankruptcy of a country.

"The legislation also includes measures to curb the damaging practice of uncovered short-selling, as well as providing for 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, however we regret that member state governments opposed giving ESMA the same prerogatives on sovereign debt matters."

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