



# News Release

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## Joint Market Practices Forum Issues European Recommendations on Handling of Material Nonpublic Credit Information

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**London, 12 January 2005** – The European Working Group of the ‘Joint Market Practices Forum’ today released an exposure draft of a document on handling “non-public price-sensitive information” relating to the credit markets, with particular reference to the European Union Market Abuse Directive. The document aims to reassure market participants that risk management techniques that have emerged within the securities and credit derivatives markets will continue to contribute to the stability of the financial markets and promote fair and competitive markets, in which the misuse of non-public price-sensitive information is not tolerated.

Specifically, through the European Working Group, five wholesale financial market trade associations have collaborated on an EU-focused Supplement to the ‘Statement of Principles and Recommendations Regarding the Handling of Material Nonpublic Information by Credit Market Participants’, published by the Joint Market Practices Forum in October 2003. The ‘Statement’ set out guidelines on this subject for North American market participants. The Forum’s European Working Group, comprising senior business and legal professionals from firms active in the EU, has released this draft document for industry review and comment by Friday, 11 February 2005.

The Working Group was established to articulate how members of the participating Associations can apply the recommendations set out in the October 2003 Statement of Principles in circumstances where their credit portfolio management activities are subject to the laws of EU Member States, having particular regard to the requirements of the Market Abuse Directive, which is currently being implemented across the EU. The European Supplement concludes that the recommendations should generally be appropriate for credit market participants subject to EU laws with respect to the dissemination and use of non-public price-sensitive information as defined in the Directive. Non-public price-sensitive information is information not available to the public, which can be considered important in making investment decisions. The Directive requires that all EU Member States maintain insider-dealing laws that restrict the use of non-public price-sensitive information when entering into transactions in publicly traded securities and security-related derivatives.

“Credit market participants must take into account the fact that this area of law is in a process of evolution in the EU”, notes the paper. “Even after the Directive is fully implemented, there will be differences in national laws between EU Member States.” The paper highlights some of these differences, as well as summarising key areas where the EU regime as a whole differs from that in the USA.

Credit market participants should endeavour to ensure that non-public price-sensitive information is not inappropriately shared with or used by other business units or personnel within the

same institution that transact in the securities and credit derivatives markets. They should also consider tailoring key elements of their firm's information controls to particular business activities, and take into account the special considerations and related guidance set out in the October 2003 Statement of Principles on whether a firm has organised its credit portfolio management activities on the "private side" or "public side" of an information wall.

The European Working Group of the Forum<sup>i</sup> is a collaborative effort of The Bond Market Association, The International Association of Credit Portfolio Managers, The International Swaps and Derivatives Association, the Loan Market Association, and the London Investment Banking Association. Participants in the Forum's European Working Group produced the European Supplement following several meetings and discussions between October and December 2004.

The Bond Market Association represents securities firms and banks that underwrite, trade and sell debt securities and other financial products globally. The International Association of Credit Portfolio Managers is a professional association dedicated to the advancement of credit portfolio management. The International Swaps and Derivatives Association is the global trade association representing leading participants in the privately negotiated derivatives industry. The Loan Market Association represents financial institutions, law firms and other participants active in the European syndicated loan market. The London Investment Banking Association is the principal trade association in the United Kingdom for firms which are active in the investment banking and securities industry.

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<sup>i</sup> The initial JMPF, which published the October 2003 'Statement', consisted of the Loan Syndications and Trading Association as well as three members of the subsequent European Working Group: The International Association of Credit Portfolio Managers, The International Swaps and Derivatives Association and The Bond Market Association. The October 2003 'Statement' is available on the websites of all members of the JMPF and its European Working Group.