



# An Update from Europe

## ECSDA Status report

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**ECSDA**

European Central Securities  
Depositories Association

12th ACSDA General Assembly  
Tampa – 10/11 March 2010



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European Central Securities  
Depositories Association

# Agenda

- **ECSDA highlights at a glance**
- Regulatory and Policy issues
- Business Harmonization
- Target 2 Securities (T2S)
- Housekeeping



# ECSDA: highlights at a glance



## Regulatory and Policy Issues

- Code of Conduct for Cash Equities (CoC)
- European Market Infrastructure Legislation (EMIL)
- Securities Law Directive (SLD)

## Business Harmonization

- Corporate Actions / General Meeting
- Harmonisation of settlement cycles in Europe

## Target 2 Securities (T2S)

- Project status / timeline

## Housekeeping

- Recruitment of Permanent Staff
- Webpage maintenance



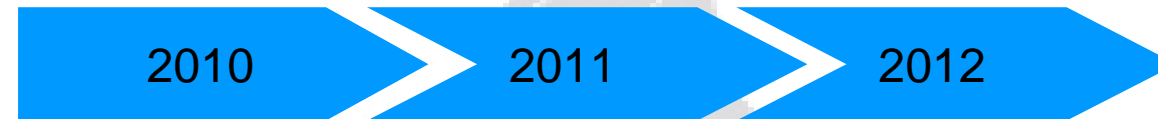
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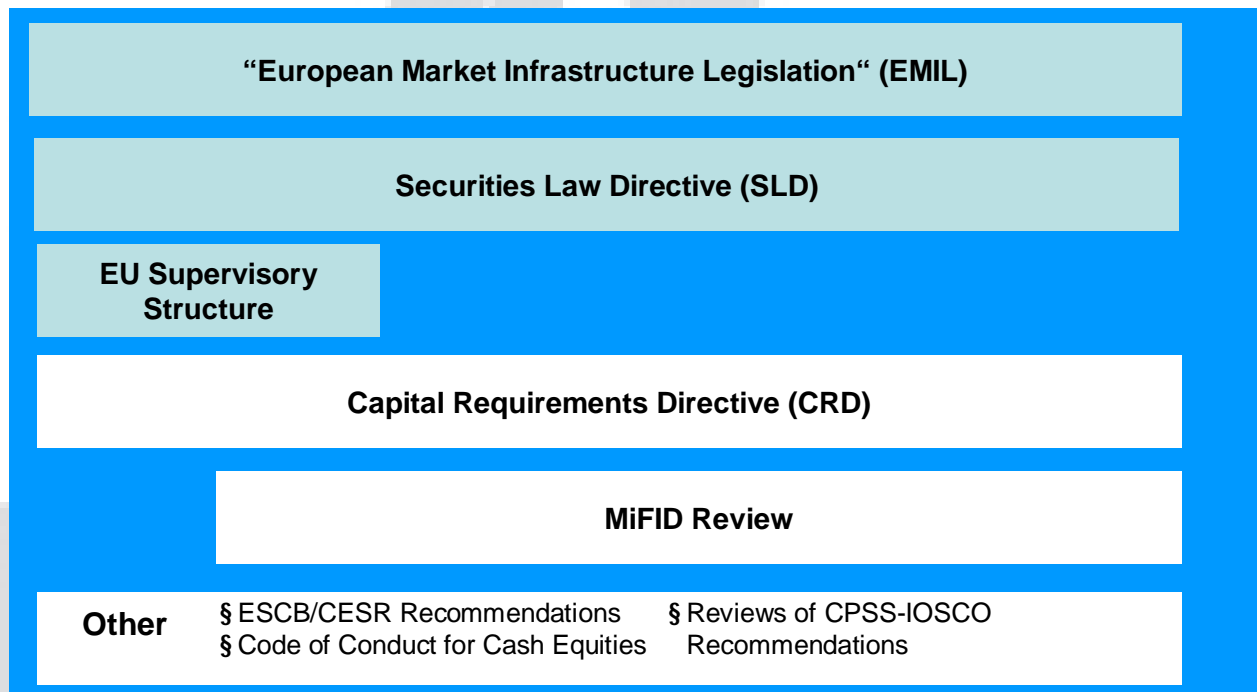


# Accelerated policymaking process in 2010-12



## External Drivers

- § G20 agreement sets the political benchmark\*
- § Parallel policy initiatives on national, European and global level
- § New European Commission in 2010
- § New supervisory structure



\*"Improving over-the-counter derivatives markets: All standardized OTC derivative contracts should be traded on exchanges or electronic trading platforms, where appropriate, and cleared through central counterparties by end-2012 at the latest. OTC derivative contracts should be reported to trade repositories. Non-centrally cleared contracts should be subject to higher capital requirements. We ask the FSB and its relevant members to assess regularly implementation and whether it is sufficient to improve transparency in the derivatives markets, mitigate systemic risk, and protect against market abuse." (G20 Pittsburgh Summit Leaders' Statement, Sep 2009)

# Discussion Paper of EU -Commission on EMIL



- “The future proposal on post-trading market infrastructures should aim at:
  1. Ensuring that all CCP-eligible ('standardised') derivatives contracts are cleared via authorised (or in case of third countries, recognised) CCPs;
  2. Ensuring transparency via reporting obligations to Trade Repositories and access to relevant information held by Trade Repositories;
  3. Ensuring safety and soundness of CCPs irrespective of the type of financial instruments they deal with;
  4. Removing barriers preventing links between market infrastructures and ensuring the appropriate management of risks arising from these arrangements.”

Source: Discussion paper for the 1st meeting of the derivatives and market infrastructures member states working group (22 January 2010)

## Proposed scope

- § **Obligation to clear via a CCP**  
Mandating CCP clearing of eligible derivatives (e.g. OTC)
- § **Transparency: Reporting to Trade Repositories**  
Mandating reporting of OTC derivatives transactions to trade repositories and the need for a common legal framework for the regulation of trade repositories
- § **Requirements for CCPs and for Trade repositories**  
Organisational requirements related to governance, board composition, risk management

# Securities Law Directive (SLD)



**Legal Certainty Group (LCG)** Issuer choice and CSD passport discussions of the Legal Certainty Group (LCG) are the basis for further legislative proposals by the EU Commission

## SLD Directive

- § SLD is designed as EU Directive since EU has limited competencies - with respect to civil and corporate law - and fears strong political resistance of Member States
- § The adoption of SLD by the EU Commission (EU COM) is planned for Summer 2010
- § SLD is currently understood to be complementary to the planned European Market Infrastructures Legislation (EMIL)

## Objectives of SLD

- § the legal framework of holding and disposition of securities held in securities accounts, covering aspects belonging to the sphere of substantive law as well as conflict-of-laws;
- § the legal framework governing the exercise of investor's rights flowing from securities through a "chain" of intermediaries, in particular in cross-border situations;
- § the establishment of the free, EU-wide choice of issuers regarding the initial entry of their securities in the relevant holding structures, in particular central securities depositories (Giovannini Barrier 9);
- § the submission of any activity of safekeeping and administration of securities under an appropriate supervisory regime.

## Scope of SLD

- § Substantive law governing acquisition, disposition,... of securities
- § Processing of rights flowing from securities
- § Conflict of laws regime
- § Duties of account providers
- § Location of securities

# Stocktaking of the Code of Conduct



## Deliverables

<ul style="list-style-type: none"> <li>n Formal commitment of all members of FESE, EACH and ECSDA on European Code of Conduct for Clearing and Settlement of Cash Equities</li> </ul>	<ul style="list-style-type: none"> <li>n Publication of prices for each service</li> <li>n Full disclosure on rebate/ reduction schemes</li> <li>n Reconcilability of ex-post billing with activity and ex-ante quotes</li> </ul>	<ul style="list-style-type: none"> <li>n Agreement on an A&amp;I guideline</li> <li>n Subsequent progressive implementation</li> </ul>	<ul style="list-style-type: none"> <li>n Unbundling of services for settlement and custody services</li> <li>n Separation of accounts for defined Code of Conduct services</li> </ul>	<ul style="list-style-type: none"> <li>n Disclosure of service unbundling/accounting separation data to National Regulators</li> </ul>	<ul style="list-style-type: none"> <li>n Outline compliance with the Code in general</li> <li>n Outline compliance with the service unbundling and accounting separation part of the Code</li> </ul>
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## Implementation deadlines according Code



## Planned Activities 2010







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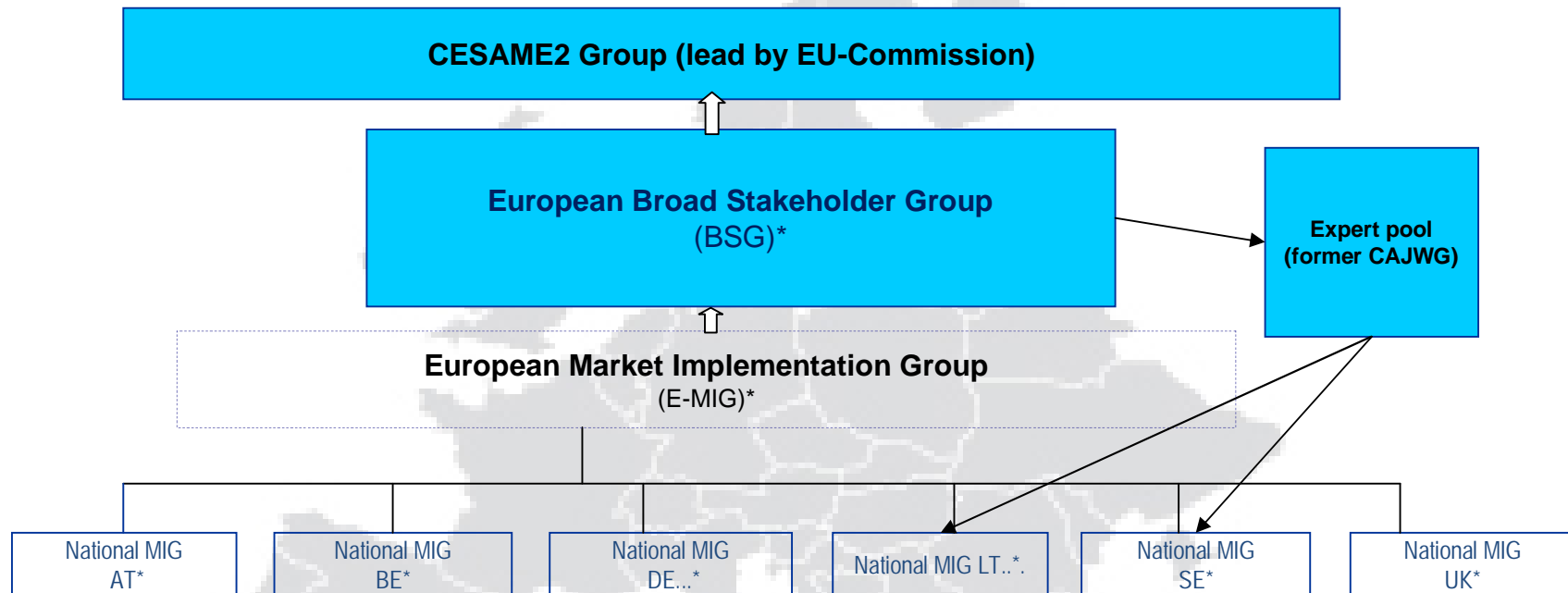
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# Corporate Actions & General Meetings (Giovannini Barrier 3 removal)



## Structure



- § Standards to harmonise CA processing have been endorsed in Q4, 2009 by all stakeholders
- § A management structure to effectively monitor and steer the EU-wide implementation process has been approved on 2 March 2010 by CESAME2
- § CA-standards cover security holdings and transaction management features
- § Possible extension of this structure to monitor other GB3-implementation e.g. General Meetings

\* "includes representatives of all relevant constituencies, namely issuers, banks and market infrastructures"

# Harmonisation of settlement cycles in Europe\*



- The Harmonisation of Settlement Cycles Working Group is an ad hoc group mandated by CESAME2. During its meeting of February 2009 possible solutions to eliminate Giovannini Barrier 6 (Differences in standard settlement cycles) were reviewed.
- *The WG will develop a fully-fledged implementation & monitoring plan. This plan will identify a list of pre-conditions that would need to be fulfilled for European markets to be able to move without undue additional cost or risk to a **harmonised settlement cycle of T+2.***
- *The Working Group will engage with markets outside of Europe (in first place, the United States and Japan) in order to determine prospects for steps towards a global harmonisation of settlement cycles.*
- *The Working Group – in the event that non-European markets signal a lack of interest in moving to T+2 – will prepare a case study in order to assess the implications of a unilateral move by Europe to a harmonised settlement cycle of T+2.*

Source: Draft minutes of CESAME2 Meeting dd. 02 March 2010



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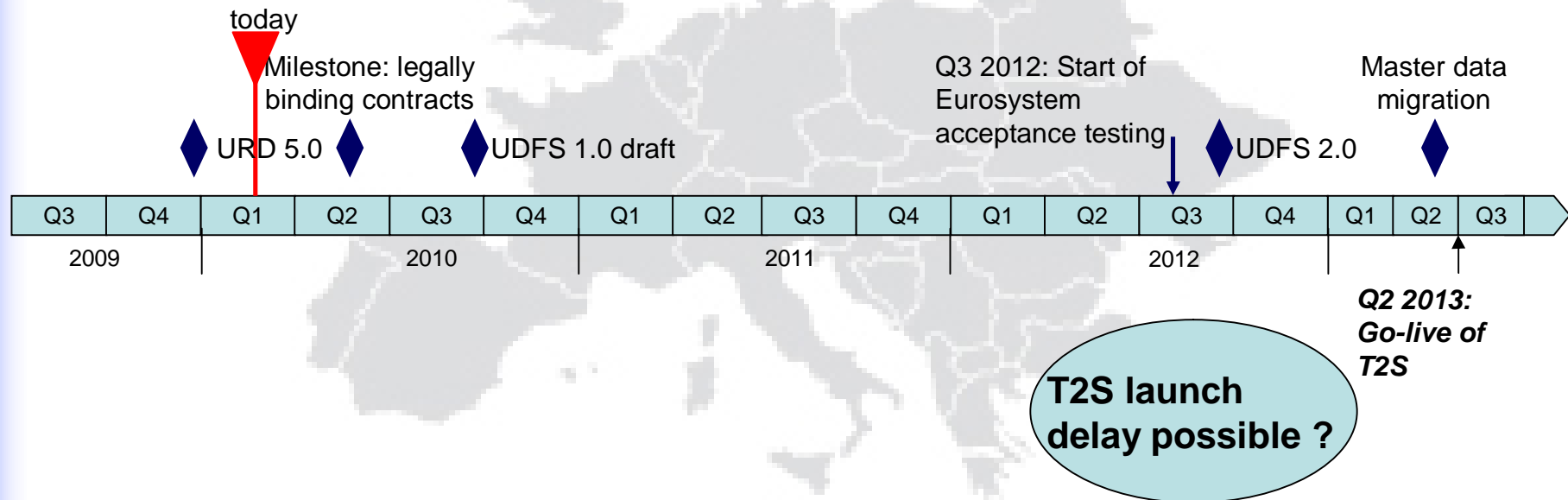


# Target 2 Securities Project status/ timeline



## Status: key issues continue to be in the focus

- § Governance structure
- § Pricing concept
- § Contractual agreements
- § Change Management procedures





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# Status on recruitment of permanent staff



- **Board's unanimous decision to recruit a General Secretary + assistant**
- **Located in Brussels** (Brussels: European Commission / European Parliament / Headquarter of numerous industry associations)
- **Manager / Ambassador's role**
  - § Daily management duties like administrative support, coordination, organisation and preparation of meetings with relevant stakeholders in the Association
  - § Internal coordination with ECSDA members, in particular promote information sharing
  - § Follow closely at EU level all on-going discussions/initiatives that can have a direct or indirect impact on, or, more generally, which are of interest for the ECSDA members, with a view to reporting to them and suggesting possible actions
  - § Maintain close and regular contact with European stakeholders
  - § Represent ECSDA interests toward relevant stakeholders and prepare draft position papers
- **Current issue:**
  - § Budget constraints for some members may impact a sustainable financial planning over 3 years
  - § Availability of suitable candidates
  - § Complexity of labor, tax and corporate law in Belgium

# ECSDA members overview

34 full members

6 associated members\*



- Central Depository Agency Inc (Croatia)
- Central Depository Agency, JSC Podgorica (Montenegro)
- Central Registry Agency (Turkey)
- Central Registry of Securities JSC-Republic of SRPSKA (Bosnia & Herzegovina)\*
- Central Securities Depository and Clearing House (Serbia & Montenegro)
- Central Securities Clearing Corporation (Slovenia)
- Central Securities Depository SA (Greece)
- Central Securities Depository AD (Bulgaria)\*
- Central Securities Depository of Lithuania
- Central Securities Depository of the Slovak Republic\*
- Depository Clearing Company (Russia)
- Clearstream Banking AG (Germany)
- Clearstream International SA (Luxembourg)
- Euroclear UK and Ireland
- Cyprus Stock Exchange
- Estonian CSD Ltd\*
- Estonian CSD Ltd
- Euroclear Bank SA
- Euroclear Belgium
- Euroclear France SA
- Euroclear Nederland
- Iberclear (Spain)
- Interbolsa (Portugal)
- Keler Ltd (Hungary)
- Malta Stock Exchange (Malta)
- Monte Titoli SPA (Italy)
- National Depository for Securities (Poland)
- National Securities Clearing, Settlement and Depository Company (Romania)
- Oesterreichische Kontrollbank AG (OeKB)
- Registry of Securities of the Federation of Bosnia Herzegovina
- SC Depositarul Central SA (Romania)
- SIX SIS Ltd (Switzerland)
- Stredisko Cennych Papiru (Czech Republic)\*
- Euroclear Finland OY (Finland)
- Takasbank (Turkey)
- The National Depository Center (Russia)
- Centralni depositar cennych Papiru (Czech Republic)
- Verdbrefaskraning Islands (Iceland)\*
- Vaerdipapircentralen A/S – VP Securities Service (Denmark)
- Verdipapircentralen (Norway)
- Euroclear Sweden AB (Sweden)





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