

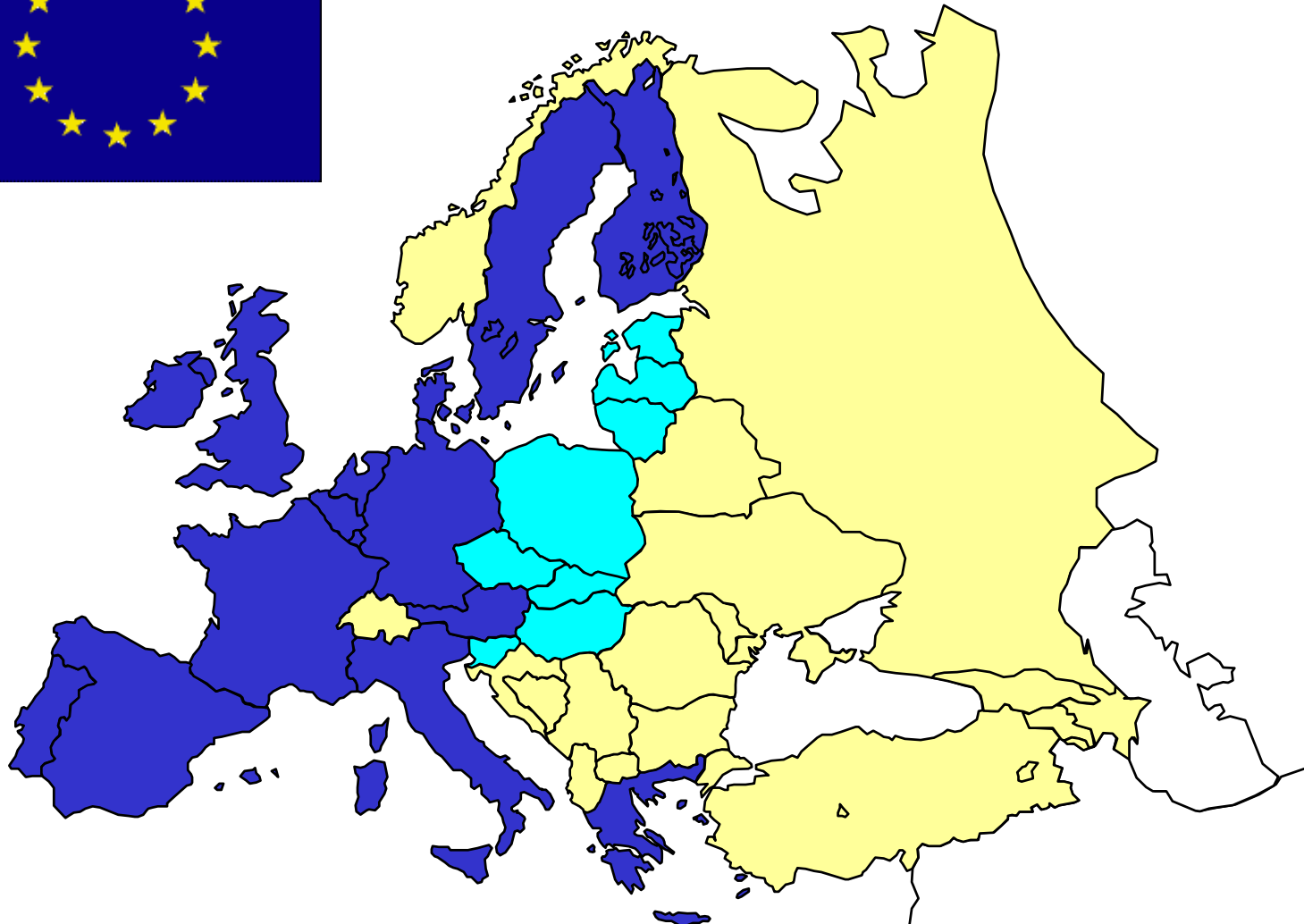
European Structural Evolution

Peter Gnepf



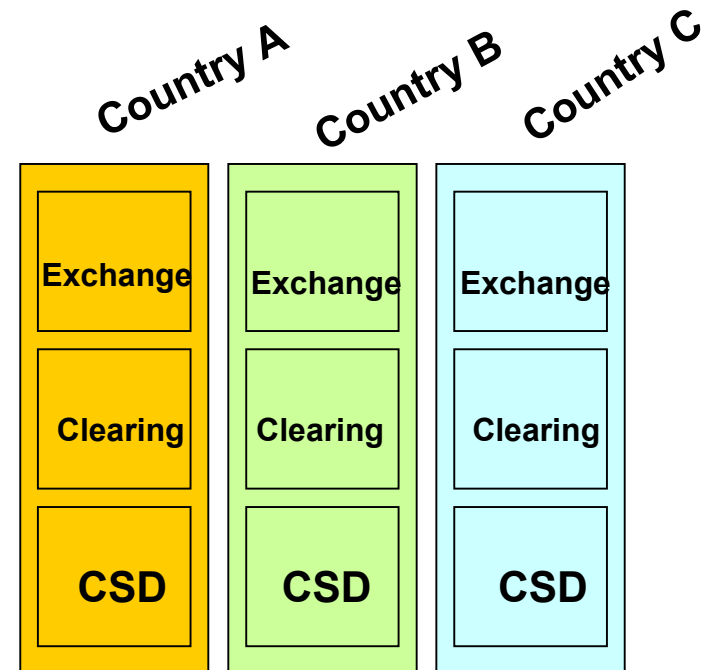
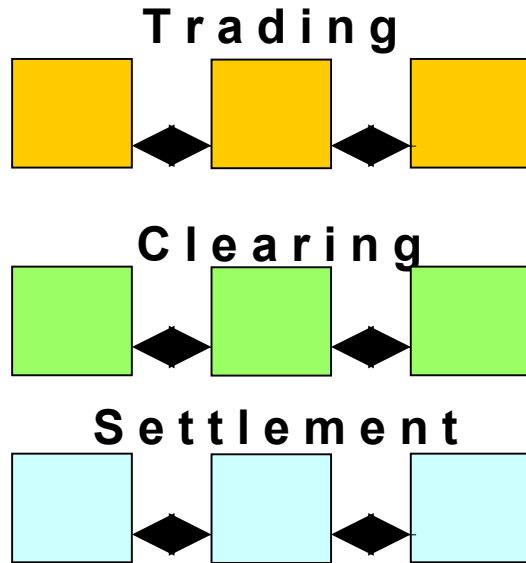
www.issanet.org

European Union Members as of May 1, 2004



..... plus Malta and Cyprus

Horizontal vs Vertical - Theory vs Practice



Giovannini Group Findings - 15 barriers

1. IT standards and interfaces
 2. Mandated settlement paths
 3. Market practices in asset servicing
 4. Absence of intra-day finality
 5. Practical impediments to remote access to SSS
 6. Settlement timings
 7. Absence of synchronized system operating hours
 8. Diverging issuance practices
 9. Restrictions on safekeeping location of securities
 10. Restrictions on primary dealer activity
 11. Withholding tax issues
 12. Collection procedures for transaction taxes
 13. Legal treatment of interests in securities
 14. Legal treatment of netting
 15. Diverging conflict of law rules
- Market Practice
- Tax
- Law

European bodies to watch

- ◆ **European Commission**
- ◆ **ESCB / CESR joint working group**
- ◆ **Giovannini Group**

- ◆ **ECSDA and CEECSDA**
- ◆ **Euroclear Group**
- ◆ **European Securities Forum ESF**

ESCB = European System of Central Banks
CESR = Committee of European Securities Regulators

Conclusions, points to note

- ◆ The regulators prescribe frameworks, not models
- ◆ The infrastructure is made up of market players, not utilities
- ◆ The shape of the final structure remains elusive
- ◆ The road leading there is long and winding

The European approach is to let evolution take its course