PUBLIC CONSULTATION ON CENTRAL SECURITIES DEPOSITORIES (CSDs) AND ON THE HARMONISATION OF CERTAIN ASPECTS OF SECURITIES SETTLEMENT IN THE EUROPEAN UNION

Directorate-General Internal Market and Services

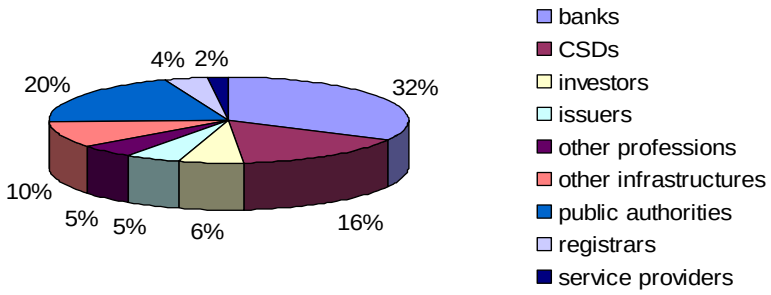
Brief Summary of Responses

1. Introduction

In response to the public consultation on the "Legislation on central securities depositories and on the harmonisation of certain aspects of securities settlement in the European Union" held from 13.01.2011 until 01.03.2011, the Commission received 101 contributions from stakeholders: 49 from registered organisations[1], 35 from individuals[2] and 17 from public authorities. All responses are published on the EU Commission's website[3].

The respondents[4] consist of 33 banks, 16 CSDs, 6 investors, 5 issuers, 5 other professions, 10 other infrastructures, 20 public authorities, 4 registrars and 2 service providers.

Figure 1: Overview of respondents by type



The geographical distribution of the respondents is based on their address provided on their response. This is why some of the respondents are labelled as coming from outside the EU, even though their activity is partly located within the EU. Associations with an obviously European-wide representation were included in the "EU" category.

As can be seen in the table below, the responses cover a wide section of the geographical scope of the EU.

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1 Registered on the Register of interest representatives: https://webgate.ec.europa.eu/transparency/regrin/welcome.do

2 "Individuals" referred here are private organisations who failed to register, whose answers are therefore assumed having been sent by the individual who signed it and not by their respective organization. They should therefore not be confounded with natural persons acting as investors or EU citizens

3 http://ec.europa.eu/internal_market/consultations/2010/securities_en.htm

4 We counted associations depending on who they represent

Table 1: Overview of respondents by geography

Austria	5	Malta	2
Belgium	2	Netherlands	2
Bulgaria	1	Poland	1
Czech Republic	3	Portugal	1
Cyprus	1	Romania	1
Denmark	4	Slovenia	1
Estonia	2	Spain	5
Finland	2	Sweden	6
France	8	UK	17
Germany	7	Respondents covering EU	12
Greece	1	EEA (Norway)	5
Hungary	2	Switzerland	2
Italy	2	International Associations/Organisations	5
Luxemburg	1		

In the analysis below, each respondent is counted individually, although there are some similar responses or common identities evident. Some contributions addressed the questionnaire only partially or in general terms. In such cases their positions, when expressed, were reflected in the statistics, while blank answers were counted as "no answer".

2. Short summary of findings

The initiative to regulate CSDs was welcomed by almost all respondents, who shared the view of the consultation paper that CSDs play a systemically important role for financial markets and should be subject to proper regulation. The creation of a common regulatory framework for CSDs was widely seen as an important goal for European financial markets, as a European framework would promote the safety and soundness of CSDs and lead to a more competitive and robust environment for CSD activities. As to the scope and content of such a harmonisation, the responses provided a wide variety of viewpoints.

Regarding wider issues around the harmonisation of securities settlement, most respondents agreed that lack of harmonisation in key areas of post trade processes was harmful to cross-border investment. Concerning the tools to overcome lack of harmonisation in this area, different views were expressed as to the role of European legislation in this context.

3. Part I: Appropriate regulatory framework for CSDs

3.1 Scope and definitions (Questions 1-6)

Q1. Most respondents concurred with the approach suggested in the Consultation Paper to define CSDs by referring to the functions they have to perform. Some answers expressed concern that this approach may make it difficult to clearly distinguish between entities that should be treated as CSDs and others that, although performing similar functions, had a different role, such as custodian banks, registrars and other depositories.

Q2. Regarding possible exemptions from the scope of legislation, many respondents agreed with the need to have at least partial exemptions for certain entities in future legislation, e.g. for central banks, government debt offices, registrars, common depositories, and admitted

institutions. It was often stressed that these exemptions should be narrowly, clearly and objectively defined. A number of contributions expressed reservations against exemptions in general, particularly against exempting certain institutions from obligations but not from rights.

Q3. With regard to the definition of core CSD functions, the vast majority of respondents agreed with the three proposed definitions. Various answers suggested combining the "notary" function and the "central safekeeping" function and redefining this function more broadly. Other answers suggested combining in the core functions "central safekeeping" with "non-central safekeeping" (from ancillary services) on the basis that the related prudential and conduct of business rules (e.g. on protection of customer assets) should in principle be the same. Some submissions contained concrete suggestions for re-phrasing parts of the proposed definitions with a view to clarify them. A non-exhaustive overview of such suggestions is provided in Annex 1.

Q4. A number of views were expressed as to the question of how many core functions an entity would need to perform at a minimum in order to be qualified as a CSD. A great number of combinations were proposed by stakeholders, often reflecting domestic infrastructural setup. Some stakeholders considered that one function would suffice, with diverging views on which function should be performed (either notary function or settlement function). Others favoured the performance of two functions, with different views on the respective functions to be performed (a combination of central safekeeping and settlement, of central safekeeping and one of the two other functions, of notary and settlement or of notary and safekeeping). Others called for the performance of all three functions by a CSD. Another view suggesting adding credit functions among core functions.

Q5. The current definition of a 'securities settlement system' as laid down in the Settlement Finality Directive (SFD) was widely seen as being sufficient; some public authorities advocated a review of the definition of a securities settlement system along the new CPSS-IOSCO definition in order to avoid any confusion with CCPs. Among the private sector responses, some views favoured a "stand alone" definition, without reference to the SFD. A number of respondents expressed the view that while all CSDs should operate notified systems under the SFD, not all operators of notified systems should qualify as a CSD.

Q6. Regarding the exercise of ancillary functions by CSDs, there was practically unanimity among respondents that CSDs should follow a low-risk business model. For a number of respondents, mainly the custodian banks and some regulators, this principle was interpreted as limiting the type of ancillary functions a CSD may be able to perform: a CSD should not be allowed to perform ancillary functions that carried risks beyond purely operational risks (banking services, credit, securities lending). According to this group of respondents, those functions would have to be exercised by a separate legal entity. In this group of respondents, some made a distinction between CSDs and ICSDs and favoured allowing ICSDs to provide banking services. Others stressed the need for CSDs to be able to continue viable business models that allowed also the pursuit of properly regulated activities beyond the provision of core services. On the private sector side, some respondents, mainly the CSDs, highlighted that the CSDs typically perform functions that take risk out of the market.

Concerns were expressed that a limited list of ancillary services may hinder CSDs to develop future business. These respondents favoured defining ancillary services by way of a principle, such as "harmonised, commoditised services improving market-wide safety, efficiency and transparency" (as provided by some CSDs), and providing a list of services only for illustration purposes. The same respondents also highlighted that not all ancillary services are

linked to core functions, for instance collateral management can be generic and some banking-type of services are provided to facilitate ancillary rather than core services. Many respondents provided suggestions for redrafting of or including additional ancillary services – Annex 1 provides a non-exhaustive list of such suggestions.

3.2 Authorisation and supervision (Questions 7-15)

Q7, 13. A number of respondents concurred with the need for a supervisory process that was effective in identifying and resolving regulatory issues in an efficient manner. Some respondents questioned the significance of some of the "externality" cases listed in the consultation paper as justifying the involvement of authorities from other Member States and wanted a distinction to be made between such authorities' role in terms of authorisation or supervision, and between actual involvement or just information sharing. Most public authorities supported the competence of the home authority. They supported a sharing of competences between regulators notably for the following cases: a foreign or regional SSS, interoperability arrangements, foreign issuances, banking activities. Some regulators were opposed to any form of college or supported only a pure consultative involvement of the host authorities.

Q8-9. Most respondents favoured that a future CSD authorisation procedure should be linked to the procedure set out in the SFD; while some argued that the two procedures were to be seen as two distinct acts, others were against a dual application process. Regarding the organisation of the two processes, some suggested that both notification and authorization should be simultaneous. Of those who supported a single process, views differed as to where the competence for authorisation should move (to the CSD authority or the SSS authority).

Q10. Practically all respondents favoured the maintenance of a CSD register by ESMA. Some suggested that ESMA should also be the competent authority to which Member States' notifications under the SFD are addressed. Some public authorities questioned the practical benefit of such a register distinct from the SSS register while other suggested that added value could be created if such a register details the activities and the competent authorities for each CSD in order to allow ESMA to easily monitor a settlement crisis. There were also suggestions that ESMA ensures the consistency of definitions across the Member States.

Q11. Respondents expressed a variety of views on how to make the new rules applicable to existing CSDs. Some respondents argued that there should be no specific phasing-in of new legislation, but that all CSDs should be subject to authorisation under the new rules as from the moment of entry into force of legislation. Others favoured giving CSDs a limited time-span to adapt to new legislation. Some respondents also favoured a solution that would make existing CSD not subject to a new authorisation process, but to have the application of the new rules phased in via the on-going supervision process.

Q12. Views on capital requirements for CSDs varied depending on the position that was taken vis-à-vis ancillary services: those respondents that favoured the limiting of functions to non banking types services noted that this approach should be reflected in an appropriate capital requirement regime. Other respondents identified a need to coordinate any capital requirement with existing capital requirements rules under banking regulation. Among public authorities, a majority favoured a dual regime inspired by CPSS-IOSCO based on a fixed method of calculation for core activities and a variable amount depending on risks incurred by ancillary activities. Some suggested that capital requirements based on CRD would not be appropriate to intraday credit while others suggested in the latter case alternatives to capital requirements such as guarantee funds. A smaller group favoured a single regime encompassing all core and

ancillary activities together. Among the latter some suggested that the CRD serve as the unique basis for calculation if the CSD is authorised to provide banking services.

Q14-15. Similarly, views diverged as to the scope and the effects of a CSD license. Those respondents in favour of limiting a CSD's activity ruled out any possibility for a CSD to obtain a special purpose banking licence and favoured a partial passporting approach for core CSD services. Others expressed support for a limited purpose banking licence and a full passport solution. Essentially three options were proposed in respect of the (limited) banking services: (1) two separate licences, one for CSD functions and another one for banking type of services, (2) one licence for all services, integrating appropriate requirements for banking type of services and (3) two licenses attributed to two distinct entities. Regarding the first option, some suggested that the banking license should not be CRD based.

3.3 Access and interoperability (Questions 16-24)

Q16. A majority of respondents favoured granting market participants the right to access the CSD of their choice. A number of respondents called for open and non-discriminatory access to CSDs by market participants, subject to a thorough risk assessment of eligible participants and the existence of the necessary links between the CSD and other market infrastructures.

Q17. There was also widespread support for granting issuers the right to issue their securities in the CSD of their choice, but that this should not be an obligation for CSDs. Some respondents pointed out that for this right to be effective, further harmonisation of legal and technical rules needed to be accomplished. Others raised doubts that this right for issuers to access CSDs would have any practical effect without a portability regime allowing straight through processing. Indeed, there were comments that CSDs, market participants and investors should be required to recognise and facilitate compliance with issuer visibility rights, in accordance with the issuer's national law.

Q18. Regarding corporate law, many respondents argued that the issuance of a security in a foreign CSD should not affect the relation between an issuer and the end-investor. Most public authorities also insisted that corporate law be the law of the issuer, and even proprietary law at the level of the CSD should align with issuer law, at least for equities. There were also comments that considerable cooperation and coordination was likely to be required from national regulators in respect of these issues.

Q19. Some respondents questioned the usefulness of split issues in terms of market efficiency. Others considered this to be a feasible option if accompanied by appropriate coordination provisions. Some CSDs expressed concern that split issues may not be economical and therefore they should not be obliged to accept them. Some respondents also highlighted that the issuer is the party ultimately responsible for the integrity of the issue, although this function can be delegated. Several public authority invoked drawbacks such as the fact that splits reduce fungibility or that any authorization of splits should be subject to a prior tax and corporate law assessment by each Member State. However, others considered that splits might be acceptable if strong reconciliation measures were implemented which would be possible only through interoperability

Q20. Access rights to CSDs – either by other CSDs or by other market infrastructures - were generally seen as a positive development by most respondents. Some considered that corresponding demands should be made subject to the business interests of the participants of the requesting infrastructure.

Regarding access between CSDs, most respondents favoured a right for a CSD to become a participant in another CSD under the same transparent and non discriminatory provisions as other participants (the so called "standard access"). A minority of respondents suggested that this right of access should also extend to "custom access" and to "interoperability".

A number of respondents cautioned against installing overly complex rules for granting access. Notably, they disagreed with some of the suggested requirements for access arrangements, such as harmonisation of account structures and DVP for links.

A number of respondents, mainly custodian banks, were not in favour of CSDs accessing other CSDs. They favoured the segregation of "investor CSD" activity in a separate legal entity from the "issuer CSD" activity. It was argued that investor CSDs would transform themselves into global custodians and add a new layer of intermediation.

As to the conditions for exercising this right, a number of respondents argued in favour of a right for the issuer CSD to refuse access for risk reasons. Other reasons for refusal cited were commercial reasons or T2S compliance.

There were also calls that this right of access should be made available to other types of institutions, such as issuer agents.

Q21-22. Similarly, most respondents favoured the right of CCPs and trading venues to access CSDs. Some respondents expressed the view that participants of trading venues should be able to decide on the place of settlement. As to the conditions for exercising this right, some respondents wanted to make it subject to risk assessment or ESMA control.

Q23. With respect to the right of CSDs to access transaction feeds from trading venues or CCPs, some respondents expressed concerns as to whether this right would be effective in legislation on CSDs without formally including corresponding provisions in MiFID and the proposed regulation on CCPs. One response noted that the right of access should be reversed, since it should be the trading platform or the CCP that feeds the CSD and not the contrary.

Some respondents argued that the issue is already sufficiently dealt by MiFID and EMIR, while others seemed to indicate that this right is not sufficiently granted for cross-border transactions.

Regarding the effective exercise of the right, some pointed to the need for a requesting CSD to be able to interlink with the incumbent CSD and highlighted confidentiality issues regarding the provision of information regarding all trades to the CSD. Some respondents wanted to make the exercise of the right subject to risk assessment or ESMA control.

Q24. On the question of additional conditions that should be fulfilled for CSDs to be able to compete with incumbent CSDs, respondents mentioned access to transaction feeds, basic reference data that support transaction feeds, including security and market participant identifier, and access to central bank money. Some CSDs also pointed out to access arrangements with entities potentially exempted from the CSD legislation.

3.4 Prudential rules and other requirements for CSDs (Questions 25-43)

As a general remark, many respondents expressed their preference for having only the principles of prudential rules spelled out in primary legislation, leaving the formulation of more detailed rules to implementing rules. Also, the point was raised that duplication with other initiatives, namely the Securities Law Directive (SLD) should be avoided.

Q25. Some respondents agreed with the need to strengthen the legal framework for operations performed by CSDs, mentioning the examples of the timing of entry of a transfer order into a securities settlement system and timing of the irrevocability of instructions. Several public authorities were in favour of the reinforcement of the legal framework. Some held the view that strengthening the legal framework should include detailed rules on links and on SSS notification, while others insisted on the contrary that pure legal aspects remain subject to conflict of laws. In this respect one authority suggested that conflict of laws concerning notary/safekeeping functions should be subject to "issuer law" and should therefore differ from conflict of laws solutions provided by the SLD. Some authorities argued against any reinforcing of the legal assessment of links on the basis that this falls in the remit of the central banks.

Q26. Practically all respondents considered that a settlement system operated by a CSD should be designated and notified under the SFD. This requirement was echoed by most public authorities. ECSDA pointed out that this is already the case for all its EEA members.

Q27. Regarding securities lending, a number of participants favoured an obligation for CSDs to install securities lending mechanisms among its participants; however, many CSDs argued that there is not a business case for this in smaller markets. There was a general view that CSDs should not be forced to operate a securities lending mechanism acting as principal. A number of respondents, mainly custodian banks, pointed out that the provision of securities lending services as principal should be done by a separate legal entity under a banking licence. Among public authorities, several subjected securities lending by CSDs acting as principal to appropriate solvency and liquidity rules. For this reason several authorities considered that securities lending should only be optional or should only be granted by CSDs as facilitator.

Q28-29. Many respondents expressed support for introducing a general requirement to have securities available in book entry form; a notable exception was the UK, which had analysed this issue recently and decided not to impose compulsory dematerialisation. Regarding the scope of this requirement, some advocated to apply it to all securities listed on regulated markets. Others saw as possible scope all CSD eligible securities and/or actively traded securities. There was also a suggestion for a narrower rule requiring issuers to pass securities through a CSD in book entry form "as soon as the issue needs to circulate among financial intermediaries". Most respondents that favoured a general requirement for book-entry considered that securities already issued should be phased into a new regime within a certain period of time.

Q30-31. As concerns Delivery versus Payment (DVP) settlement mechanism, a considerable number of respondents argued that the use of these mechanisms was already common practice among CSDs in Europe. Some pointed out that in order to facilitate links between CSDs the number of available DVP mechanisms should be limited. Most respondents saw no need for a transitional period for this requirement or the introduction of a guarantee fund in the interim, as all CSDs were expected to have DVP in place already now. There were, however, views that Free of Payment and Free of Cash deliveries should be allowed as well, particularly in the case of corporate actions.

Q32-34. A number of respondents agreed that CSDs should use central bank money where practicable and feasible and that this preference should be applied equally to all types of securities. Some respondents, mainly custodian banks and some regulators argued that CSDs should in principle not be allowed to settle in commercial bank money and that commercial bank settlement should not occur on accounts opened with the CSDs. This should only be

made possible via a settlement agent bank distinct from the CSD. These respondents also argued that any provision regarding settlement in commercial bank money should not form part of legislation on CSDs, but should be covered by banking legislation

Q35-36. There was widespread support regarding rules on reconciliation and segregation of customers' securities and the need to have an approach that would be synchronised with that chosen by a possible future Securities Law Directive. Some respondents stressed the primary responsibility of CSDs for this task which should be addressed by law and not contractually. Views differed as to the degree and level of detail of respective legislative provisions.

There were views, mainly from the CSDs, that segregation should be imposed at CSD level only and not at CSD participants' level since the CSD cannot monitor this. There were also suggestions that the CSD legislation should consolidate all the requirements in this respect, including those from MiFID. Concerns were also raised regarding national laws, i.e. that the national law of the issuer should determine the particular arrangements for reconciliation between the parties.

Q37. As to operational risks, most respondents were in favour of the proposed items. Some stressed the need to have more safeguards in place, e.g. adequate insurance by CSDs to cover operational risks, availability of key systems, transparent information for customers about operational risks, an authorisation by the relevant authority if a CSD outsources its settlement function and an external audit of CSD's risk controls and existence of assets.

Q38. Regarding governance, most respondents agreed with the provisions as described in the consultation paper, some suggesting additional items to be included in the proposed list. On the other hand, some respondents questioned the need of specific measures, i.e. the suitability of a risk committee (except for those CSDs which perform net systems) and the need for independent directors. A general comment made by many respondents was that CSDs had a different risk profile from CCPs and therefore needed a different regime on governance. Some respondents who agreed with the principle of risk committees suggested that issuers should also be represented in such committees. Another general view related to the applicability of these provisions in the case of groups, e.g. that certain rules should apply only at group level, not at the level of each subsidiary.

Q39-40. Most respondents agreed that CSDs should be able to outsource their activities without affecting the proper functioning of the CSD and the full responsibility of the CSD at any given point in time. Some respondents called for the involvement of participants prior to any major outsourcing decision. A number of respondents saw no need for exemptions from these principles, while some saw an exemption in the context of T2S as being justified. Public authorities agreed on the two principles of outsourcing provided that the authorization by competent authorities be limited to core functions or systematically important functions.

Q41-42. With respect to financial risks directly incurred by CSDs, a number of respondents, mainly custodian banks, were critical of allowing CSDs to take on any of the risk described in the consultation paper. As these risks are related to banking activity, some respondents argue that they should be carried out in a distinct legal entity providing banking services. Those that favoured CSDs providing some limited banking services commented that the suggested liquidity and credit risk prudential requirements should not go beyond ESCB-CESR recommendations. Concerning the exercise of particular banking activities, some mentioned that requirements should be stronger for securities lending than for cash credit. It was also suggested that CSDs acting as principal should collect the cash on the accounts of their

participants without preventing them from using such cash for making credit in their own name.

Concerning the case where credit risks are only borne by participants, most public authorities agreed with the proposed framework, with the reservation of two authorities which did not see any case for a CSD acting as a facilitator and two other authorities, which opposed the requirement for lending participants to fully collateralise credit.

Q43. Regarding price transparency, there was widespread agreement among respondents to include at least certain elements of the Code of Conduct in legislation. A number of participants pointed out that these elements should also be made applicable for other infrastructures (trading venues, CCPs) by the relevant legislation. On service unbundling, some respondents supported it under a principle of "non-discriminatory pricing". Concerning account separation, a number of respondents questioned the usefulness of this procedure and underlined that it would be disproportionate to introduce such a requirement across all asset classes.

4. Part II: Harmonisation of certain aspects of securities settlement in the European Union

Q44. In general, a majority of respondents welcomed the drive towards more harmonisation of key post trade processes in order to improve cross-border investment. A number of respondents suggested that legislation should provide a general framework and leave details of the harmonisation to level II legislation and market standardisation. Some respondents pointed out that the issue should be dealt through MiFID or through a text that would not take the form of a regulation.

Q45. Besides the measures discussed in the consultation paper, some respondents identified other areas where harmonisation may be beneficial, e.g. the use of standardised communication flows, common rules for middle office processes, and removal of tax and legal barriers. Some public authorities advocated in favour of addressing in this legislation other aspects (e.g. legal, tax, harmonisation of customer interface and communication protocols as well as sanctions if insufficiently addressed by short selling regulation).

Q46. A majority of respondents welcomed a common definition of settlement fails in the EU. Some respondents favoured a high level definition only. Others highlighted the need for properly identifying and addressing the root causes of settlement fails, which may be difficult especially in regard of property law aspects.

Q47-49. Most respondents agreed that markets should have in place mechanisms to prevent settlement fails as much as possible and to address settlement fails once they have occurred in a proper manner. The measures alluded to in the consultation paper were widely recognised as reflecting practice in a number of markets.

A number of responses cautioned against a "one size fits all" approach for all markets. Various submissions called for relevant rules to be formulated by appropriate experts working together with ESMA. Regarding penalty regimes, some respondents argued that any penalty regime should aim at penalising the person that is actually responsible for a fail; the CSDs are not always in a position to identify that. The point was also made that the feasibility of some measures may depend on the degree of liquidity in a given market. The point was also made that any regime should not be a source of revenue for CSDs, but that revenues be kicked backed to improve the system. A number of comments were made regarding detailed measures proposed.

Many respondents also favoured including such settlement discipline measures in this legislation rather than having some in the proposed Short Selling Regulation.

Q50-55. A large majority of respondents favoured the harmonisation of settlement periods in the EU. Most of them suggested moving to a period of two days after completion of a trade (T+2), while allowing shorter settlement periods and exceptions. A number of responses raised concerns as to operational disruptions that such a move may cause for some market participants, calling for a prior cost benefit analysis to be undertaken. A particular example was given for the UK and Ireland retail equity markets, where share certificates are still used and these can take up to 10 days to settle. As concerns the scope of such a move, many respondents saw a most urgent need for harmonisation for equities and equity-like products. Some submissions argued that there is *a priori* no reason to exclude any asset class from such a move. Regarding trading venues, it was highlighted by some respondents that all trading venues as defined by the upcoming MiFID review should be covered. A number of respondents stressed the need for OTC markets to be able to retain flexibility, while others favoured including OTC transactions in the scope. Regarding the date of entry into force of a harmonised settlement period, most respondents considered that it should occur in advance of the testing of the Target2-Securities project of the ECB in the second half of 2013

Q56. Most respondents agreed on the benefit of having a harmonised sanction regime. A number of responses pointed out that the issue of administrative sanctions should not be confused with penalty regimes for late settlement administered by a CSD (which are of a private nature). Many CSDs also highlighted that CSDs should have the right to pass on sanctions to a supplier that has generated the problem.

Some public authorities favoured applying sanctions at a local level or a mechanism of rapid transfer of securities to another CSD especially in case of insolvency of a CSD.

Annexes:

I. Alternative definitions provided by respondents

II. List of respondents

Annex I: Alternative definitions provided by respondents

Core definitions

Notary:

Admission of securities of an issuer for the purpose of central referential recording, including book-entry credits on securities accounts and maintaining the integrity of the issue (Clearstream)

Initial admission and/or establishment of certificated or dematerialised securities in book entry form (Euroclear)

The initial representation and subsequent maintenance of certificated or dematerialised securities through initial credits and subsequent credits or debits to securities accounts (ECSDA, other CSDs)

Maintaining a system of initial bookkeeping that records the amount of a securities issue an behalf of the issuer and ascertains the validity of the securities in order to enable securities to become account-held and securities transactions to be settled by book entry (OEKB)

Initial recording of immobilised or dematerialised securities in book entry form (UK Treasury)

Maintaining a system of initial bookkeeping that records the amount of a securities issue on behalf of the issuer and ascertains the vailidity of the securities in order to enable securities to become account-held and securities transactions to be settled by book entry (Pöch + Raiffeisen Bank International)

Establishing and maintaining a system of initial bookkeeping that records the amount of securities issue in a specific account in the name of the issuer and that enables securities transactions to be processed, by book entry and registered on CSD participants' accounts (LSE)

Establishing and maintaining a system of initial bookkeeping that records the amount of each issue in the system in a specific account in the name of the issuer; that enables securities transactions to be processed by book-entry and the maintenance of securities accounts for the account of participants to the aggregate of which are credited in an identical number of securities of the same description as the CSD maintains in the system of central booking (BNP Paribas)

The "core" functions combine some or all of the following services:
(i) recording the amount of each issue held in the system in a specific account in the name of the issuer;
(ii) maintaining securities accounts for its participants;
(iii) facilitating the transfer of securities via book entry;
(iv) facilitating reconciliation with any external official register; and
(v) facilitating for its participants the exercise of securities holders' rights and corporate actions.
(AFTI + AMAFI + FBF, CACEIS, Société Générale Securities Services)

A definition of the notary function should contain the following elements:

- *establishment and maintenance of an initial book-keeping system where the amount of each issue of securities is recorded;*
- *processing securities transactions via book-entries*
- *maintenance of securities accounts for participants where the aggregate amount of securities credited to such accounts corresponds to the aggregate amount of the issue in the central booking system of the CSD*
  (Verband der Auslandsbanken in Deutschland)

Admission of securities of an issuer for the purpose of central referential recording, clearing and settlement of book-entry credits on securities accounts (notary function), including maintaining the integrity of the issue (European Association of Co-operative Banks)

Admission of securities of an issuer for the purpose of central referential recording, clearing and settlement of book-entry credits on securities accounts (notary function), including maintaining the integrity of the issue (Zentraler Kreditausschuss)

Central safekeeping*:*

Account providing and administration of financial instruments of a book entry system (Clearstream)

Maintenance and administration of securities on behalf of others, including through the provision or maintenance of securities accounts (Euroclear)

The maintenance and administration of financial instruments in a book entry system including through provision or maintenance of securities accounts (ECSDA)

Account providing and administration of financial instruments at the top tier of the securities safekeeping (OEKB)

Safekeeping (and notary) is the complete provision of:

- *A central facility to deposit non registered securities into a global or specific account*
- *Account provision and administration of non registered financial instruments on top of a book entry system*
- *A system of initial bookkeeping that records the amount of a securities issue and enables securities transactions to be processed by book entry (Capita)*

Account providing and administration of financial instruments at the top tier of the securities safekeeping (Pöch)

Suggest to delete the words "in the name of the issuer" (Ministry of Finance, NL)

Ancillary services

Additional ancillary services (Clearstream)

(2) Banking type services facilitating securities settlement:

- *provide cash accounts and accept cash deposits for its participants*
- *fails lending as principal*

(3) Services facilitating safekeeping and administrative functions:

- *voluntary corporate actions, tax services, proxy voting, collateral management*

(4) Banking-type services facilitating safekeeping and administrative functions:

- *generic securities lending as principal*

(5) Other services to issuers:

- *order routing for investment funds*

Additional ancillary services (Euroclear)

- *Add "services supporting the notary function"; such services may encompass new issue services (e.g. allocation of ISINs) and specific services to issuers such as keeping a shareholder register, services facilitating shareholder identification, etc.*
- *Add "services facilitating the optimal use of cash and securities positions", i.e. generic collateral management services (not just "facilitating" securities settlement). Collateral management services will typically entail verification of collateral eligibility and concentrations, collateral valuation, collateral posting and substitutions, etc.*
- *Other services that facilitate securities settlement, e.g. settlement matching, order routing, trade confirmation.*
- *Other services facilitating safekeeping and processing of corporate actions, e.g. withholding tax management, information services, facilitation of proxy voting services, etc*
- *Banking-type services relating to all CSD services (core and ancillary) not just core*
- *Delete non-central safekeeping of financial instruments, if this is included in core*
- *Add separate category of ancillary services i.e. "any service that respects the principles set out for the provisions of ancillary services"*

Ancillary services (ECSDA, other CSDs)

- *Securities administration functions (sometimes called "asset servicing"), e.g. processing of voluntary corporate actions, voting, tax services;*

- *Collateral management services, e.g. collateral allocation and valuation, repo, triparty collateral management services for central banks, CCPs…;*

- *Securities lending and borrowing services, e.g. to increase settlement efficiency or to cover short sales;*

- *Special purpose banking, e.g. providing cash accounts for settlement and accepting cash deposits from its participants, safekeeping or asset servicing purposes, providing credit to participants of a securities settlement system;*

- *Services provided to issuers, e.g. maintaining a shareholders'/investors' register, keeping a central register of subscription applications (known also as book building) for initial public offerings (IPOs), amending subscription applications as per allocation rules or instructions from issuers or their agents, and ultimately crediting of newly issued instruments to subscribers against or free of payment;*

- *General meeting services, typically including registration of shareholders and counting of votes;*

- *Order routing and processing, fee collection and processing, as well as related reporting;*

- *Organisation of the issue and redemption of UCITS and other fund types (e.g. pension funds);*

- *Allocation and management of ISIN (International Securities Identification Number) codes and other similar codes;*

- *Management of guarantees for the securities kept in the system;*

- *Services related to exercising pre-emptive rights;*

- *Additional IT services which have a connection with the core functions of a CSD.*

- *Provide data and statistics to the market/census bureaus*

Additional ancillary services (AFG)

- *Instruction for payment of coupons or dividends*

- *Information and management of events impacting the life of the security (securities mergers, cancellations…) or of the issuer (voting rights, participations to meetings…)*

Additional ancillary services (London Stock Exchange)

- *Provision of regulatory reporting (this could become sensitive in the context of EMIR as regards the reporting of OTC derivatives)*

Annex II: List of respondents

Country	Banks	CSD and other market infrastructures	Issuers, investors and registrars	Public authorities	Other
Austria	- Raffeisen Bank International - Austrian Federal Eonomic Chamber	- Oesterreichische Kontrollbank Aktiengesellschaft		- Ministry of Finance	- Pöch Krassnigg Rechtsanwälte
Belgium	- The Bank of New York Mellon			- National Bank of Belgium + Banking, Finance and Insurance Commission	
Bulgaria		- Central Depository of Bulgaria			
Czech Rep.		- Central Securities Depository Prague		- Czech National Bank - Ministry of Finance	
Switzerland	- UBS AG	- SIX Securities Services			
Cyprus		- Cyprus Stock Exchange			
Germany	- Zentraler Kreditausschuss - Verband der Auslandsbanken	- Clearstream Banking	- Bundesverband Investment und Asset Management - Deutsches Aktieninstitut - Gesamtverband der Deutschen Versicherungswirtschaft	- Ministry of Finance, BaFin and Deutsche Bundesbank	
Denmark		- VP Securities	- Danish Shipowners' Association	- Danmarks Nationalbank - Finanstilsynet	
Estonia	- Swedbank			- Ministry of Finance	
Greece		- Hellenic Exchanges			
Spain	- Banco Santander	- Bolsas y Mercados Españoles - Link Up Markets		- Comisión Nacional de Mercado de Valores - Comisión Nacional de Mercado de Valores – Advisory Board	

Country	Banks	CSD and other market infrastructures	Issuers, investors and registrars	Public authorities	Other
EU	- Association for Financial Markets in Europe - European Association of Co-operative Banks - European Banking Federation - European Savings Banks Group - European Central Bank	- NYSE Euronext and Interbolsa - Euroclear - European Central Securities Depositories Association - Federation of European Securities Exchanges	- The European Fund and Asset Management Association		- SWIFT - Harmonisation of Settlement Cycles Working Group
Finland			- Confederation of Finnish Industries	- Ministry of Finance	
France	- CACEIS Investor Services - Société Générale Securities Services - BNP Paribas		- Association Nationale des Sociétés par Actions - Association Française de la Gestion Financière	- Autorité des Marchés Financiers	- Association Française des Professionnels des Titres, Association Française des Marchés Financières, French Banking Federation - Groupe Eurostocks
Hungary		- Central Clearing House and Depository (Budapest)		- Ministry for National Economy	
International	- The International Securities Lending Association - Association of Global Custodians - International Capital Market Association	- DTCC			- American Chamber of Commerce
Italy	- Italian Banking Association		- Assosim		
Luxembourg	- Luxembourg Bankers' Association				
Malta		- Malta Stock Exchange		- Ministry of Finance, the Economy and Investment	

Country	Banks	CSD and other market infrastructures	Issuers, investors and registrars	Public authorities	Other
Netherlands				- Dutch Advisory Committee Securities Industry - Ministry of Finance	
Norway	- Finance Norway - Skandinaviska Enskilda Banken - DnB NOR Bank	- Verdipapirsentralen ASA		- Ministry of Finance	
Poland		- The National Depository for Securities			
Portugal				- Portuguese Securities Market Commission	
Romania		- SC Depozitarul Central			
Sweden	- Nordic Securities Association - Swedbank - Swedish Securities Dealers Association - Nordic Financial Unions	- NASDAQ OMX		- Ministry of Finance, the Swedish Financial Supervisory Authority and the Riksbank	
Slovenia		- KDD – Central Securities Clearing Corporation			
UK	-Deutsche Bank, London Branch - JP Morgan Europe Ltd. - British Bankers' Association - State Street - UK Payments Administration Ltd.	- ICAP - LCH.Clearnet Ltd. - London Stock Exchange - Tradeweb Europe Ltd.	- AXA Investment Managers - Capita Registrars - Computershare Ltd. - Equiniti Financial Services Ltd. - Institute of Chartered Secretaries and Adminstrators - Investment Management Association	- HM Treasury	- Omgeo
TOTAL	**33**	**26**	**15**	**20**	**7**