

European Commission – DG Competition

# Results of the consultation on DG COMP's Issues Paper On Competition in Securities Trading and Post-Trading

CESAME, Brussels, 23 October 2006

Sean Greenaway

# Overview

- We received a total of 34 replies:
  - 5 Exchanges
  - 12 trade associations
  - 8 banks, brokers and non-Exchange trading platforms
  - 5 providers of clearing & settlement
  - one regulator
  - three others.
- Almost all respondents welcomed the report and endorsed its findings (except, in general, those that applied to themselves...).
- The process also generated some further suggestions as to market failures or possible infringements
- All but three confidential replies are available on the DG COMP website.

# Synthesis of replies

- Wide support for unbundling and accounting separation
- Derivatives needed to complete the picture
- Caution pre-MIFID
- Move towards a competitive vision for clearing
- A variety of positions on interoperability
- Reminder of the importance of parallel progress on the public Giovannini barriers
- Considerable scope for savings & innovation

# Bundling of settlement and banking

- Concerns on the part of custodian banks remain, but no indication of a concrete infringement
- Possible systemic risk issues are outside DG COMP's competence
- LCH and Euroclear accept in principle to have CCP feed to other intermediaries, but intermediaries are not interested in this

# Competition in clearing

- Clear move towards favoring a choice of clearing location
- Many believe users rather than exchange should choose the CCP
- LCH suggests a right of access of CCPs to exchanges should exist
- Access to central bank money may be a problem

# Developments in the interim

- Code of Conduct
- Merger notification Deutsche Börse / Euronext
- Announced merger between CME and CBOT

**NEXT STEPS**

# Commissioner Kroes

(European Parliament, 11.7.06)

- « Any effective enforcement of a right of access [to parts of vertical silos] would need, in practice, a clear and reliable separation of accounts »
- « It is clear to me that competition policy does not have, by itself, all the tools necessary to address all the malfunctioning in the present market situation »
- « Action in respect of certain practices at the trading level might be premature, given the expected impact of MiFID in opening markets »
- « I strongly believe that we need to associate national financial regulators more closely with the drive for more competition »

# Other voices

- « It is the competition for better ideas, superior risk-management procedures, and new products that best leads to market innovation. The welfare implications of such innovations can be very large. » M. Moskow, President and CEO of the FRB of Chicago, Frankfurt 4/4/06
- *“Chicago’s exchanges have a history of innovation, but much of that innovation was driven by rivalry, jealousy and competition with each other. What the world without that competition will look like, I don’t know” John Lothian, 18/10/06*

# References

- Issues paper and replies :  
[http://ec.europa.eu/comm/competition/antitrust/others/rep\\_securities.html](http://ec.europa.eu/comm/competition/antitrust/others/rep_securities.html)
- Commissioner's speech :  
<http://ec.europa.eu/comm/competition/antitrust/others/speech11072006.pdf>