



EUROPEAN CENTRAL BANK



# Post-trading infrastructure: How to foster integration?

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# **I. What are the initiatives?**

# What are the initiatives?

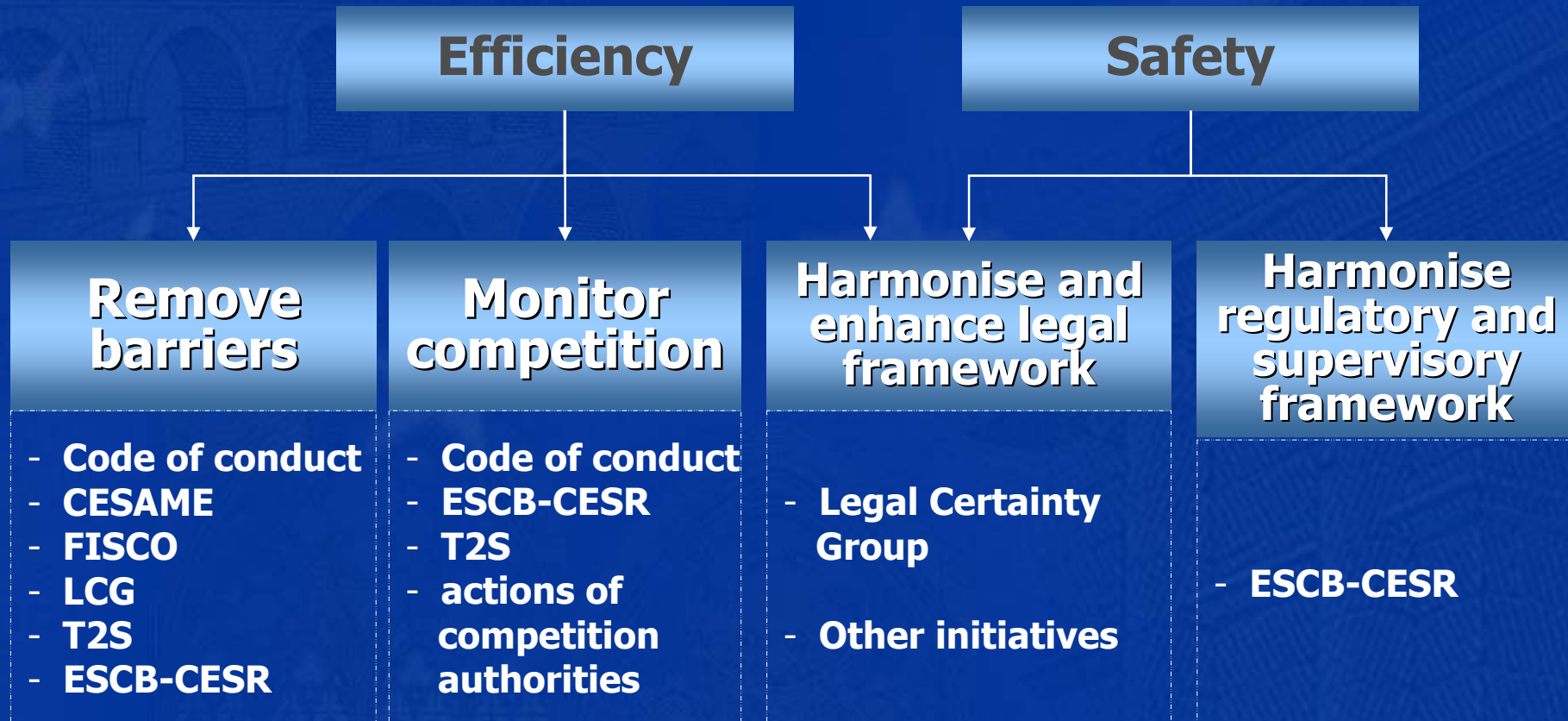
- **Code of Conduct**
- **Elimination of the Giovannini barriers**  
⇒ **CESAME, FISCO and Legal Certainty Group**
- **TARGET2-Securities (T2S)**
- **ESCB-CESR standards**
- **other initiatives**

## II. Overview

# Overview (1)

Objectives	Specific objectives	Policies and measures	Rationale	Practical initiatives	
Efficiency	Level playing field	Integration	<i>Ex-post competition policy</i>	Tackle abuses of dominant positions, including discriminatory practices.	Investigations and decisions by the Commission and national competition authorities
			<i>Dismantling of market, legal and fiscal barriers</i>	Liberalisation of the cross-border distribution of post-trading services, increase of competition and cost reduction.	CESAME, Code of Conduct, T2S, ESCB-CESR (market barriers)
					Legal Certainty Group, other initiatives (legal barriers)
					FISCO (fiscal barriers)
		<i>Ex-ante competition measures</i>	Increase pricing and cost transparency as a means to make the detection of possible abuses of market power, and therefore distortions of competition by CSDs/CCPs, easier.	Code of Conduct, T2S, ESCB-CESR standards	
Safety	Financial stability and investor protection	Common regulatory and supervisory framework	Facilitate the integration of systems; address the issue of diverging treatment of similar concerns by national authorities; strengthen cooperation between authorities	ESCB-CESR standards	
			Increase financial stability and investor protection.		

# Overview (2)



# Overview (3)

## SAFETY

Common risk framework  
Cooperation between  
authorities

Legal Certainty

## INCREASE COMPETITION

PRICE TRANSPARENCY

ACCESS /  
INTEROPERABILITY


UNBUNDLING

## COST EFFICIENCY

Remove operational  
barriers

Remove legal and  
fiscal barriers

### Legend

	TARGET2-Securities
	ESCB-CESR
	Code of Conduct
	Removal of barriers

# Overview (4)

	<i>Main objective</i>	<i>Assets</i>	<i>Scope Functions</i>	<i>Addressee</i>	<i>Tools</i>	<i>Timeline</i>
<b><i>Code of Conduct</i></b>	Efficiency	Cash equities*	Trading and post-trading	Trading platforms, CCPs and (I)CSDs	Self regulation	End 2007
<b><i>Giovannini barriers</i></b>	Efficiency	All cash securities	Trading and post-trading	Member States, trading platforms, CCPs and (I)CSDs	Private and public sector action	Mid-2008 (CESAME) T.b.d. (FISCO, LCG)
<b><i>T2S</i></b>	Efficiency	All cash securities	Settlement	(I)CSDs (and CCPs)	Central bank service	T.b.d. beginning of 2007
<b><i>ESCB-CESR</i></b>	Safety	All financial instruments	Post-trading and (marginally) trading	Authorities (CCPs and (I)CSDs)	Oversight	T.b.d.

\* To be expanded to other financial instruments.

# III. Interrelations

# ESCB-CESR standards (1)

## Direct support to Code of conduct

<b>Requirements of the Code of conduct</b>	<b>Relevant features of ESCB-CESR</b>
<i>Price transparency</i>	Standard 17 (and RCCP 14).
<i>Interoperability</i>	Open access requested in Standard 14 (and RCCP 2). Interoperability facilitated by Standards 16 and 19 (and RCCP 11).
<i>Unbundling</i>	Unbundling is encouraged in Standards 5, 9 and 10.

## ESCB-CESR standards (2)

### Indirect support to Code of conduct

Requirements of the Code of conduct	Relevant features of ESCB-CESR
<i>Price transparency</i>	Standard 15 (and RCCP 12) on efficiency may help.
<i>Interoperability</i>	Standards on risks (6-12) create conditions for open access. Standard 18 (co-operation among regulators and central banks) will also facilitate open access.
<i>Unbundling</i>	Standard 13 (and RCCP 13) on governance.

# TARGET2-Securities (1)

## Full compliance with Code of conduct

<b>Requirements of the Code of conduct</b>	<b>Relevant features of TARGET2-Securities</b>
<i>Price transparency</i>	As for TARGET2, the Eurosystem will make public both the prices and the pricing policy.
<i>Interoperability</i>	The service will be offered to all CSDs and therefore to all participants in CSDs. It will facilitate the links between CSDs, by simplifying procedures and reducing costs for cross-border transfers.
<i>Unbundling</i>	No bundling with other central bank services/facilities.

## TARGET2-Securities (2)

### Full (Direct) support to Code of conduct

Code of conduct	Relevant features of TARGET2-Securities
<i>Price transparency</i>	Contribute to transparency on "settlement prices" and on pricing policy.
<i>Interoperability</i>	Facilitate interoperability by contributing to the removal of Giovannini barriers 1, 2, 4 and 7. Catalyst for further harmonisation in custody and asset servicing. Single platform for settlement of domestic and cross-border assets (equities and bonds).
<i>Unbundling</i>	Create the conditions for unbundling of cash settlement and credit; and securities settlement and lending (as requested by banks and in the EP report); no bundling of CCP-clearing and settlement.

# TARGET2-Securities (3)

## Full support to removal of Giovannini barriers

<b>Giovannini barriers</b>	<b>Relevant features of TARGET2-Securities</b>
<i>Barrier I</i>	TARGET2-Securities will make use the SWIFT communication protocol.
<i>Barrier II</i>	TARGET2-Securities will make irrelevant the issue of the location of settlement.
<i>Barrier III</i>	TARGET2-Securities may foster further harmonisation of asset management.
<i>Barriers IV and VII</i>	TARGET2-Securities will ensure common operating hours and finality rules for domestic and cross-border transactions.

# **IV. Conclusions**

# Conclusions

- **Common goal: an efficient and safe (integrated) post-trading market infrastructure in the EU**
- **Some initiatives focus more on efficiency, others on safety**
- **As such, the initiatives complement each other...**
- **... and concur to a coordinated Action plan**
- **Private and public commitment are necessary**