



ECSDA
European Central Securities
Depositories Association

FESE, EACH & ECSDA – Implementation progress towards the Code of Conduct

Joint status update for the CESAME meeting
Brussels 22 October 2007

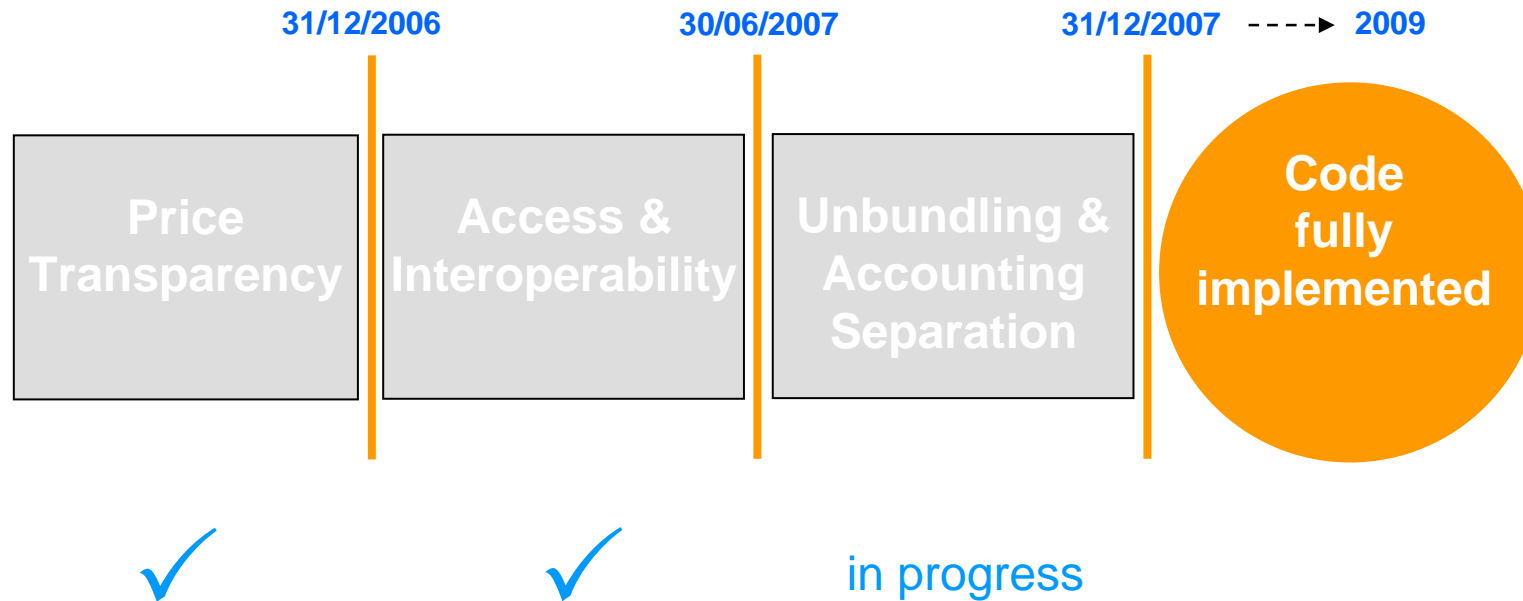
Agenda

1. Introduction
2. Price Transparency (Articles 7 - 18)
3. Access and Interoperability (Articles 19 - 37)
4. Service Unbundling & Accounting Separation (Articles 38 - 43)
5. External Auditing (Article 44)
6. Other asset classes

1.- Introduction

Implementing the Code*: The timeline

Code of Conduct implementation timeline



* for Cash Equities only

2.- Price Transparency ECSDA Conversion Tables published on websites



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Status of Today (26. September 2007)

- **28 ECSDA Members** out of the **33** who signed the CoC have already published a Conversion Table on their respective websites, including all major players

- Reminder on “Conversion table” for ECSDA members was sent – there are still some conversion tables missing on the respective websites. The missing 5 CSDs:
 - Cyprus Stock Exchange (Cyprus),
 - UNIVYC Ltd (Czech Republic),
 - Iceland's Securities Depository LTD (Iceland),
 - Central Registry of Securities JSC-Republic of Srpska (Bosnia & Herzegovina),
 - Central Depository Agency Inc (Croatia),have only published price lists so far.

3.- Access & Interoperability

- Access and Interoperability Guideline drafted by Market Infrastructures in consultation with users and EU Commission. Published on 28 June 2007.
- The Guideline defines the Principles and Conditions for Access and Interoperability in line with the Code of Conduct.
- Structure:
 - General Principles
 - A&IO Scenarios
 - Business Case
 - Application standards
 - Mediation Mechanism
 - Legal, Fiscal and Regulatory arrangements

3.- Access & Interoperability

Possible Links between Organisations

Receiving Requesting	Trading Platform	CCP	CSD
Trading Platform		[3.1] TF	[3.2] TF
CCP	[3.3] TF	[3.5] SA/CA/ IO	[3.6] SA/CA/ TF
CSD	[3.4] TF	[3.7] TF	[3.8] SA/CA/ IO

Legend

SA Standard Access
CA Customised Access
TF Transaction Feed
IO InterOperability
[x.x] Scenario chapter reference
 Vertical link
 Horizontal link

3.- Access & Interoperability Principles

- Operational efficiency
- Reciprocity
- Receiving
- Non-extension
- Non-discrimination

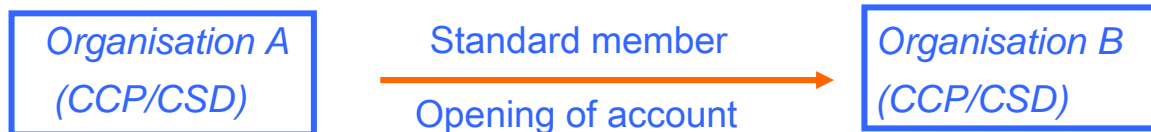
3.- Access & Interoperability

Access types and interoperability

- **Access**



- **Customised access**



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- Development of special functions (reasonable in time, scope, resources).
- Compensation cost + basis
- No fundamental change
- To be made available to others
- **Transaction feed access** – No opening of account
- **Interoperability** – subject to business case of the entities.
 - Advanced forms of relationships where an Organisation is not generally connecting to existing standard service offerings of the other Organisations but where they agree to establish **mutual solutions**.

3.- Access & Interoperability Business Case

- Assessment of the user demand, financial, commercial and marketing.
- Service description
- Loss of market share cannot be used to deny a request.
- One-off investment costs charged on a cost-plus basis (unless otherwise agreed).
- Receiving Organisation to respond reasonable requests in good faith.

3.- Access & Interoperability Status of requests*

Market Receiving Entity	Belgium			France			Netherlands			Portugal			Germany			Switzerland			UK			Italy		
	T P	C C	C S	T P	C C	C S	T P	C C	C S	T P	C C	C S	T P	C C	C S	T P ¹	C C	C S	T P	C C	C S	T P	C C	C S
Requesting Entity	P	P	D	P	P	D	P	P	D	P	P	D	P	P	D	P	P	D	P	P	D	P	P	D
Eurex Clearing				X	X	X	X	X	X							X	X	X	X	X	X			
LCH.Clearnet Ltd	X		X	X		X	X		X	X		X	X	X								X	X	X
LCH.Clearnet SA													X	X	X							X	X	X
SIS x-clear	X	X		X	X		X	X		X	X		X	X					X	X	X			
Clearstream Banking Frankfurt		X			X			X			X	X					X			X	X			
Clearstream Banking Luxembourg		X			X			X			X					X				X				
Euroclear Bank													X											
SIS SegalInterSettle													X	X	X									

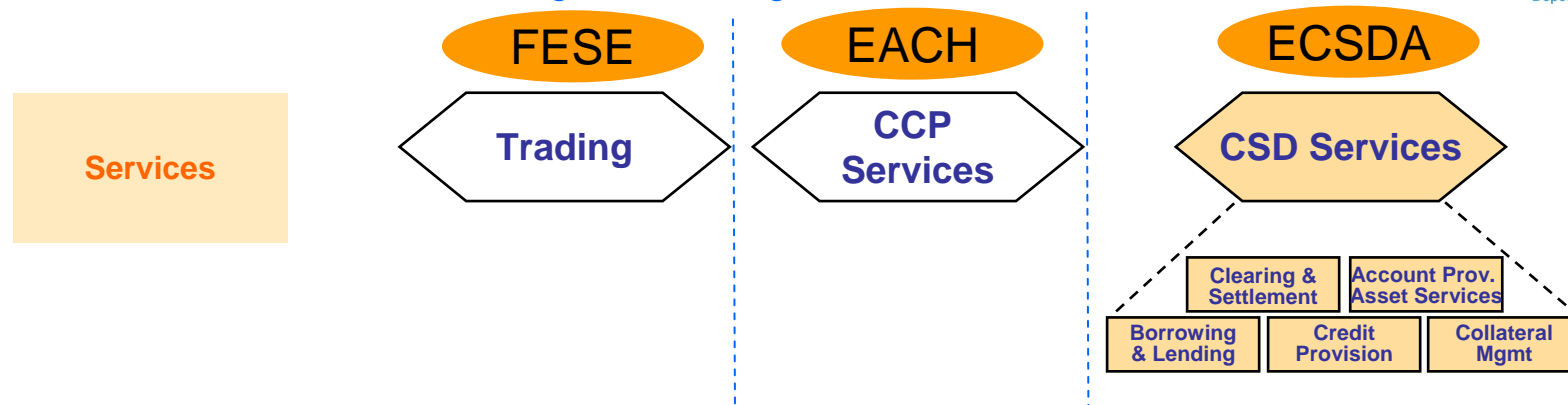
¹ = virt-x

- shaded areas indicate links already in place
- blank areas indicate that no links applicable
- black area indicate organisation to itself

* Table dd. 8 October 2007; based on information publicly available in the financial press

4.- Service Unbundling & Accounting Separation

- Unbundling the following services from each other:



Unbundling

- Customer can purchase an unbundled service without having to purchase another
- Special price offers for several unbundled services possible; special price has to meet price transparency requirements of CoC

→ Affects primarily ECSDA members

Accounting

- Disclose non-consolidated accounts for unbundled services to National Regulator
- Apply IFRS or local standard, if IFRS not mandatory

→ Affects all associations: FESE, EACH and ECSDA members

5.- Monitoring compliance with the Code

■ Role of different players with regard to the three phases of the Code

	Role in monitoring compliance with the Code			
Code phase	Organisations	Auditors	National Regulators	MOG *
Price Transparency	Self-assessment by the organisations based on the implementation reports			Monitoring of the self assessment by the organisations based on the implementation reports
Access and Interoperability	Self-assessment by the organisations based on request received / raised			Monitoring of the self-assessment by the organisations for the implementation of the Access and Interoperability Guideline
Unbundling and Accounting Separation	1) Non-consolidated accounts and revenues & costs of unbundled services (articles 42 & 43) sent to auditors and national regulators.	Receive data of 1) and testify consistency of information. Issue assurance statement to confirm compliance of the organisation (including 2) below)	Receive information (datasheet) from organisations (articles 42 & 43)	Receive assurance statements from Organisations.
	2) Prepare Self-assessment report which will be sent to auditors and national regulators on the implementation of articles 42 & 43	Receive self-assessment report . Verify information relating to articles 42 and 43. Include the result into the assurance statement above (see1))	Receive assurance statement per organisations from Auditors	Monitoring of the compliance per organisation based on assurance statement of external Auditors.

* The MOG is responsible for monitoring the implementation of the Code of Conduct. It is chaired by the EU Commission

6.- Other asset classes

Generic questions to be addressed

The following generic questions have to be clarified upfront and serve as prerequisite of any discussion about other asset classes :

- Is there a “market failure/deficit” to be addressed for :
 - a) fixed income instruments?
 - b) derivatives?
- If there is a market failure what would be the adequate tool of a regulatory action for :
 - a) fixed income instruments?
 - b) derivatives?
- If a self-regulatory approach is the adequate instrument to address market failure for derivatives/fixed income markets, which are the additional market players who should be involved?
- Do you think that market infrastructures should, as a priority, focus on the full implementation of the existing Code of Conduct for cash equities?