

ECSDA WG5

Progress Report on Giovannini Barrier 4 & 7



ECSDA

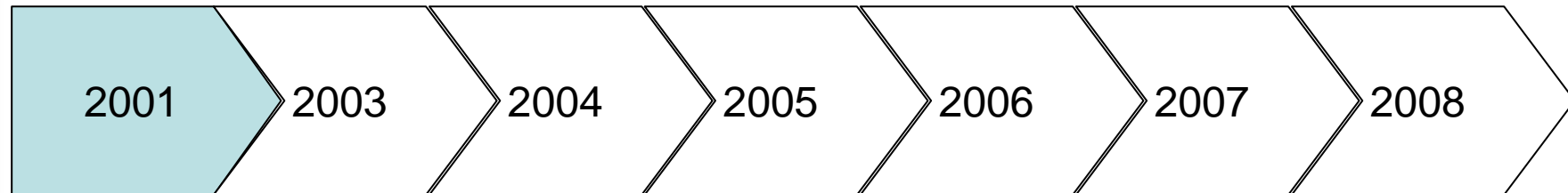
European Central Securities
Depositories Association

Presentation to CESAME

16th June 2008

Claudio Anfossi

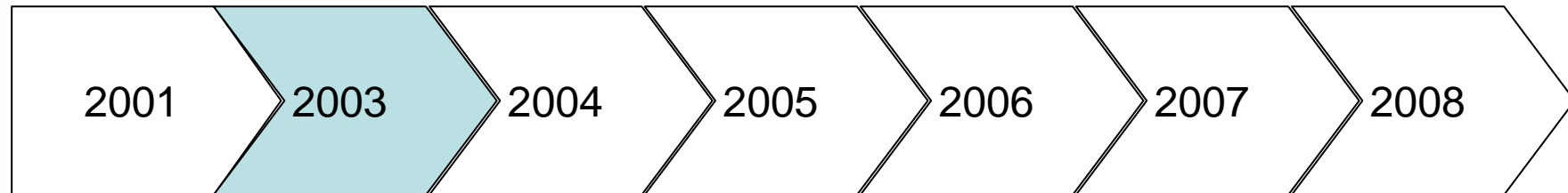
A clear identification of barriers to a single European Market: the Giovannini Report



January 2001:

- the Giovannini Group released a first Report on Clearing and Settlement system in Europe, identifying 15 barriers to the implementation of a single, efficient European Market

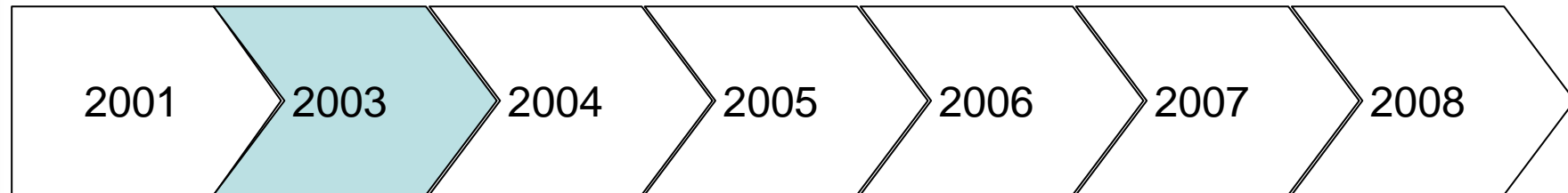
The market asked to contribute to the task



April 2003:

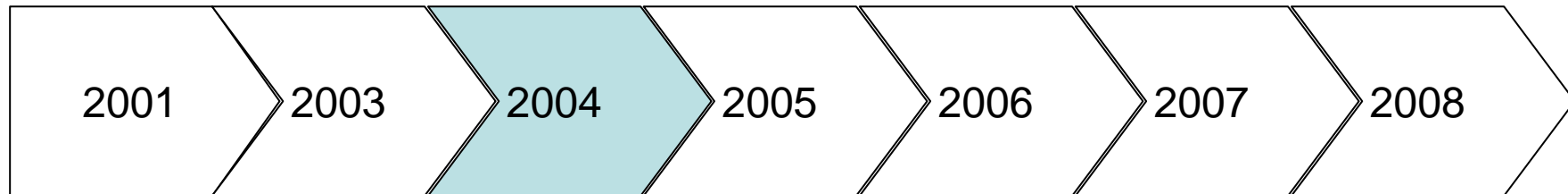
- the Giovannini Group released a second Report on Clearing and Settlement systems in Europe, identifying the necessary actions to be taken for the removal of the 15 barriers to the implementation of a single, efficient European Market
- the removal of the Barriers should be conducted by all the associations representing the Securities Industry, in cooperation with the Authorities involved, through the draft of:
 - technical standards,
 - specific agreements,
 - rules and regulations

ECSDA as a pro-active actor



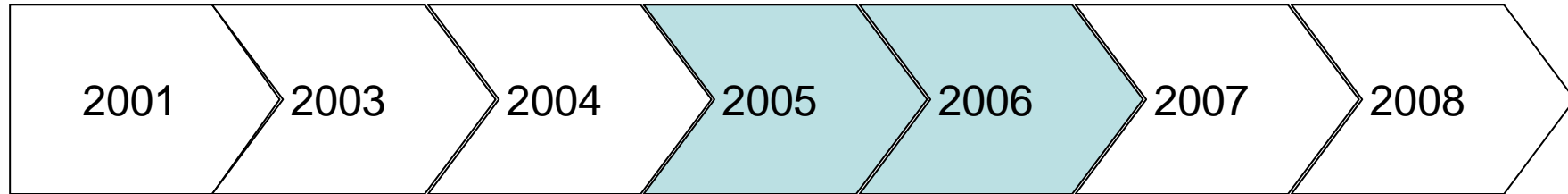
- The Giovannini Group gave ECSDA a primary position in the process of the removal of the Barriers. Particularly, for the removal of Barriers concerning operating hours and intraday settlement finality, the Report states:
 - “Operating hours and settlement deadlines should be harmonised, using TARGET hours as the benchmark. **ECSDA should take the lead in this initiative, in close co-operation with the ESCB.** This barrier should be removed within a period of two years from the initiation of this project” (*Barrier 4*)
 - “Intra-day settlement finality in all links between settlement systems within the EU should be guaranteed. **ECSDA should coordinate necessary measures.** These measures should be drawn up in close consultation with the ESCB/CESR joint working group. This barrier should be removed within a period of three months of removing Barriers 7 an 1” (*Barriers 7*)

ECSDA WG5: a challenging task



- ECSDA appointed WG5 for the draft of market standards for the harmonisation of cross border settlement (Barriers 4 and 7) and corporate actions procedures (Barrier 3)
- April 2004:
WG5 published “The ECSDA’s response to the Giovannini Report”, a first set of 10 market standards for the harmonisation of opening days, timetable and intra day settlement finality for cross border transactions

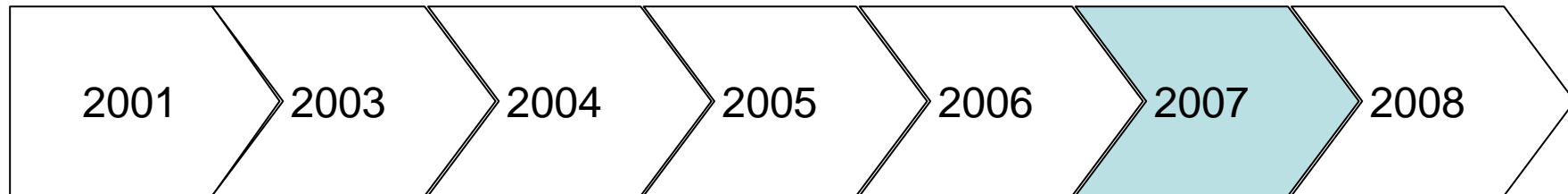
Fostering implementation and market co-operation



- ✓ April 2005 and April 2006:
 - 2 update reports were released

- ✓ WG5 entered into talks with EPDA regarding the implementation of standards. It was agreed to strengthen ECSDA co-operation with EPDA in order to:
 - ✓ Identify obstacles and barriers to the implementation of existing ECSDA standards (1-10);
 - ✓ Identify the effective market needs to overcome barriers to DVP cross border;
 - ✓ Monitor the effective implementation of existing ECSDA standards.

Extraordinary efforts, impressive results



- The standards are implemented in a large number of member Countries and in line with the original tasks drafted by the Giovannini Group
- The standards prove to be reliant for the harmonisation of cross border settlement and intraday settlement finality

Close to 100% for “original” ECSDA (1)

(All data related to end 2007)



ECSDA

European Central Securities
Depositories Association

Standard	1	2	3	4	5 (start time)	5 (finish time)
	All SSS who offer settlement in Euros should be open for Euro settlement for all types of financial instruments eligible in that SSS at least on all TARGET opening days.	All SSS who offer settlement in a currency should be open for settlement in that currency for all types of financial instruments eligible in that SSS at least on all relevant currency-opening days.	SSS introducing settlement in a new currency after 2004 should adapt to the relevant opening days immediately upon the new currency being available in the SSS.	Settlement systems should be open for activities other than settlement activity (ie reporting, enquiries, reconciliation etc.) as long as possible from a cost efficient point of view, but at least from the currency opening time (07.00CET for euros) to the end of the currency day (18.00 CET for euros).	All European SSS should start DvP settlement by the opening time of the relevant European currency's banking system and continue to offer DvP settlement until, at a minimum, two hours before the banking system closes. (For example, all settlement systems in the Euro Zone should start DvP settlement for Euros by 07:00 CET and stop at or after 16:00 CET).	
Austria / OeKB	✓	✓		✓	✓	✓
Belgium - Euroclear Belgium	✓	✓		✓	✓	⊗
Clearstream - Lux	✓	✓		✓	✓	✓
Denmark -VP	⊗	✓		✓	✓	✓
Euroclear Bank	✓	✓	✓	✓	✓	✓
Finland / APK	⊗	✓		✓	✗	✓
France / EF	✓	✓		✓	✓	✓
Germany / CBF	✓	✓		✓	✓	✓
Greece / HICLCX	✗	✓		✓	✓	✓
Ireland / CREST	✓	✓		✓	✓	✓
Italy / MT	✓			✓	✓	✓
The Netherlands / ENL	✓	⊗		✓	✓	✓
Norway / VPS	⊗	✓	✓	✓	✓	✗
Portugal / INTER	✓	✓		✓	✓	✓
Spain / IBER	✓			✓	⊗	⊗
Sweden / VPC	✓	✓		✓	✓	✓
Switzerland / SIS	✓	✓		✓		
UK / CREST	✓	✓		✓	✓	✓
Total Compliant	14	15		18	15	14
Number of relevant SSSs	18	16		18	17	17
Percentage of compliance	78%	94%		100%	88%	82%

✓	⊗	✗		
Implemented	Work In Progress	Not Implemented	Not Applicable	Not an Issue

Close to 100% for “original” ECSDA (2)

(All data related to end 2007)



ECSDA

European Central Securities
Depositories Association

Standard	6	7	8	9	9info	10
	For maximum efficiency and liquidity, participants should be encouraged to settle as early as possible in the morning.	No next value date settlement should start before the relevant banking system closes. (ie in the Euro zone no overnight batch should start until TARGET closes, currently 18:00 CET.)	No settlement processing should occur between settlement systems before both are processing the same settlement value date.	SSS should support efficient cross-border settlement in Europe by providing intraday finality in real time or by at least one settlement cycle per hour during the period identified in standard 5.	SSS should support efficient cross-border settlement in Europe by providing intraday finality in real time or by at least one settlement cycle per hour during the period of current opening hours	In the case of a transaction being unable to settle at the first attempt on a given settlement day, all SSS should continue to try to settle the transaction as frequently as defined in standard 9 at least until the end of this settlement day as defined in Standard 5.
Austria / OeKB	✓	✓	✓	✓		✓
Belgium - Euroclear Belgium	✓	✓	✓	⊗		✓
Clearstream - Lux	✓	✓	✓	✓		✓
Denmark -VP	✓	✓	✓	✓		✓
Euroclear Bank	✓	✓	✓	✓		✓
Finland / APK	✓	✓	✓	x		✓
France / EF	✓	✓	✓	✓		✓
Germany / CBF	✓	✓	✓	✓		✓
Greece / HCLCX	✓	✓	✓	✓		✓
Ireland / CREST	✓	✓	✓	✓		✓
Italy / MT	✓	✓	✓	✓		✓
The Netherlands / ENL	✓	✓	✓	✓		✓
Norway / VPS	✓	✓	✓	x		x
Portugal / INTER	✓	✓	✓	✓		✓
Spain / IBER	✓	✓	✓	x		✓
Sweden / VPC	✓	✓	✓	✓		✓
Switzerland / SIS	✓	✓	✓			✓
UK / CREST	✓	✓	✓	✓		✓
Total Compliant		18	18	13		17
Number of relevant SSSs		18	18	17		18
Percentage of compliance		100%	100%	76%		94%

✓	⊗	x		
Implemented	Work In Progress	Not Implemented	Not Applicable	Not an Issue

Progressing rapidly for “new” ECSDA (1)

(All data related to end 2007)



ECSDA
European Central Securities
Depositories Association

Standard	1	2	3	4	5 (start time)	5 (finish time)
	All SSS who offer settlement in Euros should be open for Euro settlement for all types of financial instruments eligible in that SSS at least on all TARGET opening days.	All SSS who offer settlement in a currency should be open for settlement in that currency for all types of financial instruments eligible in that SSS at least on all relevant currency-opening days.	SSS introducing settlement in a new currency after 2004 should adapt to the relevant opening days immediately upon the new currency being available in the SSS.	Settlement systems should be open for activities other than settlement activity (ie reporting, enquiries, reconciliation etc.) as long as possible from a cost efficient point of view, but at least from the currency opening time (07.00CET for euros) to the end of the currency day (18.00 CET for euros).	All European SSS should start DvP settlement by the opening time of the relevant European currency's banking system and continue to offer DvP settlement until, at a minimum, two hours before the banking system closes. (For example, all settlement systems in the Euro Zone should start DvP settlement for Euros by 07:00 CET and stop at or after 16:00 CET).	
Bosnia & Herzegovina / CRS and RSFB						
Bulgaria / CD AD		✓		✓	✗	✗
Croatia / CDA						
Cyprus - CSE			✓	✓	✓	✓
Czech Rep / SCP and UNIVYC						
Estonia / ECSD	⊗	✓	⊗	✓	✓	✓
Hungary / KELER	⊗	✗	✗	✓	✓	✓
Iceland - ISD						
Latvia	⊗	✓		✓	✓	✓
Lithuania / CSDL						
Montenegro / CDA				✓	✗	✓
Poland / NDS	✓	✓		✓	⊗	✓
Romania						
Russia / NDC and DCC						
Serbia / CSD		✓		✓	✓	✓
Slovak Rep / CDCP				✓		✓
Slovenia / CSCC						
Turkey						
Total Compliant	1	5		9	5	8
Number of relevant SSSs	4	6		9	8	9
Percentage of compliance	25%	83%		100%	63%	89%

✓	⊗	✗	
Implemented	Work In Progress	Not Implemented	Not Applicable

Progressing rapidly for “new” ECSDA (2)

(All data related to end 2007)



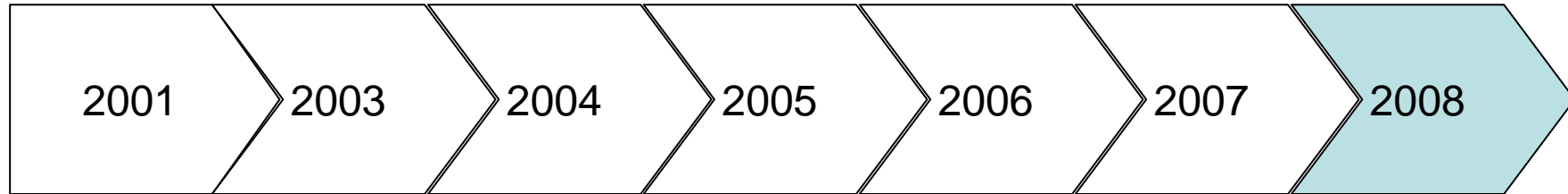
ECSDA

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Standard	6	7	8	9	9info	10
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Bosnia & Herzegovina / CRS and RSFB						
Bulgaria / CD AD	✓			✗		✗
Croatia / CDA						
Cyprus - CSE	✓	✓				
Czech Rep / SCP and UNIVYC						
Estonia / ECSD	✓	✓	✓	✓		✓
Hungary / KELER	✓	✓	✓	✓		✓
Iceland - ISD						
Latvia	✓	✓	✓	✓		✓
Lithuania / CSDL						
Montenegro / CDA						
Poland / NDS	✓	✓		⊗		⊗
Romania						
Russia / NDC and DCC						
Serbia / CSD	✓			✓		✓
Slovak Rep / CDCP				✓		✗
Slovenia / CSCC						
Turkey						
Total Compliant		7	5	5		4
Number of relevant SSSs		7	5	7		7
Percentage of compliance		100%	100%	71%		57%

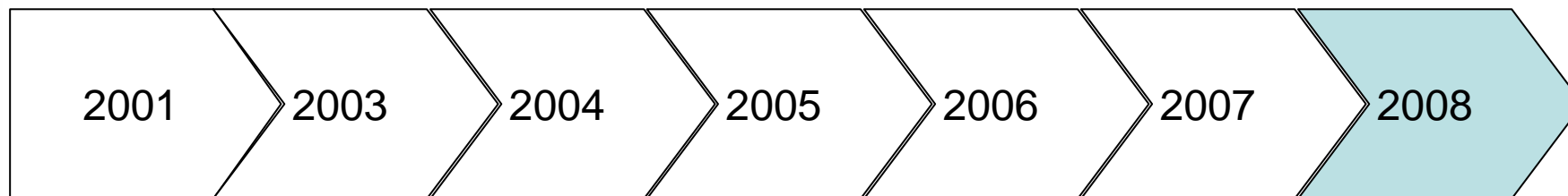
✓	⊗	✗		
Implemented	Work In Progress	Not Implemented	Not Applicable	Not an Issue

Market consensus on achieved results...



- In a recent meeting, involved associations and institutions unofficially recognised that ECSDA WG5 reached the goal of setting a group of standards for the removal of Barriers 4 & 7 of the Giovannini Report
- It was agreed to present the aforementioned achievements and conclusions to the CESAME Meeting taking place in June 2008

...but new challenges to face



- During the same meeting, it was also recognised that there are new operational barriers and obstacles (other than the ones identified by the Giovannini Report) impeding an efficient cross-border settlement
- These operational obstacles and barriers should be clearly identified and removed by means of new standards
- To this aim, a full mapping of cut-off times for cross-border transactions in each Country and CSD link is needed according to a jointly agreed methodology
- ECSDA WG5 proposed that this task should be completed by a more appropriate Working Group, dealing with settlement topics

Thank you!

If you have any question or comment, please contact me at the following address

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or the ECSDA WG5 Secretariat at

wg5secretariat@montetitoli.it



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