



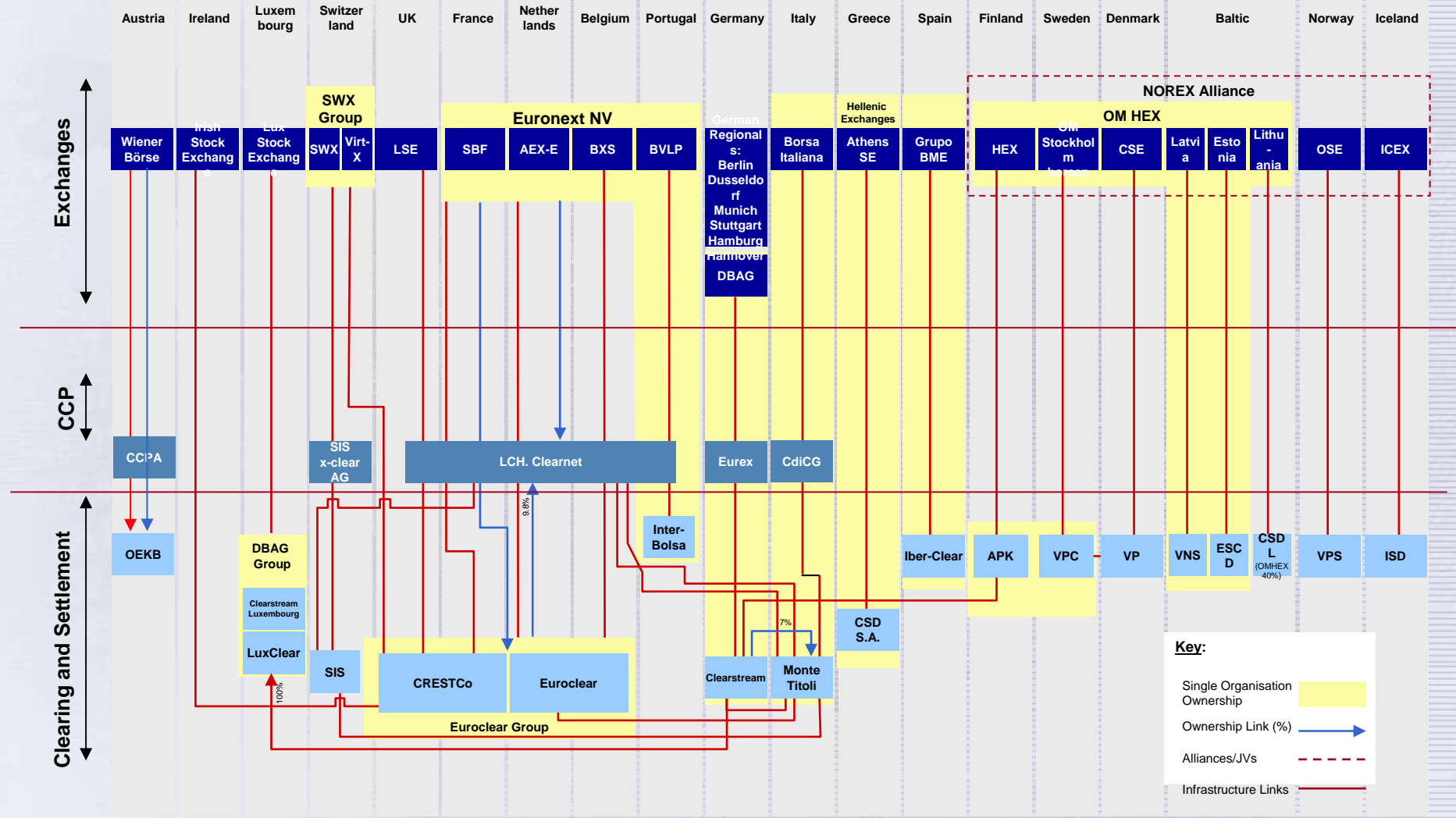
## **A User Perspective on European Clearing & Settlement**

Bob Wigley, Chairman Merrill Lynch EMEA



# CESAME Meeting 20<sup>th</sup> February 2006

## Cash Equity Landscape in Major European Markets

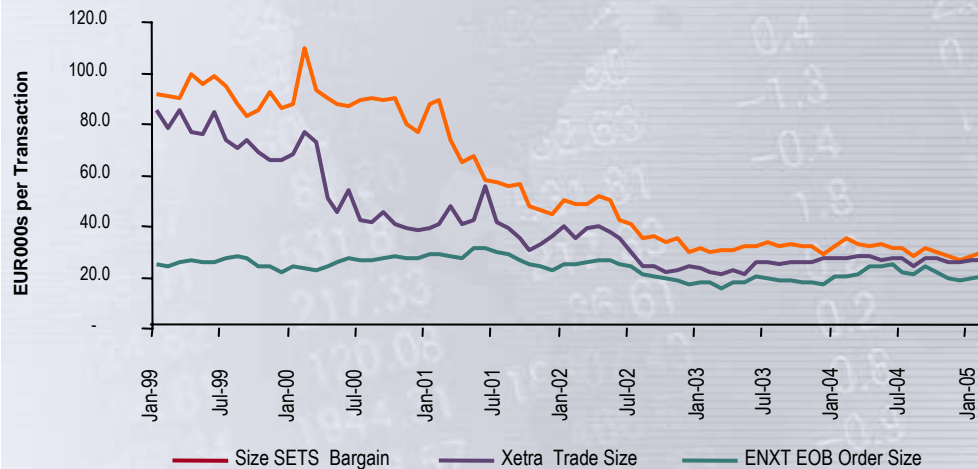


Source: Merrill Lynch; Euroclear; Accenture; company information

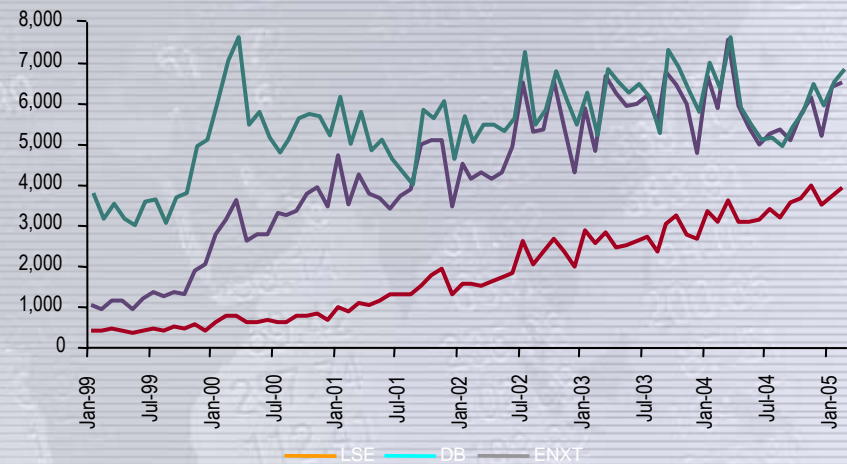
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**“More trades, more processing and thus more cost is now required to get the same value of investor business transacted”**

**Transaction Sizes are diminishing across Exchanges**

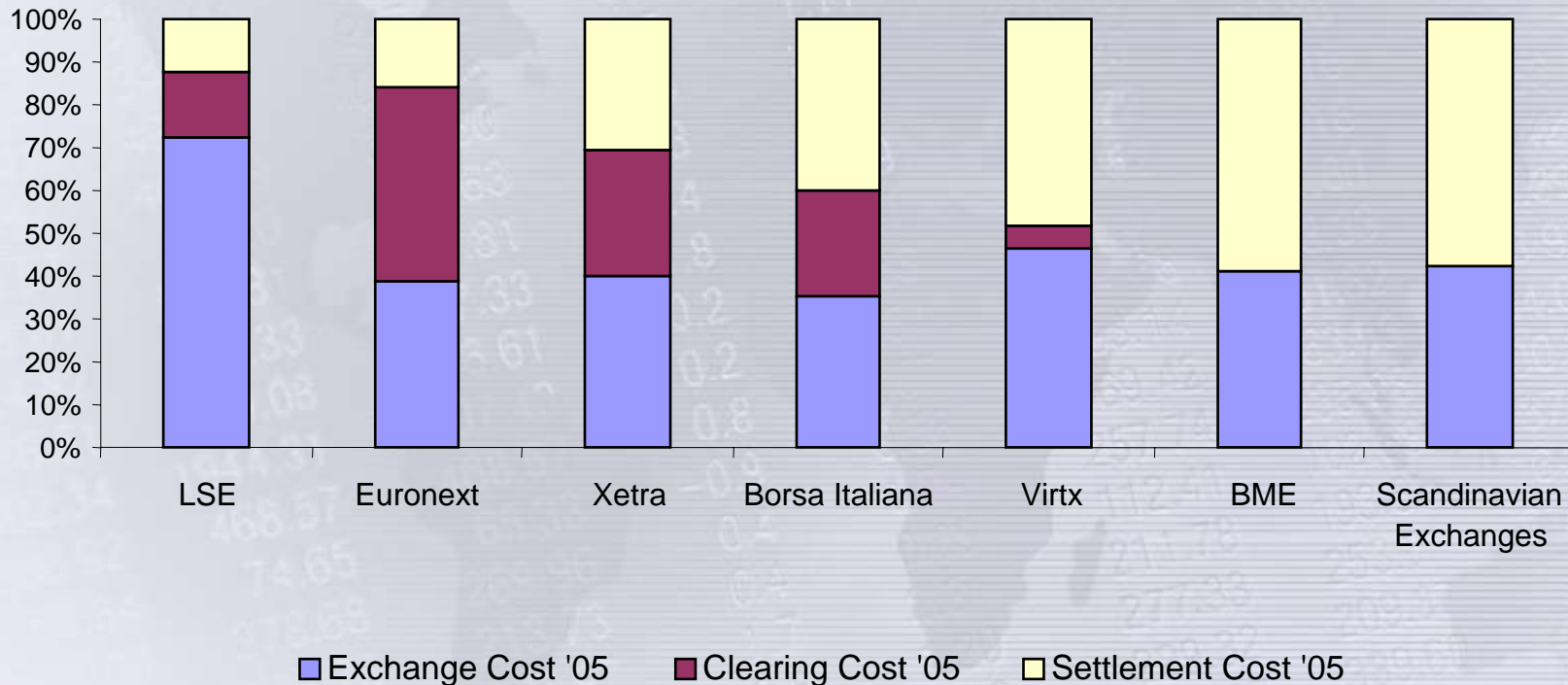


**Number of transactions - 3 main markets: LSE, DTB ENXT**



***“we have experienced wide variations in cost margins both within a specific market and across markets “***

**Percentage Split of Total Market Costs**



Source: Merrill Lynch Data

## **Roadblocks to Progress on Harmonisation**

- **Lack of Consensus on endgame vision**
- **Ownership**
  - ◆ *aligning infrastructures to user needs of Safety, Efficiency and Lowest Cost*
- **Historical Domestic Legislation**
  - ◆ *Focused on protection of national interests*
- **Lack of Pricing information**

**What do we, the users, want to see.....**

***Permanent reduction in costs of post trade processing by.....***

- **Consolidation of Post Trade Environment**
  - ◆ Horizontal Clearing and Settlement layers
  - ◆ User owned and governed
  - ◆ Cost Pass through principle
  
- **Cross Product Clearing**
  
- **User choice of settlement venue**
  
- **Standardisation and Harmonisation of Clearing and Settlement practices**

## **What we don't want.....**

- **Conflict across Market Infrastructures to the detriment of the users**
- **Clearing and Settlement Framework Directive**
- **Restrictive impositions on CSD which impact innovative and product development**
  - ◆ *But recognise importance of transparency on Pricing and Revenue*