



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

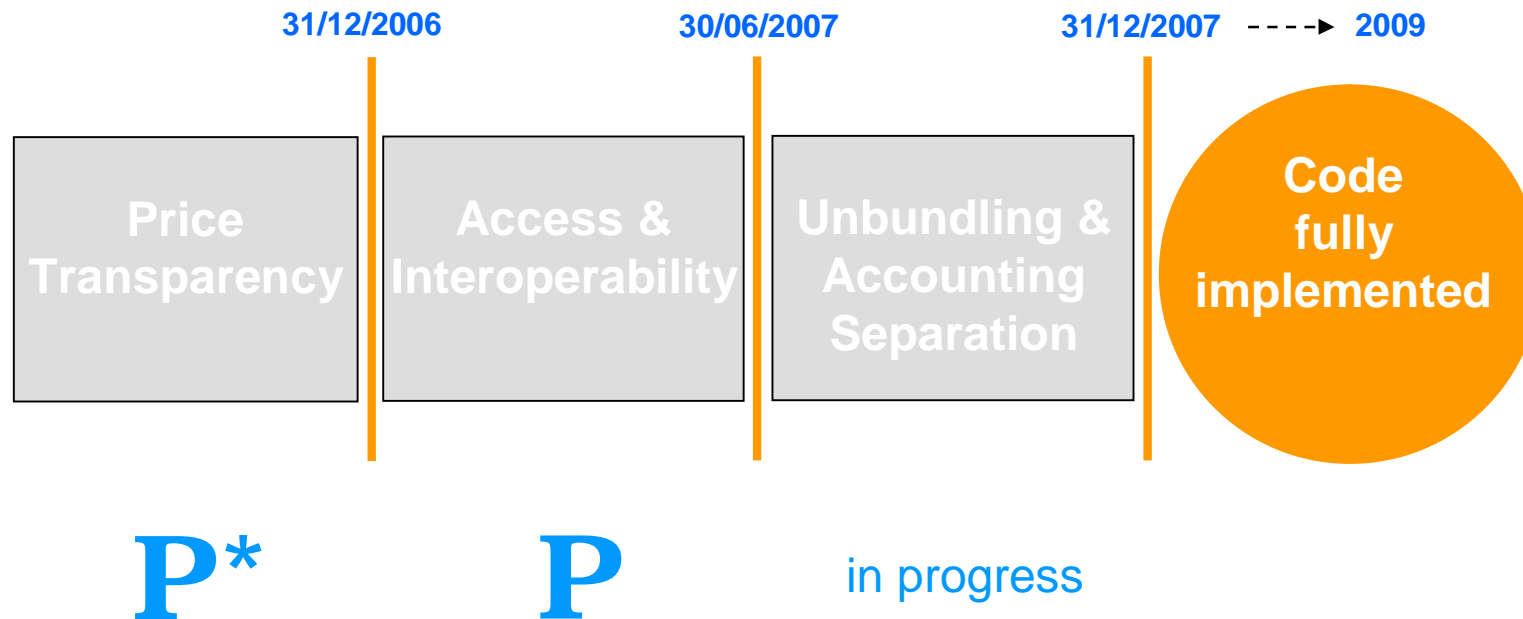
Joint status update for the meeting with the
Monitoring Group in Brussels on 11 July 2007

Agenda

- Introduction
- Communication with Users & EU Commission
- Price Transparency (Articles 7 - 18)
- Access and Interoperability (Articles 19 - 37)
- Service Unbundling & Accounting Separation (Articles 38 - 43)

Implementing the Code: The timeline

Code of Conduct implementation timeline



* Market infrastructures in close cooperation with Users groups regarding future assessment

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- Communication with Users & EU Commission

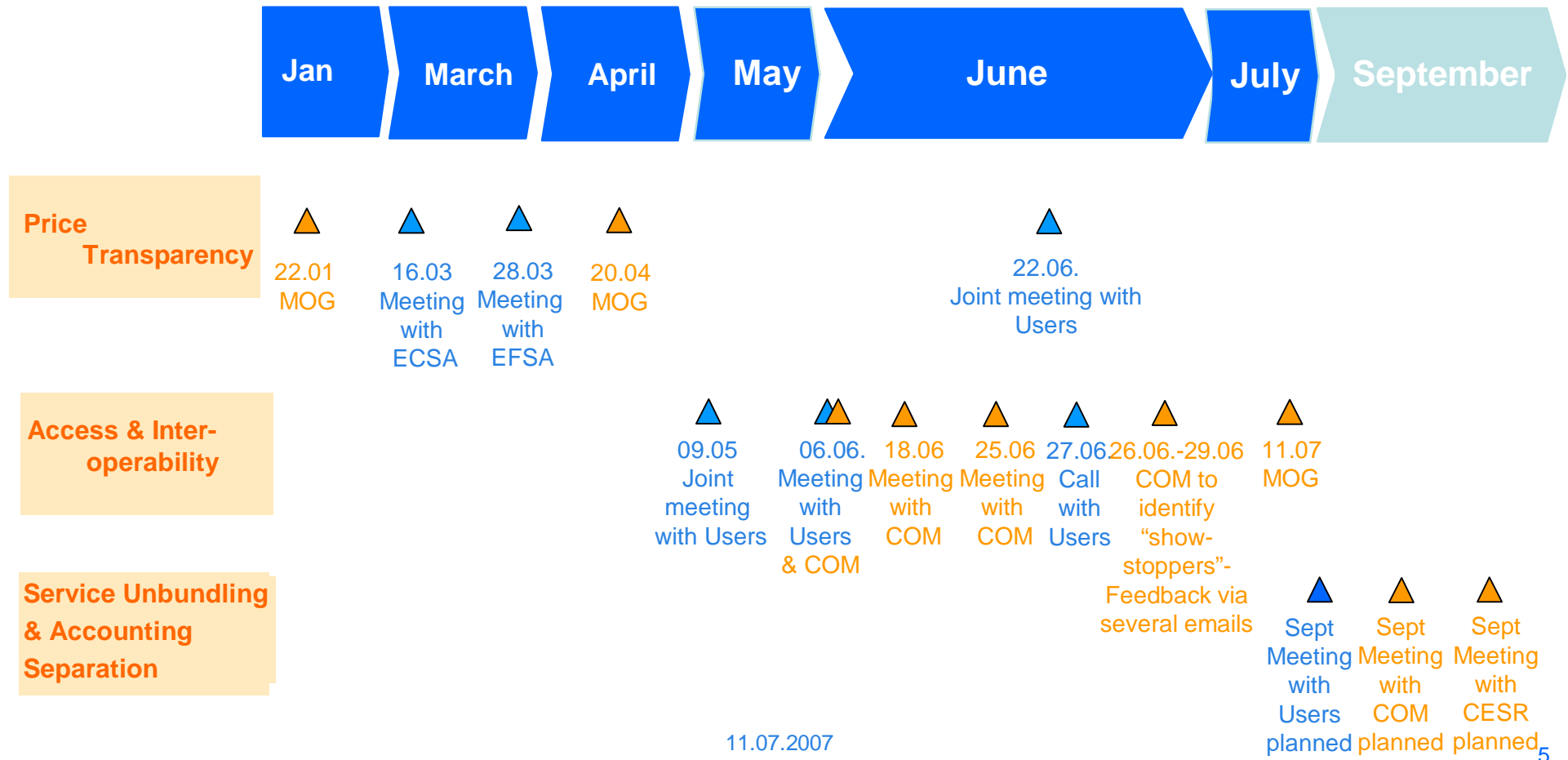
- Price Transparency (Articles 7 - 18)

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(Articles 38 - 43)

Communication with Users & EU Commission

- Giving Users & EU Commission the opportunity to discuss important issues regarding the Code of Conduct, regular meetings with the infrastructures took place:



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Compliance with the Code - ECSDA

Conversion Tables published on websites



Status last MOG Meeting 20 April 2007

- In particular ECSDA has been asked by Users and the European Commission to help understanding the different services and prices of its member CSDs and ICSDs in a comprehensive way in order to facilitate price comparability going forward.
- Therefore, the special ECSDA Taskforce “Price Comparability” has elaborated Conversion Tables, which encompass the prices and services of its member CSDs and ICSDs in a comparative manner.
- The Conversion Tables show the following details in a concise structure:
 - ü Service description according to the services listed in the Code
 - ü Overview which tariff sections in the members’ price schedules refer to which service
 - ü Clear reference to members’ fee schedule/ tariff brochure
 - ü Overview of fees charged to customer (issuer/ agent, intermediary, end investor, other)
- The Conversion Tables have been sent to the User representatives for further discussion with ECSDA
- The Conversion Tables are ECSDA’s contribution, with which the expectations of Users and the EU Commission regarding price comparability (Art. 15) are addressed.

Status of Today

- The three Associations have engaged in constructive dialogue with the Users in relation to their assessment of the industry’s compliance with the price transparency elements of the Code. We have agreed that in future such assessments should be undertaken in close cooperation with the market infrastructures themselves to ensure an accurate assessment.
- **22 ECSDA Members out of 33 have already published a Conversion Table on their respective websites, including all major players**

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Level of Acknowledgement - Access & Interoperability Guideline



ECSDA
European Central Securities
Depositories Association

Stock Exchanges (coordinated by FESE)	Clearing Organizations (coordinated by EACH)	(I)CSDs (coordinated by ECSDA)	
<ul style="list-style-type: none"> ■ Athens Ex.(Greece) ■ BME (Spain) (LoI) ■ Borsa Italiana (LoI) ■ Bratislava Stock Exchange.(Slovakia) ■ Budapest SE (Hungary) ■ Cyprus SE (LoI) ■ Deutsche Börse (Germany) ■ Euronext (BE, FR, NL, PT) ■ Irish SE ■ LSE (UK) ■ Luxembourg Stock Exchange ■ Ljubljana Stock Ex. (Slovenia) ■ Malta Stock Ex. ■ OMX Exchanges (DK, SE, FI, IS, EE, LT, LV) ■ Oslo Bors (LoI) ■ Prague Stock Exchange ■ SWX Swiss Ex. (LoI) ■ virt-x (LoI) (UK, Switzerland) ■ Warsaw Stock Ex. ■ Wiener Börse (Austria) 	<ul style="list-style-type: none"> ■ CCP Austria ■ CC&G (Italy) (LoI) ■ Eurex Clearing AG (Germany/Ireland) ■ KDPW (Poland) ■ KELER (Hungary) ■ LCH.Clearnet Ltd (UK) ■ LCH.Clearnet SA (BE, FR, NL, PT) ■ OMX (Denmark, Sweden, Finland) ■ Serbia CSD (LoI) ■ SIS x-clear (Switzerland) (LoI) ■ VPS Clearing (Norway) (LoI) 	<p>Signatories of the Code:</p> <ul style="list-style-type: none"> ■ APK (Finland) (LoI) ■ Clearstream Banking Germany ■ Clearstream Banking Luxembourg ■ CSCC (Slovenia) ■ CSD AD (Bulgaria) (LoI) ■ CSD of Croatia (LoI) ■ CSD of Lithuania ■ CSD of Montenegro ■ CSD of Serbia ■ CSD of the Slovak Republic (LoI) ■ Cyprus Stock Exchange (LoI) ■ Estonian CSD ■ Euroclear UK & Ireland ■ Euroclear Bank ■ Euroclear Belgium ■ Euroclear France ■ Euroclear Netherlands ■ Helix (Greece) ■ Iberclear (Spain) (LoI) ■ Interbolsa (Portugal) ■ KDPW (Poland) 	<ul style="list-style-type: none"> ■ Keler (Hungary) ■ Latvian CSD ■ Malta Stock Ex. ■ Monte Titoli (Italy) (LoI) ■ NCSD Group (Sweden) (LoI) ■ OeKB (Austria) ■ SIS Group (Switzerland) (LoI) ■ UNIVYC (Czech Rep.) ■ VP (Denmark) ■ VPS (Norway) (LoI) <p>Letter of Intent:</p> <ul style="list-style-type: none"> ■ CSD of Bosnia and Herzegovina (LoI) ■ Iceland's Sec. Depository ■ SCP (Czech Rep.) (LoI) <div style="border: 1px solid black; padding: 5px; margin-top: 10px;"> <p>Legend</p> <p>Bold = Letter of Acknowledgement</p> <p>Bold (LoI) = Letter of Intent</p> <p>Results (as of 11.07.07 at 08:30h)</p> <p>FESE: 12 LoA, 4 LoI è 20 Responses</p> <p>EACH: 7 LoA, 4 LoI è 11 Responses</p> <p>ECSDA: 19 LoA, 11 LoI è 31 Responses</p> <p>Total 38 LoA, 18 LoI è 62 Responses</p> </div>
<p>11.07.2007</p>			

Access and Interoperability Guideline

– General Principles (1/2)

The following principles establish the conditions for Links between Organisations. They shall be applied universally across all Organisations subject to the Code and the Guideline and are applicable to all Access and Interoperability scenarios:

Operational Efficiency Principle (p. 49)

- Existing operational efficiency of financial markets will not be significantly weakened by the development of new Links.
- In case of refusal the Receiving Organisation will disclose any negative impact on Operational Efficiency based on significant, quantifiable and clear indications.
- Loss of market share cannot be used to invoke the Operational Efficiency Principle

Reciprocity Principle (p.50)

- This principle entitles the Receiving Organisation to deny any Link in the case where the Requesting Organisation is itself demonstrably impeding an actual parallel request for a reciprocal Link.

Non-Extension Principle (p. 54)

- The Receiving Organisation is under no compulsion to extend its product scope. Requests for new products are subject to mutual agreement.

Access and Interoperability Guideline

– General Principles (2/2)

Receiving Party Principle (p.51-53)

- This principle ensures the orderly operation of the existing market. The Requesting Organisation should, in principle, comply with the legal, fiscal and regulatory arrangements applicable to the Receiving Organisation.
- The Receiving Organisation can not allow Links on terms that would cause any breach of legal, fiscal and regulatory arrangements outside the control of the Receiving Organisation.
- The Receiving Organisation can not be forced to change its own market practices and standards towards its own participants, unless mutually agreed.
- Subject to the Receiving Party Principle, the Requesting Organisation has the right to define its own market practices and standards towards its own participants.

Non-Discrimination Principle (p.55)

- Any Link relationships should be established and maintained on a non-discriminatory basis.

Access and Interoperability Guideline

- A&I Scenarios between Organisations

The following matrix describes the possible Links between the Trading Platforms and post-trading Organisations. It shows the possible type of Links per Requesting Organisation and Receiving Organisation.

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

Access and Interoperability Guideline

- Access Types

Standard Access

- An Organisation (CCP or CSD where applicable) is a standard participant in another Organisation.
- Standard Access is a right.

Customised Access

- An Organisation (CCP or CSD where applicable) is a participant in another Organisation, but in addition certain parts of the service offering to the Requesting Organisation are customised.
- Customised Access is a conditional right subject to the conditions:
 - Provided the request is reasonable (in terms of e.g. scope, resources and timing), the Receiving Organisation should respond to the request in good faith.
 - Where Customised Access implies excessive use of resources, it should be possible for a Receiving Organisation on an objective and impartial basis to limit the customisations.

Transaction Feed Access

- Access by an Organisation (CCP or CSD) to a transaction feed from another Organisation (TP or CCP).
- Transaction Feed Access is a conditional right.
- As a condition of meeting the request, a CCP to CCP or CSD to CSD Link may need to be established.
- The Conditions are similar to customised access.

Access and Interoperability Guideline

- Interoperability

General

- Interoperability means 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.

CCP Specific

- Interoperability between CCPs, is not likely to have an impact on the standard participants of the Receiving CCP, and is a conditional right of the Requesting Organisation, subject to agreement based on the Business Cases of the Organisations involved.

CSD Specific

- Interoperability between CSDs consists of fundamental changes to the Receiving CSD and will have an impact on the standard participants of the Receiving CSD. It is a conditional right, subject to mutual agreement based on the Business Cases of the Organisations concerned.
- Both CSDs have to evaluate, in particular, the impact on their participants and systems, which constitute part of the business case required by both.

Access and Interoperability Guideline

- A&I Scenarios between Organisations

	Right	Conditional Right	Mediation Process
Standard Access	CCP CSD		CCP CSD
Customised Access		CCP CSD	CCP CSD
Transaction Feed		CCP CSD TP	CCP CSD TP
Interoperability		CCP CSD	CCP CSD

Access and Interoperability Guideline

– Business Case

Definition

- The business case is based on the assessment of the user demand, financial, commercial and marketing issues of the implementation of a new service.
- The Requesting Organisation will provide the Receiving Organisation with the Service Description containing: Operating Model, Legal Framework, Regulatory Conditions, Customisation, Requested Timing.
- Business cases are no public documents.

Denial

- Loss of market share will not be used to deny a request.

Costs

- Any one-off investment costs should be charged on a reasonable cost-plus basis (unless otherwise agreed) and paid by the requesting party.

Response

- Provided the request is reasonable (in terms of e.g. scope, resources, timing) the Receiving Organisation should respond to the request in good faith.

Access and Interoperability Guideline

- Application process

Language

- Every Organisation must provide terms and conditions in **English**.

4 Step Process

- Requesting Organisation should send a written **application request** and the proposed **Service Description**.
- Receiving Organisation must **confirm** receipt of the application request within 15 business days.
- Receiving Organisation will assess the request and respond within 6 weeks after having discussed the requirements with the Requesting Organisation and any other third-party if applicable.
- Receiving Organisation and any other third-party if involved will specify in detail the **costs of the customisation** considering the final and agreed Functional Specifications.

Denial

- Where the **request is denied**, the answer should include the legal, technical, operational reasons why this request is denied, and if possible, what would need to be done by the Requesting Organisation in order to establish its request.

Access and Interoperability Guideline

- Mediation Mechanisms

Definition

- A mediation process will be followed by both parties in the event of a dispute.
- Organisations shall try to solve the dispute expeditiously and in good faith.
- The mediation process does not constitute an arbitration procedure.

Process

- Written request demanding mediation. Receiving Party shall respond within 2 weeks.
- The parties shall submit the dispute to a mediation mechanism in the jurisdiction of the Receiving Organisation, provided that there is one unless agreed differently.
- Each Organisation shall bear its own costs.

Mediator

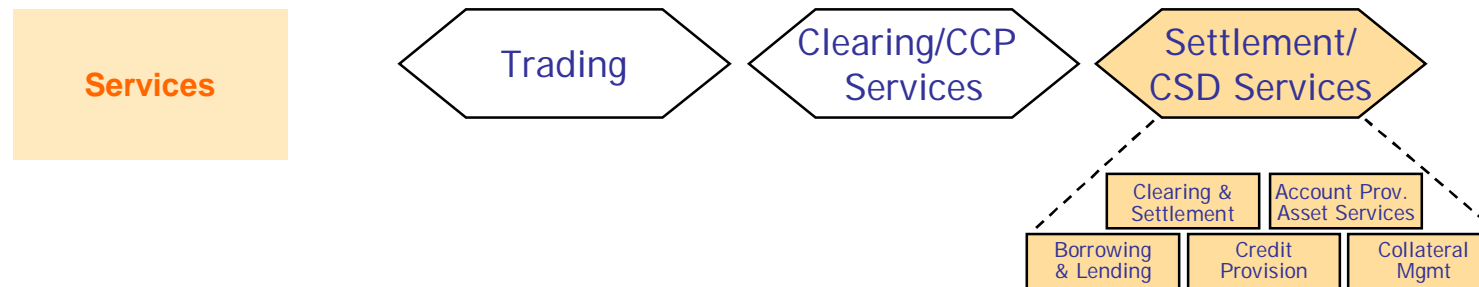
- The mediator shall be impartial and independent and produce a report at the end of the mediation process.
- The EU Commission shall be informed of the decisions adopted regarding disputes submitted to the Mediation process.

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Service Unbundling and 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

Accounting

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

Service Unbundling and Accounting Separation

- ECSDA established a Task force on 'Service Unbundling
- Several meetings/conference calls have already taken place.
- The task force developed a **draft glossary** to define relevant terms which will be distributed to all ECSDA members for review and to finally **facilitate their individual implementation of Service Unbundling** on a common basis
- The task force has developed an internal project plan (including the definition of **checkpoints and milestones**)
- Communication with Users, EU Commission and CESR/National Regulators is planned and meetings will be organized in **Sept. & Nov.** prior to the **MOGs in October 07/ Jan. 08**



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BACK UP

Overview - Signatories to the CoC

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		1.07.2007	

Evolution from Price Transparency towards Comparability by ECSDA*

CoC – in scope

Price Transparency (Art. 7-14; 16; 18)

- Publication / accessibility of information
- Publication of price examples specific to each organisation

Clarity of definitions (Art. 15)

- Conversion tables facilitating the identification of specific fees across multiple organisations ‘navigators’ (by 31 May 07)

Unbundling of Services (Art. 38-41)

- Implementation of Unbundling of Services (by 31 Dec. 07)

Out of scope - CoC

Additional requests*

- English language
- Downloadable version
- Webbased ‘calculators’
- Identical sequence of fee schedules
- Consistent terminology
- Announcing price changes with sufficient notice (e.g. 4 weeks)
- Samples per users segment

Price Comparability

- Users should be able to anticipate the prices for the case of services across multiple organisations.

⇒ ECSDA is prepared to discuss the “additional requests” with the Users.
However this is not a dependency on the CoC-implementation