

5 October

## **Monitoring Compliance with the Code of Conduct dated 7<sup>th</sup> November 2006 – Meeting of the Monitoring Group (MOG) of 10 October 2007**

**A joint report by the European Primary Dealers Association, the European Securities Forum, the International Capital Market Association, the London Investment Banking Association ('The Associations')**

This is the third report to the MOG by the Associations, which deals primarily with the Access and Interoperability Guideline but also with service unbundling and accounting separation.

### **Access and Interoperability Guideline**

Upon the successful conclusion of the second phase of implementing the Code of Conduct – the agreement on the Access and Interoperability Guideline – the Associations outline below their assessment of what has been achieved to date:

- In view of the objectives of promoting competition and providing for users' choice, we have consistently considered the access and interoperability provisions to be the core part of the Code of Conduct.
- The end of June 2007 agreement on the Access and Interoperability Guideline, to which market users contributed in an institutionalised dialogue, is therefore an important milestone.
- In terms of transposing the Guideline into real, working access and interoperability solutions our resolute highest priority has been the creation of a competitive environment for CCP services at major European securities exchanges.
- We therefore welcome recent steps taken by infrastructure organisations, i.e.
  - the agreement of LSE, LCH.Clearnet, x-clear and Euroclear UK & Ireland to provide, in practice, a CCP-competitive environment at the London Stock Exchange by the end of January 2008 (followed by an additional competitive element involving Cassa di Compensazione e Garanzia at a later stage);
  - the requests of CCPs (LCH.Clearnet, Eurex Clearing, x-clear) for access and interoperability at major European securities exchanges.

These steps match our stated priority.

However, going forward, the Associations emphasise the operational efficiency principle and the important role of the *business case*, of which *user demand* is an essential part. When seeking the support of users for new entry offers, market infrastructures should provide the following information:

- savings for users vs incumbent
  - estimated time to market
  - capex cost to users
  - description of any obstacles to implementation.
- At the CSD level we are aware of the potential impact that TARGET2-Securities might have in regard of the settlement functionality.
  - The timely removal of legal, regulatory and fiscal barriers will be key to creating the conditions in which post trade service offerings meet the full needs of markets users and in which a real level playing field in the provision of services exists.
  - The removal of these barriers is necessary for the establishment of true interoperability at CSD level, as set out in the Access and Interoperability Guideline.

### **Service unbundling and accounting separation**

- At a meeting / conference call on 27 September the users were informed by the infrastructure organisations of the current state of their work in respect of service unbundling and accounting separation.
- As this third phase of implementing the Code of Conduct is currently still work in progress we urge the market infrastructures to continue and intensify the institutionalised dialogue with market users for the remaining time until the end of the year.