



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

Joint status update for the meeting with the  
Monitoring Group in Brussels on 21 January 2008

## Agenda

### ■ Introduction

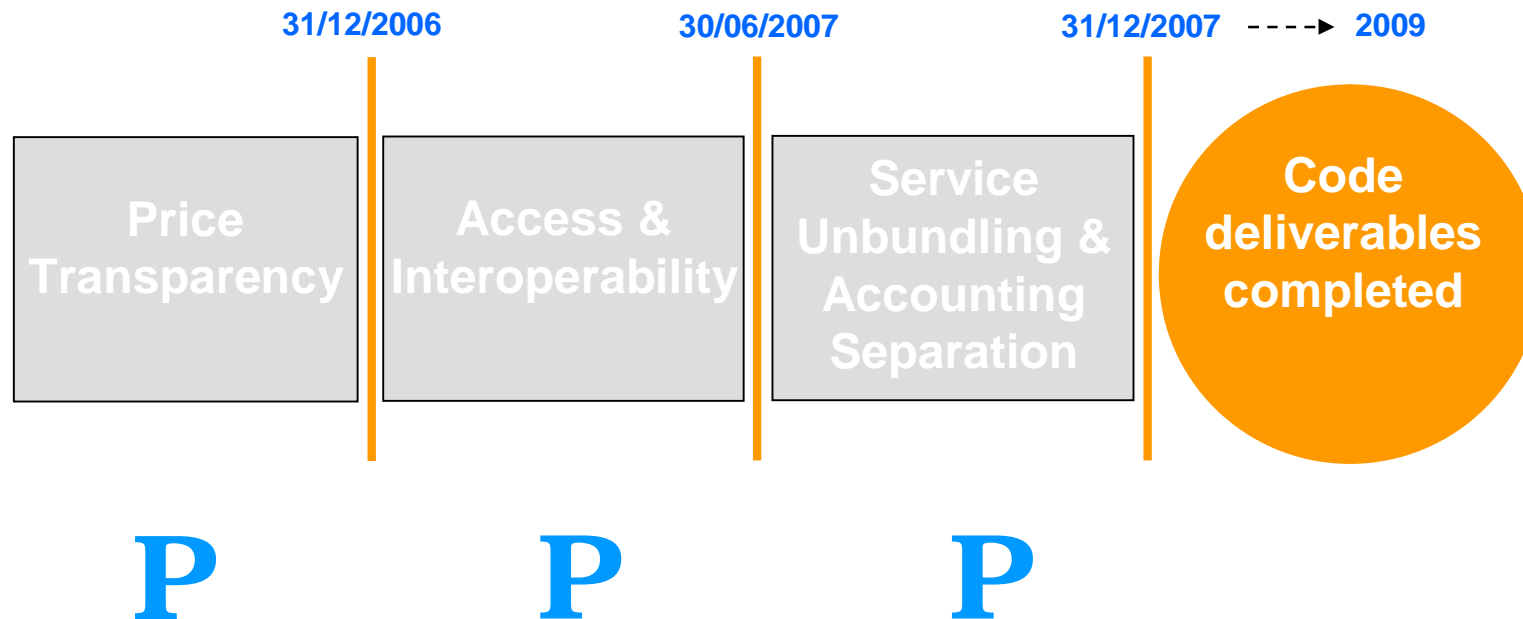
### ■ Service Unbundling & Accounting Separation (Articles 38 - 43)

### ■ Access and Interoperability (Articles 19 - 37)

### ■ Extending the Code to other Asset Classes

# Implementing the Code\*: The timeline

## Code of Conduct implementation timeline



\* for Cash Equities only

# Signatories to the CoC



**ECSDA**  
European Central Securities  
Depositories Association

<b>Stock Exchanges</b> (coordinated by FESE)	<b>Clearing Organizations</b> (coordinated by EACH)	<b>(I)CSDs</b> (coordinated by ECSDA)	
<ul style="list-style-type: none"> <li>■ Athens Ex.(Greece)</li> <li>■ BME (Spain)</li> <li>■ Borsa Italiana</li> <li>■ Bratislava Stock Exchange.(Slovakia)</li> <li>■ Budapest SE (Hungary)</li> <li>■ Cyprus SE</li> <li>■ Deutsche Börse (Germany)</li> <li>■ NYSE Euronext (BE, FR, NL, PT)</li> <li>■ Irish SE</li> <li>■ LSE (UK)</li> <li>■ Luxembourg Stock Exchange</li> <li>■ Ljubljana Stock Ex. (Slovenia)</li> <li>■ Malta Stock Ex.</li> <li>■ OMX Exchanges (DK, SE, FI, IS, EE, LT, LV)</li> <li>■ Oslo Bors</li> <li>■ Prague Stock Exchange</li> <li>■ SWX Swiss Ex.</li> <li>■ virt-x (UK, Switzerland)</li> <li>■ Warsaw Stock Ex.</li> <li>■ Wiener Börse (Austria)</li> </ul>	<ul style="list-style-type: none"> <li>■ CCP Austria</li> <li>■ CC&amp;G (Italy)</li> <li>■ Eurex Clearing AG (Germany/Ireland)</li> <li>■ KDPW (Poland)</li> <li>■ KELER (Hungary)</li> <li>■ LCH.Clearnet Ltd (UK)</li> <li>■ LCH.Clearnet SA (BE, FR, NL, PT)</li> <li>■ OMX (Denmark, Sweden, Finland)</li> <li>■ Serbia CSD</li> <li>■ SIS x-clear (Switzerland)</li> <li>■ VPS Clearing (Norway)</li> <li>■ European Multilateral Clearing Facility N.V. (EMCF)*</li> </ul>	<ul style="list-style-type: none"> <li>■ APK (Finland)</li> <li>■ Clearstream Banking Germany</li> <li>■ Clearstream Banking Luxembourg</li> <li>■ CSCC (Slovenia)</li> <li>■ CSD AD (Bulgaria)</li> <li>■ CSD of Bosnia and Herzegovina</li> <li>■ CSD of Croatia</li> <li>■ CSD of Lithuania</li> <li>■ CSD of Montenegro</li> <li>■ CSD of Serbia</li> <li>■ CSD of the Slovak Republic</li> <li>■ Cyprus Stock Exchange</li> <li>■ Estonian CSD</li> <li>■ Euroclear UK &amp; Ireland</li> </ul>	<ul style="list-style-type: none"> <li>■ Euroclear Bank</li> <li>■ Euroclear Belgium</li> <li>■ Euroclear France</li> <li>■ Euroclear Netherlands</li> <li>■ Helex (Greece)</li> <li>■ Iberclear (Spain)</li> <li>■ Icelands Sec. Depository</li> <li>■ Interbolsa (Portugal)</li> <li>■ KDPW (Poland)</li> <li>■ Keler (Hungary)</li> <li>■ Latvian CSD</li> <li>■ Malta Stock Ex.</li> <li>■ Monte Titoli (Italy)</li> <li>■ NCSD Group (Sweden)</li> <li>■ OeKB (Austria)</li> <li>■ SCP (Czech Rep.)</li> <li>■ SIS Group (Switzerland)</li> <li>■ UNIVYC (Czech Rep.)</li> <li>■ VP (Denmark)</li> <li>■ VPS (Norway)</li> </ul>

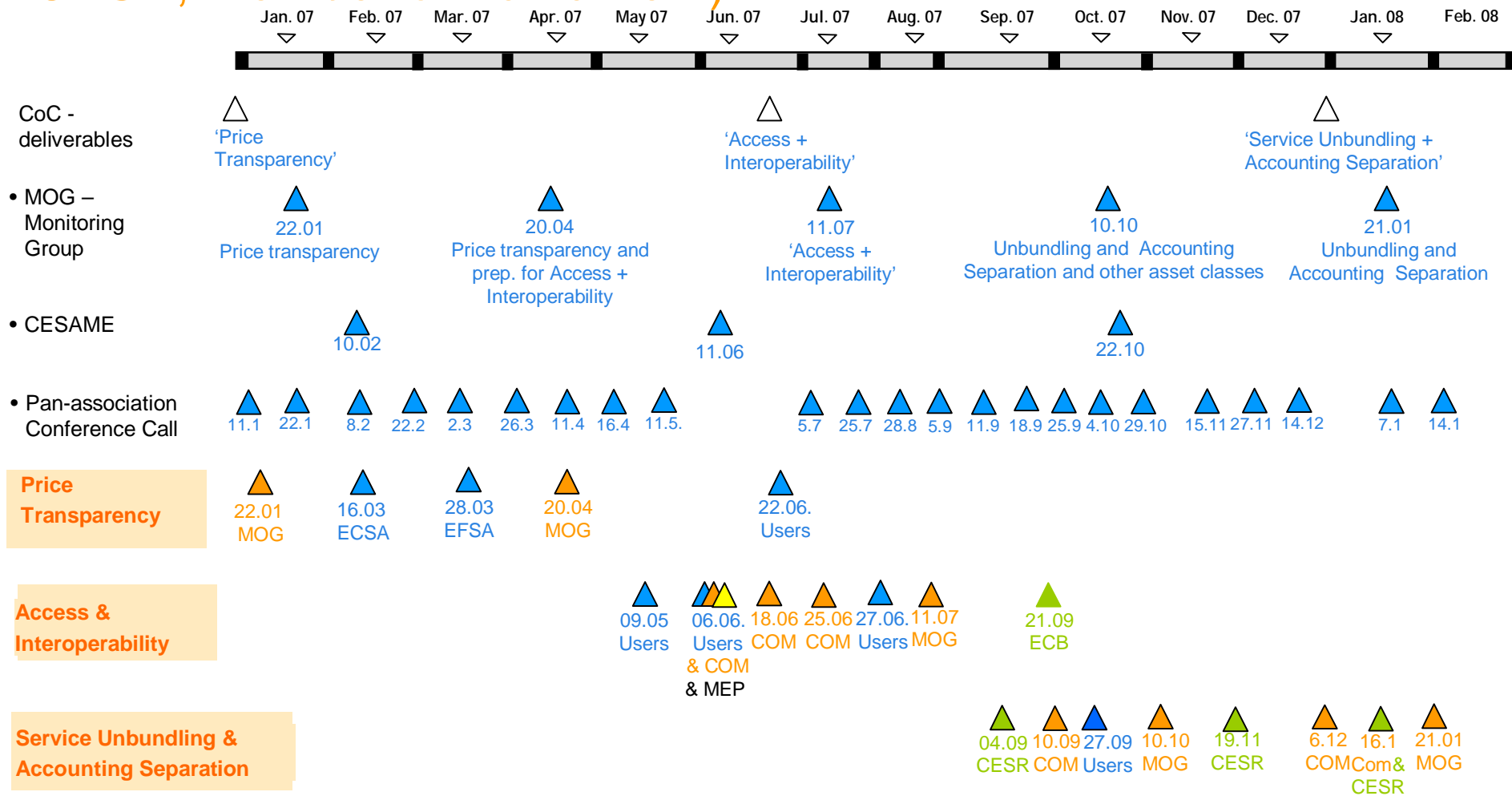
**\*There is a new signatory of the Code in EACH (EMCF) as well as another new signatory of the Code (Chi-X). These new signatories of the Code and the A&I Guideline should be compliant with all three phases of the Code immediately (no grace period).**



# Overview Code of Conduct

- Background** § The Code of Conduct for Clearing and Settlement for cash equities as a self-regulatory approach was signed in November 2006 and, as of 31 December 2007, has been successfully implemented by over 60 organisations across Europe (Stock exchanges, Clearing, Settlement and Safekeeping layers of the financial value chain).
  
- Resources** § We have dedicated a substantial amount of resources to the timely implementation of the Code. In addition, we have also fostered a constructive dialogue our main stakeholders including the EU Commission, National Regulators/CESR and our user community at EU level to ensure that their views and needs are taken into account.
  
- Achievements** § The completion of the three phases of the Code—price transparency, access and interoperability, a well as service unbundling and accounting separation—by our members should contribute significantly towards the goal of achieving a stronger and more efficient European capital market. The objective of A&I phase was to define guidelines in order to facilitate the implementation of links in the future.
  
- Third phase** § We are pleased to report on behalf of the members of FESE, EACH and ECSDA that as of today, our members have started to implement the measures set out in the third and final phase of the Code covering service unbundling and accounting separation. More specifically members of ECSDA have conducted an internal impact analysis to identify potential gaps and have unbundled their services and price lists accordingly. For accounting separation the preparatory work has been completed. The structure has been put in place to collect the data relating to 2008.
  
- Benefits** § We are confident that the Code—in line with the objectives of the European Commission—will deliver benefits to users and improve the efficiency of clearing and settlement.

# Communication with involved parties (FESE, EACH, ECSDA, Users, EU Commission, ECB, CESR, Member of Parliament)





ECSDA  
European Central Securities  
Depositories Association

# Maintenance/Facilitation of the Code of Conduct for Cash Equities

## Background

- § CoC is a self-regulatory approach and represents a self-commitment of organ... the stock exchange, clearing, settlement and safekeeping layers of the financial value chain.
- § The trade associations FESE, EACH and ECSDA are currently representing the organizations who have signed the CoC vis-à-vis the EU-Commission and other security industry associations.

## Issue description

- § New entrants are accessing the European trade / post trade landscape.
- § Such organizations are not already members of FESE / EACH or ECSDA.
- § Single point of contact per layer to facilitate the requests of additional CoC-signatories in the future.
- § The Access + Interoperability Guidelines will be reviewed most likely by Feb. '08. Need to organise discussion / negotiation within the 3 Associations.
- § FESE, EACH and ECSDA have agreed a position on this issue and have discussed it with the EU-Commission going forward.

## Proposed solution

- § Proposal to delegate the 'maintenance / facilitation' of the CoC to a new Committee, the "Coordination Committee" being composed by the Chair of the 3 Associations FESE/EACH/ECSDA\*. Attendance should be limited to Associations and not to individual organizations.
- § The „Coordination Committee“ shall be open to other associations whose members have signed the Code.
- § New entrants of the Code could send requests to obtain CoC documentation to this Committee.

21.01.2008

\* Known as 'Pan-association call'

## Agenda

### ■ Introduction

### ■ Service Unbundling & Accounting Separation (Articles 38 - 43)

### ■ Access and Interoperability (Articles 19 - 37)

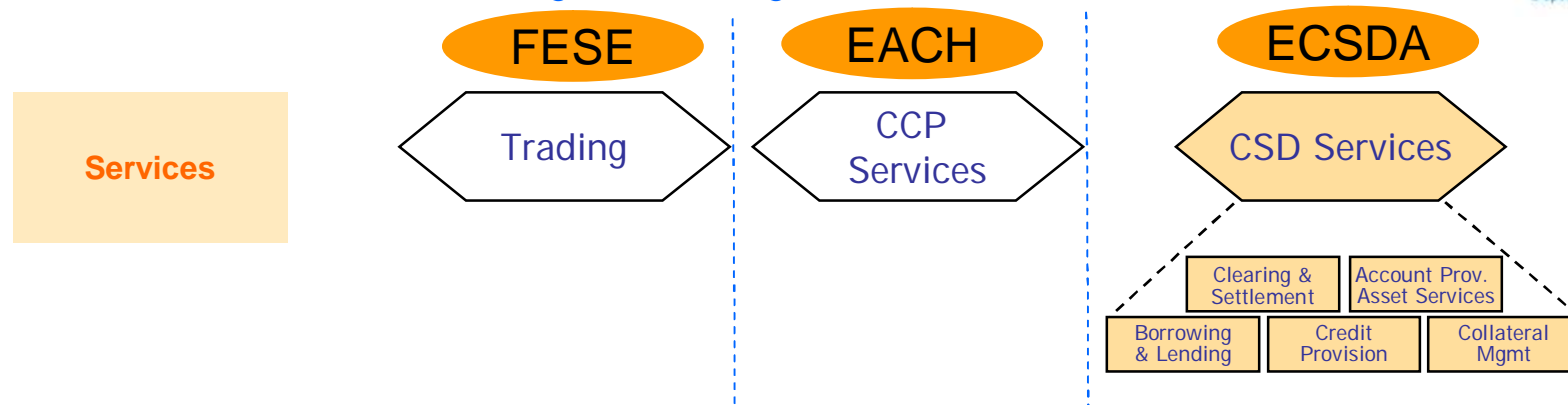
### ■ Extending the Code to other Asset Classes

# Overview: Service Unbundling & Accounting Separation



**ECSDA**  
European Central Securities  
Depositories Association

- 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

è Affects primarily ECSDA members

## Accounting

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

è Affects all associations: FESE, EACH and ECSDA members

# 4 Steps to complete “Service Unbundling”

## – Methodology of the “gap impact analysis”

### Step 1: Identification of business area relevant for CoC

- [Art 39ii](#) should be relevant if the organisation is a CSD only
- In case of trading and/or clearing services [Art 39i](#) is also applicable
- Generally [Art 6](#) has to be considered as well

### Step 2: Identification of gap between current services list/pricing and CoC requirements

- Compare the current status of the services vis a vis [Art 40 & 41](#)
- Apply definitions (Glossary) of TF “Unbundling” and check them against the internal organization's usage in services / price lists

### Step 3: Transform identified gaps into implementation plan

- Conduct activities to unbundle services effectively
- Define separate pricing for each unbundled service

### Step 4: Publish services / price lists in compliance with CoC by 31.12.2007

All 34 members of ECSDA who signed the CoC have published a Conversion Table on their respective websites !

# Key findings following 4 Steps to complete “Service Unbundling”

## Step 1: Identification of business area relevant for CoC

- No issues were encountered by the organisations

## Step 2: Identification of gaps between current services list/pricing and CoC requirements

- Building on the completion of the Conversion Tables dramatically reduced the complexity of this step.
- In one case the trade verification (matching) had to be unbundled from the processing of the settlement transfer. A separate price had to be introduced as well.
- Another case revealed that “CCP Clearing” and “Settlement” of exchange transactions have to be unbundled.

## Step 3: Transform identified gaps into implementation plan

- No issues were encountered by ECSDA members
- 5 organisations reported a medium level and 3 organisations stated a high level of complexity to implement required changes

## Step 4: Publish services/ price lists in compliance with CoC by 31.12.2007

- No issues were encountered by the organisations as the provisions of Price Transparency were applied.

## Summary of Status of Service Unbundling

*Article 39: Organisations shall unbundle prices and services at least as follows*

*(i) The services of trading venues, CCPs and CSDs will be unbundled from each other.*

- **FESE members completing survey to validate their implementation.**
- **EACH's member feedback on the status of the completion on Service Unbundling:**
  - Out of 15 members, the CoC is relevant for 8 members
  - 7 members are compliant
  - 1 member reports work in progress

*Article 39(ii) Each CSD will unbundle the following services each from the other: a. Account provision, establishing securities in book entry form, and asset servicing; b. Clearing and settlement (including verification); c. Credit provision; d. Securities lending and borrowing; and e. Collateral management.*

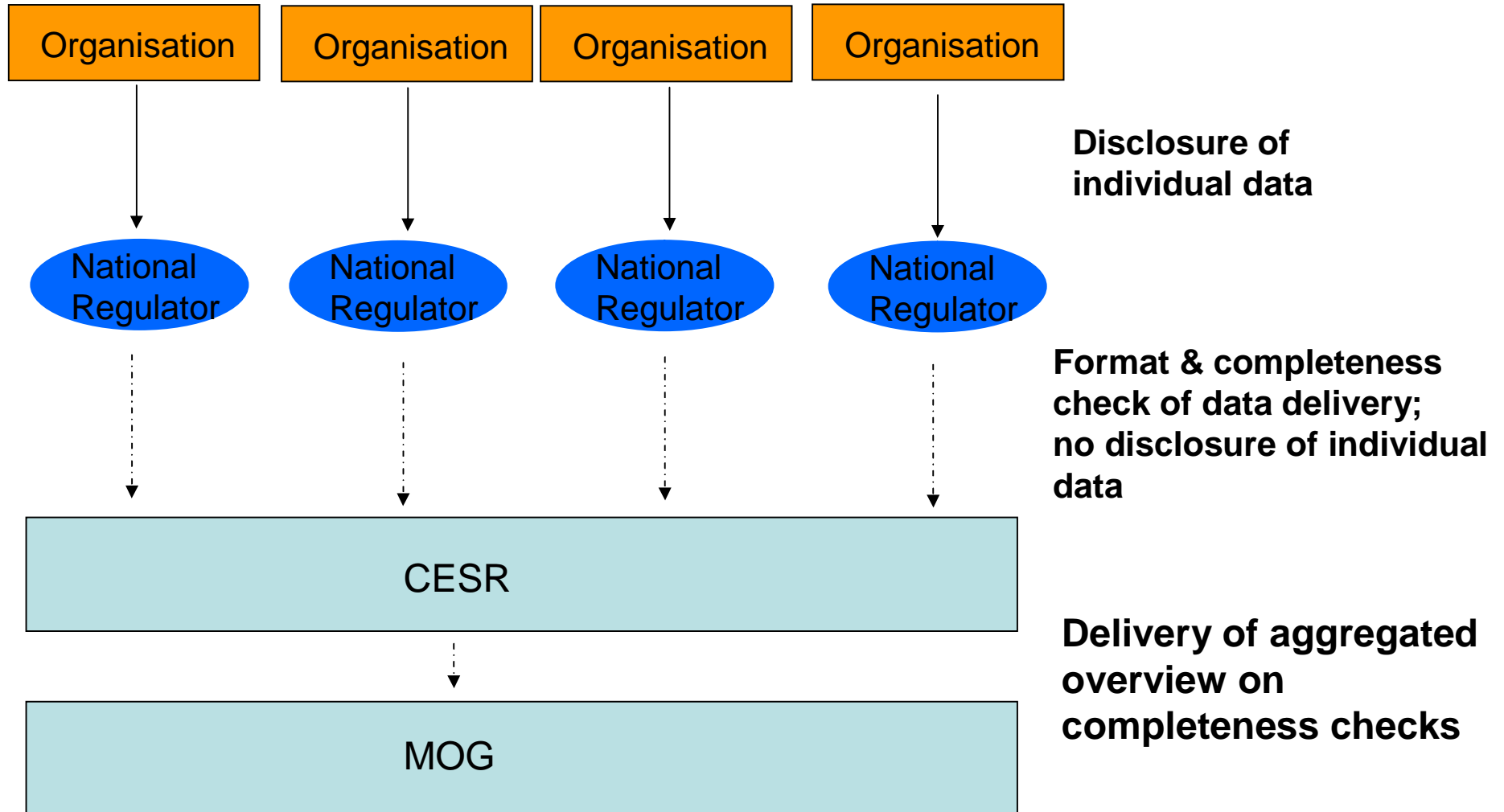
- **ECSDA's member feedback on the status of the completion on Service Unbundling:**
  - Out of **34** CSDs **31** have answered the survey (Cyprus, Croatia, Czech are missing)
  - **29** CSDs are compliant.
  - **2** CSDs have reported work in progress

# Accounting Separation



**ECSDA**  
European Central Securities  
Depositories Association

## ■ Process



## Summary of discussion with CESR

On 19 November, the three associations FESE, EACH and ECSDA met with CESR in Budapest. The aim of the meeting was to discuss **the role of CESR and National Regulators** in the **Unbundling and Accounting Separation phase** of the implementation of the European Code of Conduct for Cash Equities.

### There was a common understanding on the role for National Regulators and CESR:

- **Market infrastructures to disclose the data to their respective National Regulator:**
  - ü The Code determines that the national regulator should be the recipient of the information because market infrastructures traditionally have a close and well established relationship with their respective regulator.
- **Process :**
  - ü National Regulators will receive the self assessment report for Service Unbundling and Accounting Separation, written by the national market infrastructure organisation.
  - ü Furthermore, National Regulators will receive the auditors' statement on the self-assessment report for Service Unbundling and Accounting Separation.
- **Role of National Regulators – report to the Monitoring Group:**
  - ü National Regulators will store the data.
  - ü National Regulators are not expected to do a complete additional audit or to analyse the data received, but rather do an inventory check on the information compliance from market infrastructure side (i.e. notary function).
  - ü If requested by participants of the Monitoring Group (MOG), National Regulators will report through CESR that the signatories of the Code of Conduct have provided the relevant self-assessment report and that an external auditing was delivered to the National Regulator.

# Accounting Separation (for CSD services/ Art. 39ii)



## ■ Individual institutions' level

- Decentralised preparation and implementation: every organization has taken the required steps in accordance with its specific national circumstances. Every individual organization will explain to the relevant National Regulator the applied cost allocation methodology (upon request).
- „Terms of Reference for the External Auditing of Compliance with CoC“ is addressing a perceived level of discomfort on this approach.

## ■ Approach for common accounting separation principles

- Following the completion of the necessary preparatory work, a set of guiding principles will be discussed among the signatories of the CoC.
- This should ensure that the methodology of the Accounting Separation shows consistency over time.
- Guiding principles should reinforce commitments made in Article 43 to use methodologies in line with the applicable accounting standards [IFRS, GAAP or others].
- To provide explanations to their national regulator on the cost allocation methodology used, if requested.

## Agenda

- Introduction
- Service Unbundling & Accounting Separation  
(Articles 38 - 43)
- Access and Interoperability  
(Articles 19 - 37)
- Extending the Code to other Asset Classes

# Example of one request



## Timeline

### X à Y (IO)

**Step 1 of A&IO Guideline (excl. svc. descr.):**

**Send letter requesting access**

06/08/2007

Organisation X sends letter to organisation Y requesting Interoperability

**Step 2 of A&IO Guideline (excl. svc. descr.):**

**Y confirms receipt of request within 15 days**

05/09/2007

Organisation Y sends acknowledgement letter to X regarding Interoperability (IO) Request

17/09/2007

01/10/2007

Workshop concerning request by organisation X for IO with Y

08/10/2007

24/10/2007

29/10/2007

01/11/2007

06/11/2007

21/11/2007

21/11/2007

05/12/2007

06/12/2007

07/12/2007

11/12/2007

### Y à X (IO)

**Step 1 of A&IO Guideline (excl. svc. descr.):**

**Send letter requesting access**

Organisation Y sends letter to organisation X requesting IO

**Step 2 of A&IO Guideline (excl. svc. descr.):**

**X confirms receipt of request within 15 days**

Organisation X sends acknowledgement to Y regarding IO Request

Preparatory meeting within organisation Y

Organisation Y sends its service description to organisation X

Organisation Y sends additional documents in response to an email of organisation X dated 16 October: CCP

First physical Meeting regarding reciprocal requests for IO

Second Meeting to clarify different aspects

Third Risk Management meeting (requested by Y on 13 November)

Y sends the final version of the minutes from the meeting held on 21 Nov. In addition, it sends the draft version of the common Action/Issue/Decision list. Y will maintain the master of the list and will send it to X on a regular basis.

Y sends an updated version of the Action List

Y sends documentation





Y sends a list of questions. Y suggests to arrange bilateral meetings in Jan 08 to discuss these questions

**Steps 3 and 4 of A&IO Guideline follow after requirements are detailed**

21.01.2008

# Status of Access & Interoperability requests\*

Receiving Entity \ Requesting Entity		Trading									Clearing									Settlement												
		London Stock Exchange	Borsa Italiana	SWX	virt-x	Euronext Paris	Euronext Amsterdam	Euronext Belgium	Euronext Portugal	FWB (Frankfurt)	Chi-X	LCH.Clearnet Ltd	CC&G (Italy)	SIS x-clear	LCH.Clearnet SA (France)	LCH.Clearnet SA (NL)	LCH.Clearnet SA (Belgium)	LCH.Clearnet SA (Portugal)	Eurex Clearing AG	EMCF	Chi-X	Euroclear UK&I	Monte Titoli	SIS SegalInterSettle	Euroclear France	Euroclear NL	Euroclear Belgium	Interbolsa (Portugal)	Clearstream Banking FFM	Clearstream Banking Lux.	Euroclear Bank	
Clearing	Eurex Clearing AG	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	X		
	LCH.Clearnet SA	X	X						X	X		X						X	X	X			X							X		
	SIS x-clear	X				X	X	X	X	X	X			X	X	X	X	X	X				X						X			
Settlement	Clearstream Banking Frankfurt										X		X	X								X		X	X	X	X	X				
	Clearstream Banking Luxembourg										X		X	X								X		X	X	X	X	X				
	Euroclear Bank		X						X			X	X					X				X								X		
	SIS SegalInterSettle																	X											X	X		

	Links already in place
	No links applicable
	Organisation to itself
	Requested links

\* Table dd. 18 January 2008; based on information publicly available in the financial press

# Good progress made

## - Outstanding issues



### Public sector related dependencies

- Possible need for CCPs to obtain a banking licence
- Eurosystem policy statement on CCP consolidation
- Lack of progress to tackle the removal of Giovannini barriers (Tax etc.)

### Private sector related dependencies

- Moving from one to several CCPs – necessary changes :
  - Technical infrastructure & IT changes
  - Routing changes
  - Operational changes
- Different interpretation of A&I Guidelines
  - Cherry picking clause (Art. 57)
  - Diverging approaches towards prioritisation of requests

### Hybrid of public and private sector dependencies

- Variety of national, legal and regulatory requirements
  - Exchange rules may require a local CSD-status
- Selfregulation in a non-harmonised Europe creates a temporary unlevel playing field
- Inter-CCP risk management principles to be agreed

# Access & Interoperability

## Requests made by Eurex Clearing AG



**ECSDA**  
European Central Securities  
Depositories Association

TF = Transaction Feed  
SA = Standard Access  
CA = Customized Access  
IO = Interoperability

### Receiving Entities

### Formal Process

	Request for	Request date	Acknowledgement in Time	Service Description	Overview Meetings			
1	LSE and associated CCPs and CSDs TF / IO / TF	17 Sep 2007 (LSE, LCH Ltd and Euroclear UK&I)	b	Developed based on old process model	<table border="0"> <tr> <td><b>LSE:</b> 07/11/07 21/01/08</td> <td><b>LCH Ltd:</b> 01/10/07 06/11/07 21/11/07 22/01/08</td> <td><b>Euroclear UK&amp;I:</b> 05/11/07 31/01/08</td> </tr> </table>	<b>LSE:</b> 07/11/07 21/01/08	<b>LCH Ltd:</b> 01/10/07 06/11/07 21/11/07 22/01/08	<b>Euroclear UK&amp;I:</b> 05/11/07 31/01/08
<b>LSE:</b> 07/11/07 21/01/08	<b>LCH Ltd:</b> 01/10/07 06/11/07 21/11/07 22/01/08	<b>Euroclear UK&amp;I:</b> 05/11/07 31/01/08						
2	SWX / virt-x and associated CCPs and CSDs TF / IO / TF	06 Sep 2007/ 26 Oct 2007 (virt-x / SWX)  27 Feb 2007 (informal request to SIS x-clear)  17 Sep 2007 (SIS SegalInterSettle)	b	1. draft exchanged	<table border="0"> <tr> <td><b>SWX / virt-x:</b> 25/09/07 15/11/07</td> <td><b>SIS x-clear:</b> 27/02/07 21/05/07 26/09/07 23/10/07 31/10/07 23/11/07 16/01/08</td> <td><b>SIS:</b> 16/01/08</td> </tr> </table>	<b>SWX / virt-x:</b> 25/09/07 15/11/07	<b>SIS x-clear:</b> 27/02/07 21/05/07 26/09/07 23/10/07 31/10/07 23/11/07 16/01/08	<b>SIS:</b> 16/01/08
<b>SWX / virt-x:</b> 25/09/07 15/11/07	<b>SIS x-clear:</b> 27/02/07 21/05/07 26/09/07 23/10/07 31/10/07 23/11/07 16/01/08	<b>SIS:</b> 16/01/08						
3	Euronext Paris & Amsterdam and associated CCPs and CSDs TF / IO / TF	17 Sep 2007 (Euronext Paris & Amst., LCH SA and Euroclear NL & France)	b	Under development	<table border="0"> <tr> <td><b>Euronext Paris &amp; Amst.:</b> (planned for end of Jan08)</td> <td><b>LCH SA:</b> N/A</td> <td><b>Euroclear NL &amp; France:</b> N/A</td> </tr> </table>	<b>Euronext Paris &amp; Amst.:</b> (planned for end of Jan08)	<b>LCH SA:</b> N/A	<b>Euroclear NL &amp; France:</b> N/A
<b>Euronext Paris &amp; Amst.:</b> (planned for end of Jan08)	<b>LCH SA:</b> N/A	<b>Euroclear NL &amp; France:</b> N/A						

# Access & Interoperability Requests made by LCH.Clearnet



TF = Transaction Feed  
SA = Standard Access  
CA = Customized Access  
IO = Interoperability

**ECSDA**  
European Central Securities  
Depositories Association

## Receiving Entities

## Formal Process

	Request for	Request date	Acknowledgement in Time	Service Description	Overview Meetings
1 DBAG*	TF/IO/ TF	06 Aug 2007 (Ltd) 02 Oct 2007 (SA)	b	In draft	01 Oct 2007 FWB/ECAG 04 Oct 2007 CBF Further meetings in Nov and Dec 2007, and continue
2 Borsa Italiana*	TF/IO/ TF	08 Aug 2007 (Ltd) 05 Oct 2007 (SA)	b	In draft	16 Oct first meeting, and continue subsequently
3 Euronext and associated CSDs	TF/TF	24 Sep 2007 (Ltd)	b	Under development	First meeting 06 Dec with Euronext
4 LSE and associated CSDs	TF/TF	17 Oct 2007 (SA)	Included in continual dialogue and specifically acknowledged	Under development	Meeting of all CCPs with LSE 21 Jan
5 Chi-X/EMCF	TF/IO	29 Oct 2007 (SA)	b	Under development	Meeting Chi-X 15 Jan

\* Request made by LCH Clearnet SA and LCH Clearnet Ltd

# Access & Interoperability

## Requests made by SIS x-clear AG



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 IO = Interoperability

**ECSDA**  
 European Central Securities  
 Depositories Association

### Receiving Entities

### Formal Process

	Request for	Request date	Acknowledgement in Time	Service Description	Overview Meetings
1 LSE	TF/IO	May 2006	b	completed	<ul style="list-style-type: none"> <li>• Several Meetings during 2006 and Jan.2008</li> </ul>
2 Deutsche Börse AG	TF/IO	October 2006	b	In draft	<ul style="list-style-type: none"> <li>• Request submitted in October 2006</li> <li>• Joint Press release was published by 18th September 2007</li> <li>• Several meetings about the co-operation were held in 2007</li> </ul>
3 EURONEXT	TF/IO	October 2006	b	Under development	<ul style="list-style-type: none"> <li>• Several meetings about the co-operation were held in 2007 with EURONEXT and LCH.Clearnet SA</li> </ul>
4 Chi-X	TF/IO	October 2007	b	Under development	<ul style="list-style-type: none"> <li>• Several meetings about the co-operation were held in 2007</li> </ul>

# Access & Interoperability

## Requests made by Clearstream Banking Frankfurt and Luxembourg



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European Central Securities  
Depositories Association

TF = Transaction Feed  
SA = Standard Access  
CA = Customized Access  
IO = Interoperability

### Receiving Entities

### Formal Process

	Request for	Request date	Acknowledgement in Time	Service Description	Overview Meetings
1 LSE and associated CCPs and CSDs	TF / SA/CA	19 Sep 2007 (LCH Ltd and Euroclear UK&I)	b	Under development	LCH Ltd: 29/11/07 Euroclear UK&I: N/A
2 SWX / virt-x and associated CCPs and CSDs	TF / SA/CA	19 Sep 2007 (SIS x-clear and SIS SegalInterSettle)	b	Under development	SIS x-clear: 24/10/07 SIS: 16/01/08
3 Euronext and associated CCPs and CSDs	TF / SA/CA	19 Sep 2007 (LCH SA and Euroclear NL, France & Belgium, Interbolsa)	b	Under development	LCH SA: 19/12/07 28/01/08 Euroclear NL, France & Belgium: N/A Interbolsa: N/A

# Access & Interoperability Requests made by Euroclear



TF = Transaction Feed  
SA = Standard Access  
CA = Customized Access  
IO = Interoperability

**ECSDA**  
European Central Securities  
Depositories Association

## Receiving Entities

## Formal Process

	Request for	Request date	Acknowledgement in Time	Service Description	Overview Meetings
1 Eurex (DBAG)	TF	17 Aug 2007	p	In draft	11 Oct; 13 Nov; 20 Nov; 21 Dec; 15 Jan; meetings and bilateral contacts between Eurex and Euroclear
2 X-Clear (Virt-x; SWX)	TF	3 Dec 2007	p	Under development	Meetings being set up
3 CC&G – Borsa Italiana	TF	3 Dec 2007	p	To be started	Process to be started

# Access & Interoperability

## Requests made by SIS SegalInterSettle AG



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**ECSDA**  
 European Central Securities  
 Depositories Association

### Receiving Entities

### Formal Process

	Request for	Request date	Acknowledgement in Time	Service Description	Overview Meetings
1 Eurex Clearing AG	TF	19/09/2007	p	Under development	First meeting: 16/01/2008
2 Frankfurter Wertpapierbörse	Settlement Location	16/01/08	pending	Under development	First meeting: 16/01/2008

## Agenda

- Introduction
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## Extending the Code to other Asset Classes (1/2)

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?

## Extending the Code to other Asset Classes (2/2)

**FESE and EACH have written separately to EU-Commission and stated the following positions\*:**

- 1. Our primary focus should be on the implementation of the Code of Conduct for cash equities**  
Our priority is to ensure that the Code for cash equity is fully implemented.
- 2. Any new initiative should be subject to better regulation principles**  
Before considering the possible introduction of regulation or self-regulation for asset classes other than cash equities, there is a need to analyse potential failures in these markets and to assess the most appropriate solution(s).
- 3. European initiatives must be considered in the global competitive environment**  
The derivatives market is a global market and any European initiative must avoid putting European derivatives at a competitive disadvantage.
- 4. Functional approach to ensure level playing field among market participants**  
Follow a functional approach that ensures a level of playing field among markets : regulated derivate exchanges and clearing houses, other trading platforms offering derivatives, and firms offering over-the-counter derivative products and services should be subject to similar rules.



# BACK UP

# Accounting Separation

## - Generic guidelines



**ECSDA**  
European Central Securities  
Depositories Association

**DRAFT ONLY,  
STILL TO BE  
DISCUSSED!**

### Proposal for common accounting separation principles

- To use the published conversion table as a basis for revenue allocation across the five services defined in the Code (CSD only).
- To ensure that the results of the Accounting Separation show an allocation of the totality of their costs and revenues (with a category "Other" for those entries that do not belong to the five defined services) thereby allowing that the results can be reconciled back to the audited figures (all).
- To use methodologies that are in line with the applicable accounting standards [GAAP, IFRS or other] (all).
- To allocate expenses that are directly linked to a service directly to this service whereas all other costs are allocated based on a true and reasonable basis (CSD only).