



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

Joint status update for the meeting with the  
Monitoring Group in Brussels on 9 April 2008

## Agenda

- Introduction
- Price transparency (Articles 7 - 18)
- Access and Interoperability (Articles 19 - 37)
- Service Unbundling & Accounting Separation (Articles 38 - 43)
- Terms of reference for the external audit procedure (Articles 43 - 44)

# Signatories to the CoC\*

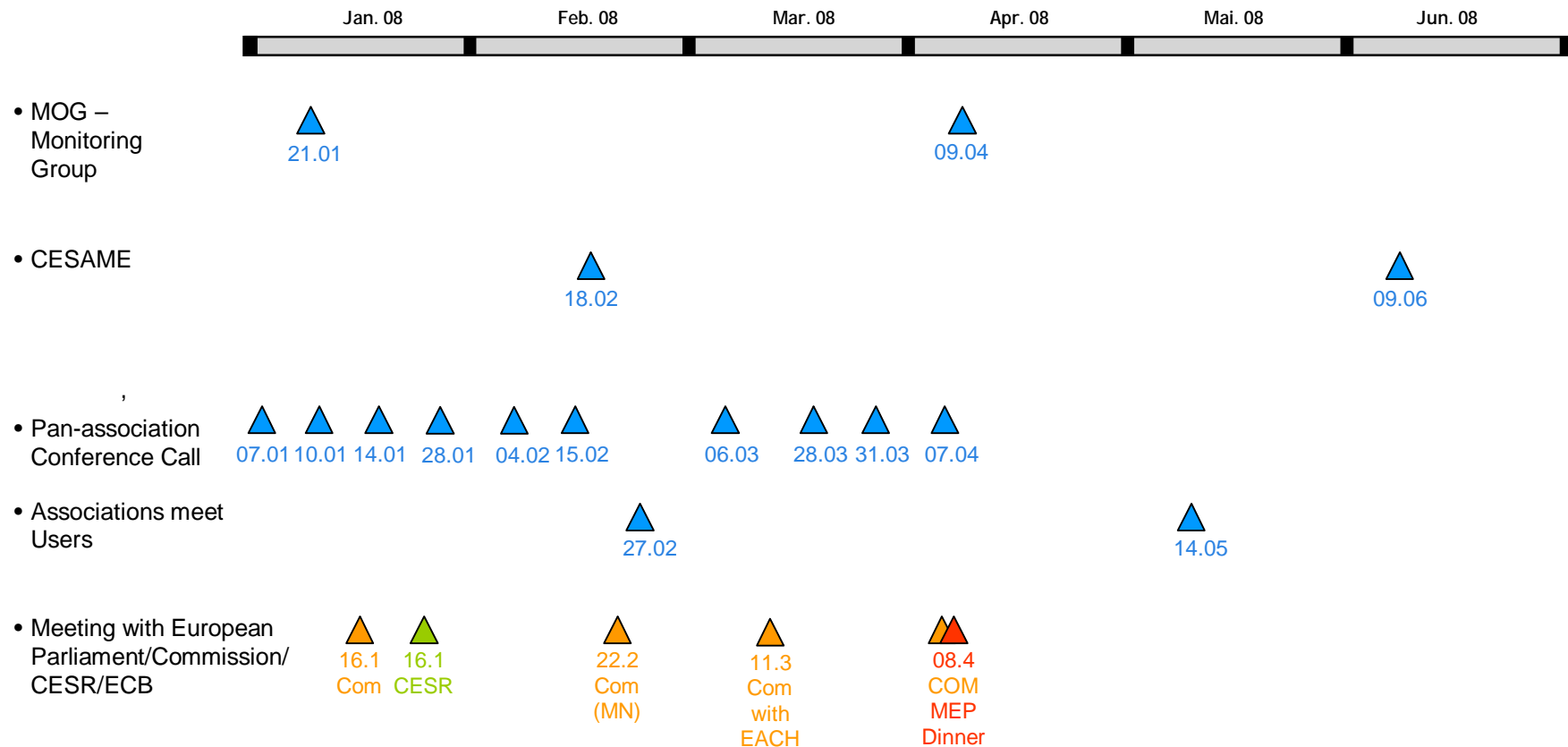


**ECSDA**  
European Central Securities  
Depositories Association


<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>■ London Stock Exchange (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>■ SWX Europe (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>■ European Multilateral Clearing Facility N.V. (EMCF)</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>■ CSD and CH of Serbia</li> <li>■ SIS x-clear (Switzerland)</li> <li>■ VPS Clearing (Norway)</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 are new signatories of the Code: Chi-x and Berliner Börse/Equiduct. 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).**

# Code of Conduct – Activities 2008



09.04.2008

Legend:  
 meeting

## Meeting with Users (27 February 2008)

- **This was a constructive meeting which demonstrated that the level of communication between Users and the 3 association is working well**
  - Users provided an update on the ECSDA activities: They have revised the methodology of the price transparency assessment report and concluded that in general the level of compliance has improved very well since the last assessment
  - Detailed results should be verified and be discussed with the individual organisation in the local market bilaterally. It was agreed that the three associations should receive the report before the MOG meeting
  - The three associations provide update on the access & interoperability requests and discussed User expectations regarding information about the „business case“ of a request
  - The attendees of the meeting shared the view that much more efforts have to put into the area of regulatory harmonisation to make progress and remove remaining obstacles
  - The joint view was expressed that the implementation of the CoC for equities is first priority and that the topic „Assessing the need for post-trade actions in non-equity markets“ should be discussed outside the MOG
  - Agreement to meet on a regular basis (14 May 2008 tbc.)

## Agenda

### ■ Introduction

### ■ Price transparency (Articles 7 - 18)

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

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

### ■ Terms of reference for the external audit procedure (Articles 43 - 44)



**ECSDA**  
European Central Securities  
Depositories Association

## Price transparency – improvements with regard to price comparability

- Please see separate joint presentation from ECB and ECSDA

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# List of Access & Interoperability requests\*

Receiving ← Requesting	Berliner/ Equiduct	CC&G	EMCF	Eurex Clearing AG	LCH.Clearnet Ltd	LCH.Clearnet S.A.	SIS x- clear	Euroclear Bank	CBF	CBL	SIS Sega InterSettle
Borsa Italiana					TFA	TFA		TFA			
FWB					TFA	TFA	TFA	TFA			TFA
LSE		TFA	TFA	TFA		TFA	TFA		TFA	TFA	
NYSE Euronext		TFA	TFA	TFA	TFA		TFA				
SWX Europe				TFA							
SWX Swiss Exchange				TFA							
CC&G					I			TFA			
Chi-x						TFA	TFA				
EMCF						I	I				
Eurex Clearing AG	TFA				I	I	I	TFA			TFA
LCH. Clearnet Ltd		I		I		I (no formal request)	I		TFA	TFA	
LCH. Clearnet S.A.		I	I	I	I (no formal request)		I		TFA	TFA	
SIS x-clear				I				TFA	TFA	TFA	
Clearstream Banking Frankfurt			SA		SA or CA	SA or CA	SA or CA				SA or CA
Clearstream Banking Luxembourg											SA or CA
Euroclear BL					SA				CA (DVP)	SA or CA	
Euroclear France		SA		TFA					CA (DVP)	SA or CA	
Euroclear NL		SA		TFA					CA (DVP)	SA or CA	
Euroclear UK & Ir				TFA		SA	SA		SA or CA	SA or CA	
Interbolsa		SA			SA				SA or CA	SA or CA	
Monte Titoli					SA or CA	SA		CA			
SIS Sega InterSettle				TFA					SA or CA	SA or CA	

CA = Customised access  
 SA = Standard access  
 TFA = Transaction feed access  
 I = Interoperability  
 CA (DVP) = DVP link (customised access)

\* Table based on information on link requests list as provided by EU Commission

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## Additional detail and practical evidence of service unbundling implementation (1/3)

- Association members provide examples to illustrate the work done in the gap analyses or other steps taken in this regard:

### Step1: Identification of business area relevant for the Code:

- Some CSDs have formed a working group to formally discuss and agree the way unbundling is implemented in line with the Code
  - ü Central Depository AD Bulgaria (CDAD) has formed a working group to concentrate on the process of unbundling of services and accounting separation. This working group carried out a gap analysis. This analysis showed that CDAD provides two of the five categories listed in Art. 39 (ii) and complies with the requirements of Art. 39 (ii) for unbundling in those two categories

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

- In their internal gap analysis most of the CSDs reviewed their price lists
  - ü Euroclear Group traditionally already applied a principle of price and service unbundling. The Management Teams of each Euroclear (I)CSD have formally discussed and agreed that the way unbundling is implemented is in line with the Code
  - ü CDCP SR (Slovakia) has worked out that there was no need to take any steps in order to unbundle the services as such, because the provision of all services by their depository is unbundled and it is possible to execute any offered service separately
  - ü NCSD Group (Sweden) mentioned that its services were already unbundled and offered separately, but they reviewed the price list for clearing members and made some additional improvements

## Additional detail and practical evidence of service unbundling implementation (2/3)

- Association members provide examples to illustrate the work done in the gap analyses or other steps taken in this regard:

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

- Moving certain services from one category to another category
  - ü CDAD (Bulgaria) has moved certain services from one category under Art. 39 (ii) to another category (e.g. specific issuer services, facilitated by the end-investor account structure (such as maintenance of register of shareholders), which were initially included in category “Account provision and asset servicing” were moved to category “other. CDAD has increased the number of revenue accounts from 9 to 40, as the process of Service Unbundling coincided with the implementation of new accounting rules
  - ü CSD of Montenegro has changed several of its chapters and articles in the Registry and its fee schedule has been amended on unbundling services in the depository (i.e. guarantee funds and some services in the Clearing and Settlement)

## Additional detail and practical evidence of service unbundling implementation (3/3)

- Association members provide examples to illustrate the work done in the gap analyses or other steps taken in this regard:

### Step 4: Publish services/ price lists reflecting services unbundled

- Service unbundling and changed prices are reflected in current tariff brochures and conversion tables
- Revised price list were posted on websites and official journals
- ü Clearstream Banking Frankfurt (Germany) has published its updated tariff schedule
- ü Iberclear (Spain) published a new tariff schedule which is applicable from the first of January 2008 which reflects the different services available at separate prices
- ü VP Securities Services (Denmark) published an updated fee schedule, which reflected its decision to reduce prices on clearing, settlement and issuance services

## Accounting Separation - Common principles

- In the implementation of the accounting separation requirements of the Code, the Organisations have agreed to find a number of common principles to ensure that the application of art 42 and 43 of the Code will occur consistently across the Organisations.
- The following common guidance principles have been agreed:
  - 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 the provision of a service defined in the Code directly to that service whereas all other costs are allocated based on a true and reasonable basis (all).
  - 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 (CSD only).

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# Overview of the process of ensuring compliance with the Code

