



ECSDA
European Central Securities
Depositories Association

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

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



Agenda

■ Introduction

■ Price Transparency (Articles 7 - 18)

■ Access and Interoperability (Articles 19 - 37)

■ EACH Inter-CCP Risk Management Standards

■ Terms of Reference for the External Audit Procedure (Articles 43 - 44)

Signatories to the CoC*



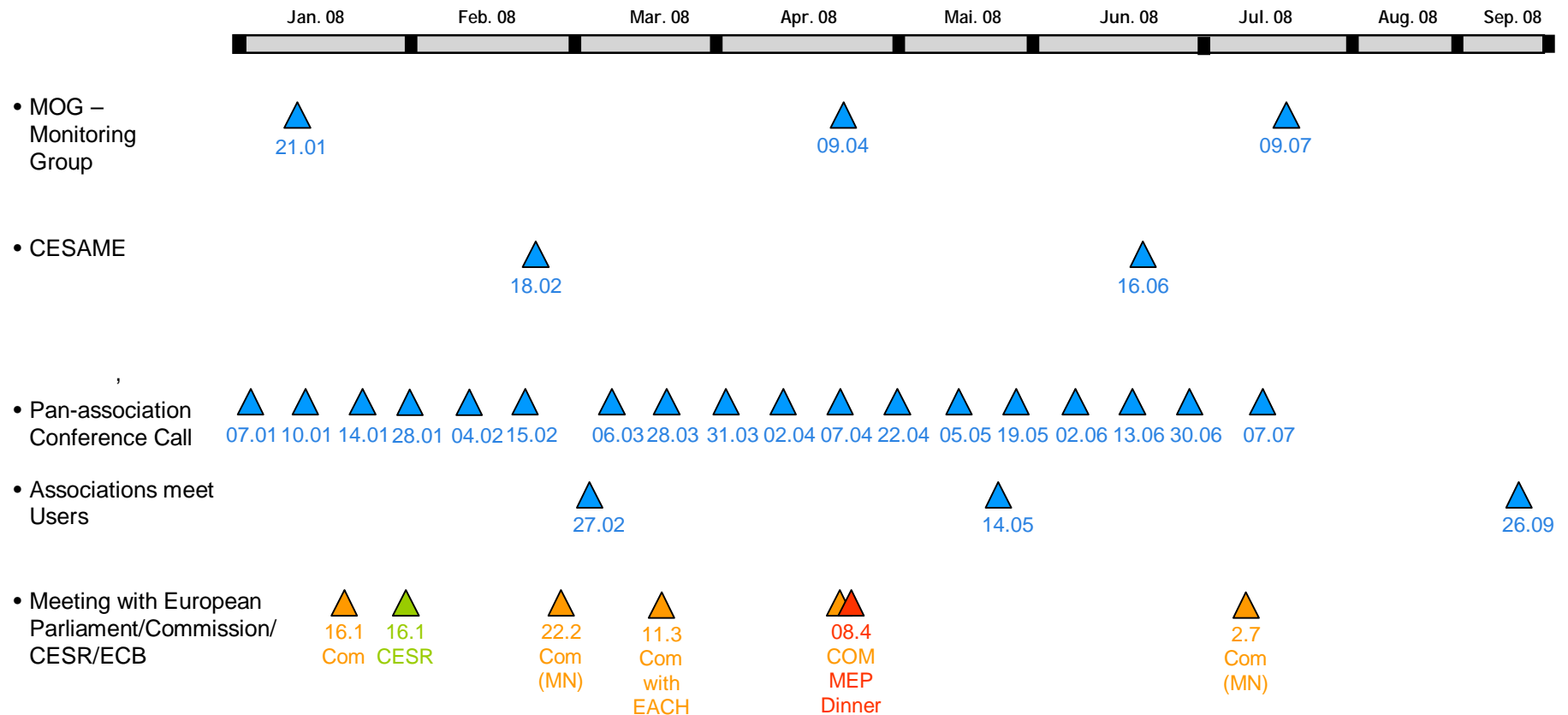
ECSDA
European Central Securities
Depositories Association

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

***There are new signatories of the Code. Some of which are not member of FESE, EACH or ECSDA (e.g. Chi-x). The 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



09.07.2008

Legend:
 meeting

Meeting with Users (14 May 2008)

■ Update on the progress of the Code

- Users asked for the latest new signatories and their status was discussed (MTFs are not members of FESE; Market Operators are eligible for FESE membership; EMCF and EuroCCP are members of EACH)
- There is a common interest to make the Code a success
- Questions whether all 82 requests under the Code will successfully be implemented and acknowledgment that the implementation of links, esp. Interoperability, is complex and will take time
- Users mentioned that a roadmap for the removal of the Giovannini Barriers would be useful
- Ongoing work on the ECSDA Conversion Tables will be considering the suggestions made by ECSDA. It should be noted, however that already several proposals of ECSDA have been included in the Conversion Tables. There are also items which are not acceptable to CSDs e.g. the separation between core and non-core services. An updated version will be shared with Users

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ECSDA deliverables



Price Transparency:

- Expand ECSDA guidelines for completion of Conversion Table
- Review existing conversion tables by all CSDs to ensure consistent implementation
- Define frequency for regular updates
- Set up ECSDA webpage to include all Conversion Tables + links to ECSDA members
- Users raised two priority items to be tackled by ECSDA:
 - ü Glossary on terminology and acronyms per individual organization
 - ü Billing reconcilability*

è ECSDA Task Force “Price Comparability” has been assigned to deal with the above mentioned tasks

*lack of billing reconcilability does not allow Users to pass on benefits of price reductions to investors

ECSDA Task Force on „Price Comparability“

Price Transparency:

- ECSDA Conversion Tables are being published on www.ecsda.com
- ECSDA will examine the possibility of creating a common glossary for ‘settlement’ related activity for the following markets;
 - ü UK, Fr, De, It, Es, Ch
- Guidance notes being reviewed for clarity and will cover frequency of updates to conversion tables
 - ü Minor changes only are likely
- Billing Reconcilability is a matter for each individual CSD

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(Articles 43 - 44)



List of Access & Interoperability requests

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

Request from	Request to
SIS x-clear	FWB (TFA) Eurex Clearing AG (I) Clearstream Banking Frankfurt (SA or CA)
SIS x-clear	LSE (TFA) LCH.Clearnet Ltd (I) Euroclear UK & Ir (SA)
SIS x-clear	NYSE Euronext (TFA) LCH.Clearnet S.A. (I)
SIS x-clear	Chi-x (TFA)
SIS x-clear	EMCF (I)
Euroclear Bank	Borsa Italiana (TFA) CC&G (TFA) Monte Titoli (CA)
Euroclear Bank	FWB (TFA) Eurex Clearing AG (TFA)
Euroclear Bank	SIS x-clear (TFA)
Clearstream Banking Frankfurt	Borsa Italiana (TFA) CC&G (TFA) Monte Titoli (CA info)
Clearstream Banking Frankfurt	LSE (TFA) LCH.Clearnet Ltd (TFA) Euroclear UK & Ir (SA or CA)
Clearstream Banking Frankfurt	OMX (TFA) NCSD Sweden (Info)
Clearstream Banking Frankfurt	SWX Swiss Exchange (Information) SIS x-clear (TFA) SIS Sega InterSettle (SA or CA)
Clearstream Banking Frankfurt	LCH.Clearnet S.A. (TFA) Euroclear BL (CA DVP) Euroclear France (CA DVP) Euroclear NL (CA DVP) Interbolsa (SA or CA)
Clearstream Banking Luxembourg	Borsa Italiana (TFA) CC&G (TFA) Monte Titoli (CA info)
Clearstream Banking Luxembourg	FWB (TFA)
Clearstream Banking Luxembourg	LSE (TFA) LCH.Clearnet Ltd. (TFA) Euroclear UK & Ir (SA or CA)
Clearstream Banking Luxembourg	Euroclear BL (CA or SA) Euroclear France (CA or SA) Euroclear NL (CA or SA) Interbolsa (CA or SA)
Clearstream Banking Luxembourg	OMX (TFA) NCSD Sweden (Info)
Clearstream Banking Luxembourg	SWX Europe (Information) LCH.Clearnet Ltd. (TFA) SIS x-clear (TFA) Euroclear UK & Ir (SA or CA) SIS Sega InterSettle (SA or CA)
SIS Sega InterSettle	FWB (TFA) Eurex Clearing AG (TFA) Clearstream Banking Frankfurt (SA or CA) Clearstream Banking Luxembourg (SA or CA)

CA = Customised access
 I = Interoperability
 SA = Standard access
 CA (DVP) = DVP link (customised access)
 TFA = Transaction feed access
 Info = Information that request has been asked for trading platform

Developments with regard to Access & Interoperability requests

- Market infrastructure Organisations are continuing their work on developing a business case
- Furthermore, there is ongoing regulatory dialogue with relevant national authorities
- The three associations expect positive developments with CESAME II and the new ESCB-CESR Recommendations
- In the CSD area there have been some consolidation/interoperability developments (e.g. Linkup Markets, Euroclear`s NCSD acquisition)

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Inter-CCP Risk Management Standards (1/2)

EACH has agreed seven Risk Management Standards in order to prevent competition between CCPs leading to a decline in risk management standards:

- 1. Compliance with Risk Management Standards: CCPs should seek to comply with CPSS-IOSCO and EACH standards for risk management. Interoperability links should not compromise adherence to these standards**
- 2. No Competition on Risk Grounds: CCPs should never compete on risk grounds; “desired risk coverage” and behaviors (and models) should be consistently applied across markets**
- 3. Recognition of the nature and regulatory status of CCPs: CCPs are highly regulated and do not take proprietary risk; they are designed to withstand very significant market shocks**
- 4. Measurement and management of exposure to linked CCPs: quantification and understanding of the potential risks under the link is essential**

Inter-CCP Risk Management Standards (2/2)

5. **Performance of inter-CCP risk assessment: understanding of the counterparty in the link and their risk profile**
 6. **Transparency between CCPs: provision of significant information to linked CCP, e.g. changes to business and risk profile, new link arrangements, adherence to stated risk practices**
 7. **Operational Flexibility: minimizing operational impact, e.g. to allow for different working days and to provide collateral flexibility**
- è **The Standards should also be explicitly adopted by all CCPs who sign the Code and the Guideline in order to be effective**

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External Audit – Terms of Reference

- ToR will be finished shortly and re-distributed with final sign-off to EU Commission

Role out process

- § General Implementation Report 2007 should be delivered from Organisations by 30 September 2008*
- § The Federation of European Accountants (FEE) has been very much involved in making sure that the Terms are sound from an audit perspective. FEE has indicated its willingness to endorse the final terms.
- § After the endorsement of the Terms of Reference by FEE, the terms will be published by the three associations, including a cover letter by the EU Commission that explains the public policy objectives achieved by the audit process.

*considering Terms of Reference will be published by 21 July 2008