



EUROPEAN COMMISSION  
IMPACT ASSESSMENT BOARD

Brussels, D(2011)

## Opinion

### Title

**DG MARKT - Impact Assessment on Central Securities Depositories and on the Harmonisation of certain aspects of securities settlement**

**(resubmitted draft of 8 August 2011)**

### **(A) Context**

Central Securities Depositories (CSDs) perform most of the delivery and settlement processes following acquisition or disposal of securities. The ECOFIN Council (2 December 2008) emphasised the need to strengthen the safety and soundness of securities settlement systems, and more recently (20 October 2010) the Financial Stability Board called for more robust core market infrastructures and asked for the revision of existing standards. The Committee on Payments and Settlement Systems of the Bank of International Settlements (BIS) and the International Organisation of Securities Commissions (IOSCO) are finalising draft global standards, to replace existing recommendations from 2001, on which basis the European System of Central Banks (ESCB) and the Committee of European Securities Regulators established standards at European level in 2009. The share of cross-border securities transactions in Europe is increasing, and this will be reinforced by the introduction of the Target2 Securities (T2S) pan-European common settlement platform in 2014. This IA report accompanies a legislative proposal aiming at improving the functioning of securities depositories and settlement.

### **(B) Overall assessment**

**The revised report has improved on some of the points for which recommendations were issued, but the evidence base for the preferred options still needs further strengthening and should ensure a more complete and robust estimation of all costs and benefits. Firstly, it should present the content of the policy options in a more transparent way. Secondly, the report should strengthen the qualitative and quantitative assessment of costs and benefits, and provide a better overall comparison of the options based on clear criteria (effectiveness, efficiency and coherence). Finally, the report should describe clear monitoring and evaluation arrangements.**

### **(C) Main recommendations for improvement**

**(1) Strengthen the presentation of the options.** The report should improve the consistency of the detailed presentation on the content of the policy options, by giving succinct descriptions of key features in the main text, with clear references to the relevant Annexes. It should more clearly separate the description of the options themselves, and the preliminary assessment of impacts. The report should still indicate more clearly when and how their concrete impacts will be assessed. It should justify the timing of the initiative and clarify why the Commission could not wait until the new BIS/IOSCO global standards have been finalised.

**(2) Present costs and benefits of the different options more clearly.** The report should be more concrete on the actual costs the proposed options will entail for different groups of affected parties (including direct and indirect employment effects). Especially the options regarding the settlement periods T+2 and T+3 that would have substantial impacts should be supported by a quantitative indication of benefits and costs. On the basis of a complete overview of expected costs and benefits, the report should explain more clearly what evidence supports the choice of the preferred option. The report should also analyse the impact on the competitiveness of the sector.

**(3) Identify clear monitoring and evaluation arrangements.** The report should indicate in greater detail how the effects of the proposed actions will be monitored, and specify robust progress indicators in line with the formulated objectives. These indicators should be defined both at the level of the implementation of the changes in the legal framework and at the market level (e.g. extent of competition, share of cross-border transactions). To strengthen the evidence base for future actions in this policy area, the timing and substance of future evaluation arrangements should be specified in this report, and the relation to planned evaluations of other regulatory instruments that are relevant for these markets should be clarified.

*Some more technical comments have been transmitted directly to the author DG and are expected to be incorporated in the final version of the impact assessment report.*

### **(D) Procedure and presentation**

Although the report contains references to stakeholder viewpoints throughout the main text, it needs to ensure that different categories of stakeholders are clearly identified for each of the comments made. On those issues where the Commission chooses not to follow stakeholders' views sufficient arguments should be provided to justify that. The executive summary appears somewhat underdeveloped and should be brought in line with the presentation of the argument in the main report. The report should provide a more detailed description of how the IAB recommendations have led to changes compared to the earlier draft (including clear page/section references for the changes made).

### **(E) IAB scrutiny process**

Reference number	2011/MARKT/012
External expertise used	No

Date of Board Meeting	<p data-bbox="561 143 799 181">Written procedure</p> <p data-bbox="561 219 1305 324">An earlier version of this report has been submitted to the IAB in March 2011, for which the Board has issued an opinion on 15 April 2011.</p>
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