

EUROPEAN REPO COMMITTEE

G115/3 - FINAL

Mr. Jean-Michel Godeffroy
Ms. Daniela Russo
DG Payments Systems & Market Infrastructure
European Central Bank

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January 31, 2007

Dear Mr. Godeffroy & Ms. Russo, *dear Jean-Michel & Daniela,*

Thank you for sharing with the user community the draft working paper on the governance of T2S last Friday. We welcome the opportunity for feedback on this important issue before your internal discussions – although I must say that the very short notice makes this a tough call.

Gregor Pozniak, the Secretary of the ERC, met Daniela the other day in London at EPDA, and he understands that one of the main problems of the draft working paper will be addressed and changed: While the **European Credit Sector Associations** may well be the ECB's appropriate interface on questions of **payments**, we firmly believe that the interests of the **securities industry** and its practitioners should be represented by practitioners in the securities markets and coordinated by their respective **international organisations** – I need not draw your attention to associations like ICMA and the EPDA. Eligibility to be represented and to provide user input should not be defined by legal status (e.g. savings bank, cooperative bank), but by involvement in the relevant business (international securities business) and by competence to provide meaningful input.

This brings me to my second and even more important point:

As you are aware, the **European Repo Committee** is composed of practitioners in the field of repo, securities lending, and collateralisation. I believe that the ERC has over the past years been a valuable sounding board and discussion partner to the ECB for related issues. One of the reasons for the establishment and later success of the ERC has been that the leading practitioners did not feel that their practical day-to-day issues were fully understood and dealt with in the structures of the existing securities markets organisations (while recognising the valuable secretarial support that the infrastructure of an association can provide).

My colleagues in the ERC Committee and I therefore urge the ECB to provide in their revised T2S governance proposal for **direct representation of the repo community** through including an ERC representative in the advisory group (probably to be redefined, too, in the light of the ongoing discussions). For us it is also essential that the input of the repo practitioners will be heard on the level of the High Level Group. we are looking forward to your constructive proposals on this issue.

I may mention in this context that not all of the major investment banks represented in the ERC are members of one of the established banking associations and would therefore potentially not feel duly represented (in addition to the question of expertise) by the European Credit Sector Associations.

Finally, I emphasise the broad support by the industry, including the ERC, of the two recent **ICSA Principles** papers, namely on better regulation and on the governance of market infrastructure. In particular, we would like to see ECB adhere to the guidance on regulatory standards, including advice on minimum consultation periods; and the overall guidance on appropriate levels of user governance for market infrastructures. Our members would like to see at least these standards, or equivalent, applied to **all phases** of the T2S project and in particular the **ultimate operation** of the utility. As it has been pointed out on numerous occasions: a monopoly is not evil as such; the evil comes when the monopoly is abused. User representation up to and including decision-making level is the best protection against abuse.

The ERC and I are looking forward to further discussions on all aspects of T2S feasibility, design, and development.

With kind regards,

A handwritten signature in black ink, appearing to read 'De Vidts', with a long horizontal line extending to the right.

Godfried De Vidts
Chairman of the ERC