The European Code of Conduct for Market Infrastructure Providers
Clearing & Settlement in Europe

- Lamfalussy Report (Feb 2001)
- Commission Communication (Apr 2004)
- McCreevy speech in Luxembourg (Sep 2005): "The clock is ticking ..."
- McCreevy speech before EMAC (Jul 2006)
Scope

- CCP services by CIHs, CCPs, CSDs
- Settlement & custody service
- Some applicability to trading
- "in principle" functional: "... all providers carrying out similar activities ..."

- Cash equity transactions in Europe
### Stock Exchanges
(coordinated by FESE)
- Athens Ex (Greece)
- BME (Spain)
- Borsa Italiana
- Bratislava Stock Ex (Slovakia)
- Budapest SE (Hungary)
- Cyprus SE
- Deutsche Börse (Germany)
- Euronext (BE, FR, NL, PT)
- Irish SE
- LSE (UK)
- Ljubljana Stock Ex. (Slovenia)
- Malta Stock Ex.
- OMX Exchanges (DK, SE, FI, IS, EE, LT, LV)
- Oslo Bors
- SWX Swiss Ex.
- virt-x (UK, Switzerland)
- Warsaw Stock Ex.
- Wiener Börse (Austria)

### Clearing Organizations
(coordinated by EACH)
- CCP Austria
- CC&G (Italy)
- Eurex Clearing AG (Germany)
- KDPW (Poland)
- KELER (Hungary)
- LCH.Clearnet (BE, FR, NL, PT, UK)
- OMX (Denmark, Sweden, Finland)
- Serbia CSD
- SIS x-clear (Switzerland)
- VPS Clearing (Norway)

### (I)CSDs
(coordinated by ECSDA)
- APK (Finland)
- Clearstream Banking (Germany, Luxembourg)
- CSCC (Slovenia)
- CSD AD (Bulgaria)*
- CSD of Lithuania
- CSD of Serbia
- CSD of the Slovak Republic
- Cyprus Stock Exchange*
- Estonian CSD
- Euroclear Bank (and also CrestCo, Euroclear Belgium, Euroclear France, and Euroclear Netherlands)
- Helex (Greece)
- Iberclear (Spain)*
- Interbolsa (Portugal)
- KDPW (Poland)
- Kelex (Hungary)
- Latvian CSD
- Monte Titoli (Italy)
- NCSD Group (Sweden)
- OeKB (Austria)
- SIS Group (Switzerland)
- UNIVYC (Czech Rep.)
- VP (Denmark)
- VPS (Norway)

### Signatories of the Code:
- CSD of Bosnia and Herzegovina
- CSD of Croatia
- CSD of Montenegro
- Icelands Sec. Depository
- SCP (Czech Rep.)

### Letter of Intent:
- CSD of Belgium
- CSD of Estonia
- CSD of Germany
- CSD of Iceland
- CSD of Ireland
- CSD of Latvia
- CSD of Luxembourg
- CSD of Malta

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* New signatories of the CoC
3 phases

- **Price transparency**
  - 31 Dec 2006

- **Access & Interoperability**
  - 30 Jun 2007

- **Service unbundling & Accounting separation**
  - 31 Dec 2007
Principal timeline

CoC deliverables
- MOG - Monitoring Group
- CESAME

Jan. 07
- 'Price Transparency'
- 22.01 Price transparency
- 10.02

Feb. 07
- 20.04 Price transp. + prep for access + interoperability

Mar. 07
- 11.07 'Access + Interoperability'
- 11.06

Apr. 07
- 10.10 Prep. for unbundling + account segregation plus scope extension (?)

May 07
- 21.01 Unbundling + account segregation plus scope extension (?)

Jun. 07
- 'Access + Interoperability'

Jul. 07
- 'Service Unbundling + Account Segregation'

Aug. 07

Sep. 07

Oct. 07

Nov. 07

Dec. 07

Jan. 08
- Costs & revenues disclosed to regulators
- External auditors to verify compliance
- Monitoring Group
  (public hand only: DG MARKT/COMP/ECFIN; CESR; ECB)
- Meetings with industry
  Define expectations, assess progress, monitor compliance
- Report to MOG
- Membership, connectivity, set-up
- Transaction-related
  (trading, clearing, settlement)
- Custody services
- Additional services
Price transparency

- **Price lists**
  - Break-down of services
  - Comparability
  - Accessibility (easy to find, language, downloadable)
  - Examples / Calculator

- **Discounts** (ex ante) & **rebates** (ex post)
  (see also Commission paper of April 2007)

- **Billing reconcilability**
  - Breakdown of amount
  - Quantification of underlying price basis
Industry assessment:

- Good efforts, good discussion basis
- Comparability could be better
- Euroclear comparability
- Rebates problem widely unsolved
- Has to remain on agenda
Access
basically: Knocking on the door of another MI (the recipient side) to become a participant according to the recipient's rules etc.

Interoperability
Advanced forms of relationship where an organisation is NOT generally connecting to existing standard service offerings but where organisations agree to establish customised solutions
- Partially addressed in MiFID
- plus: CCP – CCP
  CCP – CSD
  CSD – CSD
  CCP&CSD – access to transaction feeds (mkts)
  CSD – access to transaction feed from CCP
  trading venues – access to CSDs and CCPs
- Standard unilateral access
- Customised unilateral access
- Transaction feed

- Business case considerations only allowed on the requesting side
Industry assessment

- Expectations expressed
- Code says "create conditions"
- MI draft document discussed
- MOG 11 July 2007
- Problems: Markets without CCP
  Public sector barriers
- Transparency in relations between revenues and costs
- Transparency for cross-subsidies
- Choice of services (i.e. user's choice to purchase selected services)
Categories of services to be unbundled

- Account provision, establishing securities, asset servicing
- Clearing & settlement (incl. verification)
- Credit provision
- Securities lending and borrowing
- Collateral management
Industry comments

- Start early (12 months' lead?)
- ... more to follow
Extension to other asset classes

- Probably in two steps, if at all
- Euroclear and Clearstream positions
- Timeline
Discussion points:

- Does the repo market need it?
- Does it create practical problems (ICSDs)?
- Does it solve any problems (nat CSDs)?
- Will it happen automatically (market-led)?
- If it does not happen, what is the risk?
- How do we get what we want?
Thank you very much, Gentlemen


http://www.fese.eu/en/?inc=cat&id=19
https://www.ecsda.com/portal/news_and_events/?id=31