



EALIC
European Association of Listed Companies since 1928



EUROPEAN
REPO
COMMITTEE



June 12, 2007

We are writing to you with regard to the upcoming ECOFIN meeting in September where the issue of post-trading, and in particular the dismantling of legal and fiscal barriers to cross-border clearing and settlement, will feature prominently on the agenda.

Post-trading is considered as the "plumbing" of financial markets and thus a mission-critical function of European and global securities markets. While post-trading arrangements are considered safe and efficient within Member States, various barriers make cross-border arrangements more costly and potentially more risky. This prevents the emergence of a true single European securities market. To remove the barriers to market integration, a two-pronged approach had been agreed, following the Giovannini Reports published in 2001 and 2003:

- the public sector is to work on the legal and fiscal barriers while
- the European financial industry deals with technical and process-related barriers.

According to European Commission estimates, the elimination of both sets of barriers is expected to bring about significant benefits to European investors and the European economy as a whole.

Over the past three years, industry has worked intensively within a framework coordinated with the European Commission to dismantle the industry-related barriers. Significant progress has been achieved in a number of areas:

- National differences in the practice of securities issuance have been widely eliminated and problems with the allocation of ISIN numbers have been fully resolved.
- Industry has developed a common communication protocol which, once implemented, will streamline national information technology and interfaces.
- Furthermore, common deliverables (standards and recommendations) on corporate actions have also been developed, although a number of fiscal and legal issues – not in the hand of the private sector – remain to be addressed.

All this will make it much easier to provide services and access systems across borders.

Unfortunately, we observe that progress on the elimination of public sector barriers (they make up no less than 9 of the 15 Giovannini barriers – see list in the annex) has not kept pace with industry progress. Therefore, the undersigning associations expect Member States to renew their resolve to tackle these barriers.

In the area of fiscal barriers, the European Commission's Fiscal Compliance Experts' Group (FISCO) is about to propose solutions. We anticipate that these solutions are technically sound and may offer a practical way forward and we therefore invite Member States to consider them seriously.

The industry is also eagerly expecting proposals, ideally including a roadmap, as to how to eliminate the legal barriers based on the plans of the Commission's Legal Certainty Group published in its advice of July 2006.

To conclude, failure to address the fiscal and legal barriers would significantly reduce the size of the benefits from post-trading market integration and could also severely undermine recent progress on the industry barriers. Member States should therefore use the opportunity to build on the industry's efforts in order to finally reap the significant economic gains associated with a fully integrated European securities market.

Yours sincerely,

Joël Mèrère
ECSDA



Mark Austen
EPDA



Dorien Fransens
EALIC



René Karsenti
ICMA



Ann Flodström
EACH



Hervé Guider
EACB



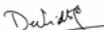
Chris de Noose
ESBG



Werner Frey
ESF



Godfried de Vidts
ERC



Judith Hardt
FESE



Guido Ravoet
FBE



Annex:

Public-sector Giovannini barriers

I. Barriers related to taxation

Barrier 11: Domestic withholding tax regulations serving to disadvantage foreign intermediaries

Barrier 12: Transaction taxes collected through a functionality integrated into a local settlement system

II. Barriers related to legal requirements

Barrier 2: National clearing and settlement restrictions that require the use of multiple systems.

Barrier 5: Impediments to remote access to national clearing and settlement systems

Barrier 9: National restrictions on the location of securities

Barrier 10: National restrictions on the activity of primary dealers and market makers

III. Barriers relating to legal certainty

Barrier 13: The absence of an EU-wide framework for the treatment of interests in securities

Barrier 14: National differences in the legal treatment of netting

Barrier 15: Uneven application of national conflict of law rules