

ESF views on the integration process of the post-trade industry in Europe

Agenda

- ESF's objectives and key principles
- The modified approach of the new management team: beyond the vertical vs. horizontal dogma
- Creating an integrated European capital market: a case for division of labour and cooperation
- Establishing a uniform securities code in Europe: a key success factor
- ESF's way forward

ESF's objectives and key principles

- **Prime objective:**
The creation of an efficient pan-European capital market through consolidation and integration of its securities infrastructure as well as appropriate and enabling regulation.
- **Key principles:**
 - A single integrated process in Europe for clearing and settlement of equity and debt transactions.
 - The process should deliver the following key objectives:
 - Reliability, integrity and scalability
 - Risk reduction
 - Significant reduction in investment and running costs

ESF's key principles

- The solution should incorporate the most appropriate technology, capitalise on existing systems where possible, and be capable of processing an exponential increase in transaction volumes. The industry is not prepared to pay directly or indirectly for duplicate developments.
- A single clearing and settlement process will require strong governance:
 - No individual organisation should have undue influence.
 - Clearing/settlement should have a separate governance process from trading or payments.
 - The process should be largely owned and directed by securities industry users.

The modified approach of the new management team: beyond the vertical vs. Horizontal dogma

- Expanding the membership base and making it truly European
- Efficient and effective domestic clearing and settlement processes as a basis for cost and risk reduction at pan-European level
- Step-by-step approach vs. ‚big bang‘
- ESF’s role
- The case for an open and reinforced dialogue

Creating an integrated European capital market: a case for division of labour and cooperation

- The highest priorities where no involvement of political and regulatory bodies is required should be given to
 - the establishment of communication standards as a basis for interoperability
 - standardisation of clearing and settlement periods, along with any possible harmonisation of processes and procedures around corporate actions and tax collection/reclaim.

Creating an integrated European capital market: a case for division of labour and cooperation

- The highest priorities involving political and regulatory bodies should be given to
 - the removal of restrictions embodied in national law
 - the development of a single legal framework in the form of a uniform securities code that addresses insolvency and intra-day finality to support transfers of securities throughout the EU
 - the harmonisation of minimum requirements for direct membership of and direct access to (I)CSDs and national cash transfer systems to mitigate systemic risk.

Establishing a uniform securities code in Europe: a key success factor

- Why is the creation of uniform securities code deemed the single most important requirement for an integrated European capital market?
- Why is ESF championing this proposal?
- What is the first reaction of the EU Commission and what is the chosen way forward?

ESF's way forward

- Objectives
 - ESF credibly representing its expanding membership
 - ESF the widely recognised opinion leader and focal point in the area of European securities infrastructure
 - ESF to leverage on the highly professional resources available through its members
- How to get there
 - Revitalisation of the working groups
 - Intensified dialogue with members, political and regulatory bodies and securities infrastructure organisations.