



CONSULTATION CONTRIBUTION

28 May 2004

Mr. Michael Kempe, Chairman Working Group V ECSDA
Mr. Giovanni Sabatini, Chairman ECSDA

ECSDA's first response to the Giovannini Report

Dear Michael, dear Giovanni,

We thank you for your letter of 8 April and for sending us ECSDA's draft report that addresses two of the barriers defined by Giovannini Reports, i.e. barrier 7 relating to operating hours and barrier 4 covering settlement finality.

ESF welcomes the opportunity to comment on this draft report through its Operations Committee as follows:

1. The European Securities Forum highly appreciates the work performed by ECSDA's Working Group and agrees in principle with the proposed standards to harmonise operating hours and settlement finality in Europe.
2. Although ESF endorses the inclusion of CEECSDA in this process, it takes the view that the implementation of the standards should not suffer any delays caused by such inclusion but rather recommends a two phased approach, where necessary, i.e. to have the standards implemented in the markets covered by ECSDA in the first place.
3. In our views the implementation of the standards should neither be delayed by required actions in medium sized and smaller markets that might be beyond the authority of the private sector, e.g. actions to be taken by the Greek Central Bank or the Danish Parliament.
4. ESF emphasises the importance of the timely consent of the Central Banks to warrant the efficiency of the cash leg of settling securities transactions.

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5. We suggest to clarify settlement finality of fails after due date (and the respective targeted harmonisation) in greater details taking also into account the implications of corporate actions and the use of CCPs.
6. Regarding ideas to promote Standard 6, ESF deems both settlement fines for settlements taking place on due date and pre-funding requirements unacceptable; in this context we propose to make it absolutely clear that the term 'early settlement' means settlement at an early time on due date (and not settling prior to value date). Moreover we propose to discuss in greater details with ECSDA incentives for early settlement, e.g. lower tariffs or having matching instructions in place to facilitate early settlement, particularly taking into account the issue of the ability of market users to influence the actual time of settlement.
7. We recommend reconciling the Glossary of Terms with the definitions contained in the Glossary attached to the ESCB-CESR Standards for Securities Clearing and Settlement Systems in the European Union (draft May 2004) and with the definitions used in the Communication by the EU Commission on Clearing and Settlement.

We look forward to continuing the dialogue with you.

Kindest regards

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CEO

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