



ECSDA

European Central Securities
Depositories Association

Press Release

RELEASE OF THE ECSDA'S SECOND REPORT RELATING TO ITS STANDARDS FOR THE REMOVAL OF THE GIOVANNINI GROUP'S BARRIER 3

In April 2003, the Giovannini Group entrusted the European Central Securities Depositories Association (ECSDA) with the task of taking the leading role in removing three of the market barriers to low cost cross-border settlement. Today, the ECSDA released its second report relating to Barrier 3 (inefficiencies in corporate action processing). This report recommends 10 new standards in the area of market claims and a proposed implementation timetable.

The proposed standards create an efficient and effective framework for the processing of any market claim associated with a corporate action distribution whilst at the same time ensuring the rules used in any such action are harmonised across Europe.

Joël Mérére, Chairman of the ECSDA said:

“ECSDA’s first standards relating to corporate action distributions were well received and we are now in the process of implementing them in all markets. These new standards complement this work and will help create an efficient cross border infrastructure in this area of the securities market. The standards are designed to bring about significant advances in efficiency and straight through processing as well as reducing cost and counterparty risk.”

ECSDA is working very closely with other bodies to implement standards. To this end all national markets are currently setting up implementation committees at the local level to ensure momentum and progress is continued. Currently, these committees are looking at standards relating to distributions but will also look at the new standards relating to claims at a later date.

The ECSDA will now focus on distributions with options with the aim to release any associated standards during H2 2006.

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Notes to Editors

1. The European Central Securities Depositories Association (ECSDA) was established in November 1997 as the Association of European Central Securities Depositories (CSDs). In January 2006 ECSDA merged with the Central and Eastern European Central Securities Depositories Association. ECSDA has 39 members covering 34 European countries and the association's primary objective is to promote harmonisation of market practices in Europe to support the creation of a single European capital market

ECSDA offers solutions and provides advice on economical, financial, legal and regulatory matters to reduce risk and increase efficiency in pre-settlement, settlement and custody for securities and related payments across Europe. ECSDA particularly promotes a process flow that ensures highest efficiency with low risk profile, a level competitive playing field for all providers, common standards to remove existing cross-border barriers as well as the exchange of information on legal, tax, regulatory frameworks and market practices to foster harmonisation and international cooperation.

2. Market claims are processes that redistribute corporate action proceeds so that the entitled party receives the benefit. This could be necessary due to transactions (e.g. a fail) or positions (e.g. due to a lent position). In all cases the process is related to distribution type corporate actions and looks at who is the actual holder of a security on a record date as well as the entitled holder. For example, if a buyer is entitled to a cash dividend benefit but the seller is still the holder on record date, a market claims process recognises this and creates an obligation from the seller to the buyer to ensure the cash dividend reaches the entitled party.
3. ECSDA released a first paper on Barrier 3, including 16 standards, in June 2005. This report can be found on the ECSDA website: www.ecsda.com
4. As well as ECSDA, the European Credit Sector Associations are responsible for the creation of standards relating to barrier 3 of the Giovannini report.
5. The Giovannini Group Barrier 3 states that: "National rules relating to corporate actions processing should be harmonised. The local agent banks acting through the European Credit Sector Associations¹⁵ and together with ECSDA should coordinate private-sector proposals. National governments should co-ordinate their response via the relevant EU Council."