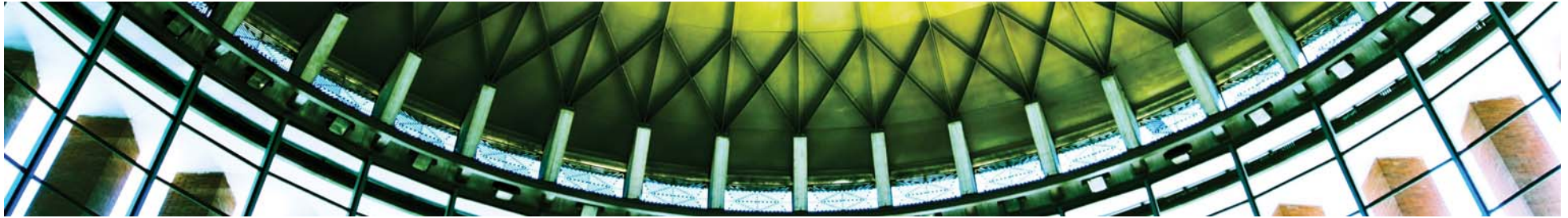




BNY MELLON
ASSET SERVICING



MEETING OF COGESI

18 May 2011

Harmonisation of Settlement Cycles Working Group – Outcome of Work

Presented by Paul Bodart

I. History of HSC WG

Origin :

- Meeting of CESAME2 in February 2009 discussed way forward to tackle Giovannini Barrier 6 (national differences in settlement periods)
- Harmonisation of Settlement Cycles Working Group (HSC WG) met for the first time in May 2009 with representatives of banks, broker-dealers, and market infrastructures (exchanges, CCPs and CSDs); the group was later joined by representatives from asset managers.

Principal topics covered by HSC WG :

- Desirability of harmonisation of settlement cycles
- What would be an appropriate harmonized settlement cycle?
- Pre-conditions for European markets to move successfully – i.e. with a minimum of operational disruptions – to a T+2 settlement cycle.

Report :

- HSC WG issued on 1 March 2011 its final report as a response to the settlement section of the Commission's CSD consultation paper.

II. Key Aspects of HSC WG Response

Key HSC WG Conclusions :

- There is a need to harmonise settlement cycles.
- T+2 should be the standard settlement cycle.
- Harmonisation to be effected by the fourth quarter of 2013.

Types of securities covered :

- All securities, including equities and bonds. (Rationale for harmonisation is greater for equities than for bonds, but there are also generic benefits in harmonisation).

Types of activities covered :

- All standard cash trading (regardless of source location of trade).

But :

- Shorter cycles should be allowed.
- Divergent cycles can be permitted (if specific reasons).

To note :

- Securities financing transactions, and investment fund subscriptions and redemptions, are not covered.

III. HSC WG Views on Next Steps

The HSC WG sees :

- There is a key need for the Commission to set out its plans as to legislation on settlement cycles.
- The sooner market participants are aware of the timetable for harmonisation, the better.

Suggested topics for further work :

- (a) Development of an operational model for equity markets in Europe in order to document the front to back process flow, and to help identify and develop best practice
- (b) Establishment, and endorsement by relevant industry associations, of a document setting out Market Standards for the trade verification/ trade affirmation process
- (c) Development of a set of proposals for a harmonised set of market discipline tools in Europe

Among other steps to be taken :

- Full implementation of the ECSDA/ESF Standards on Pre-Settlement Date Matching Processes
- Continue the dialogue with non-European markets in order to further global harmonisation of settlement cycles.



BNY MELLON
ASSET SERVICING