



The voice of banking  
& financial services

Mr Eddy Wymeersch  
Chairman  
CESR  
11-13 avenue de Friedland  
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FRANCE

21 January 2009

Dear Mr Wymeersch,

**CESR/ESCB Consultation Paper: Draft Recommendations for Securities Settlement Systems and Draft Recommendations for Central Counterparties**

The BBA is the leading association for the UK banking and financial services sector, speaking for 220 banking members from 60 countries on the full range of UK or international banking issues and engaging with 35 associated professional firms. Collectively providing the full range of services, our member banks make up the world's largest international banking centre, operating some 150 million accounts and contributing £50 billion annually to the UK economy.

A number of these member banks, including those affiliated to the Securities Industry Business Continuity Management Group (SIBCMG) and the Retail Banks Business Continuity Group (RBBCG), are at the forefront of worldwide business continuity planning and management, and disaster recovery practice. Under the tiering of responsibilities operated by the Tripartite Authorities in the United Kingdom, the BBA also has responsibility for keeping non-systemic small banks abreast of BC developments and best practice, and in acting as a point of contact in the event of major operational disruption.

The BBA welcomes the opportunity to respond to the above named consultation. We hope that you will find our comments useful. We have focussed in this response on the operational risk elements, but would also point out that we endorse the comments provided by the European Banking Federation in regards to the rest of the proposed recommendations.

**General Observations**

We are pleased that the recommendations are addressed to public authorities only rather than the providers of post-trading services. We are also pleased that the recommendations exclude from scope custodian banks and are limited to Central Securities Depositories (CSDs) and Central Counter Parties (CCPs). We believe that the functions and operations of banks are distinct from those of CSDs and CCPs, therefore, it is not useful to group them together within the same set of recommendations designed to promote competitive, efficient, safe and sound post-trading arrangements.

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**Draft Recommendations for Securities Settlement Systems, Recommendation 11: Operational Risk**

We are content that business continuity and recovery plans are included within the scope of the recommendations. We are also pleased that CESR-ESCB have suggested that CSDs should identify sources of operational risk and take mitigating action. We agree with CESR-ESCB's recommendation that CSDs should have a two hour planned recovery time for critical systems; we also agree that this should be a target to aim for, rather than a hard and fast rule.

Given that banks build resiliency into their own operations by possessing multiple back up sites, we support the recommendation that CSDs should have both a primary and secondary site with the requisite level of key resources, capabilities and functionalities to provide continued service in the event of an operational disruption.

Furthermore, it is crucial that market infrastructures provide banks, as the vast major users of CSDs, with information about their business continuity and recovery arrangements and we are happy that the recommendations includes this.

**Draft Recommendations for Central Counterparties Recommendation 8: Operational Risk**

As above in relation to CSDs, we support the recommendation that CCPs should have business continuity and recovery plans in place which address the significant operational risks that it has identified and allow for the resumption of its critical operations within as short a time period as possible.

We also agree that a CCPs should have explicit, adequate resources to ensure for business continuity planning and the backing of the highest levels of senior management. Furthermore, as above, we support the sharing of as much information as possible with market participants to ensure that operational risks to which they are exposed can be assessed.

We hope that you will find these comments useful. Should you wish to discuss any aspect of this response further, please do not hesitate to contact me via telephone (020 7216 8858) or via email ([cassandra.kenny@bba.org.uk](mailto:cassandra.kenny@bba.org.uk)).

Yours sincerely,



**Cassandra Kenny**  
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