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ESCB and CESR Secretariat

ESCB-CESR STANDARDS FOR SECURITIES CLEARING AND SETTLEMENT SYSTEMS IN THE EUROPEAN UNION

CESR and ESCB published the first draft for the standards for clearing and settlement in August 2003. In the new draft the working group has made several changes to the standards. In general we welcome many of those changes. However, there still seem to be some issues in the draft that require further consideration.

Definition of systemically important systems

The Finnish Bankers' Association wishes to point out that definition of "systemically important systems" is not properly defined in the draft. On the one hand, it can lead to unequal treatment, between different actors in the settlement and clearing functions and, on the other hand, between different countries. We don't find it acceptable that the standards leave the scope of the banks that might be included in the definition of systemically important systems, to the national discretion.

Credit and risk controls

According to standard 9, supervisors should address the risk mitigation policies for the custodian banks which operate systematically important systems. The Finnish Bankers' Association would like to stress that credit risk management is central to banks operations, and customer risk relating to custodian operations cannot be separated from banks' overall management of customer risk. Banks assess their customer risks as a whole.

The requirements should be limited to the situations where operations are not covered by banking regulation. We like to pay your attention to the fact that if different requirements would be applied to custodian banks of different size, the standard would distort competition.

In general we would like to stress that in the standards double regulation of banks should be avoided, because banks are in a different situation compared e.g. to the CSDs. The Standard ignores, inter alia, the fact that banks operate already under banking supervision requirement to measure and minimize operational risks. One should also note that Pillar III in the Basel proposal already establishes the appropriate transparency measures for all activities of banks.

THE FINNISH BANKERS' ASSOCIATION

Markus Fogelholm
Managing Director

Erkki Kontkanen
Director