



Paris, 19 September 2008

**Response of the
Association Française
des Professionnels des Titres –AFTI**

**to the
Formal request for technical advice on identification of
regulatory arrangements for post-trading infrastructures
and to advise on possible solutions in terms of bridging
any potential differences in these arrangements**

Reply to be sent by e-mail www.cesr.eu

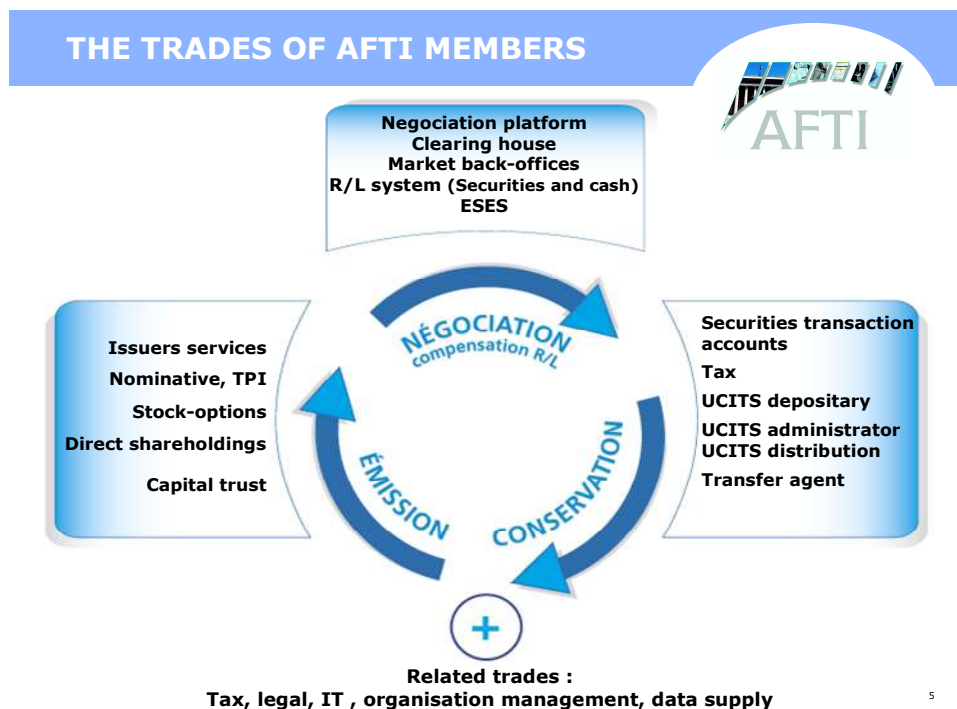
Deadline for sending in responses: 19 September 2008



1 PRELIMINARY REMARKS

The AFTI (Association Française des Professionnels des Titres) representatives have analysed the document in order to provide to CESR with the view of users on this particular topic.

AFTI has over 600 members, all players in the securities market and back office: banks, investment firms, market infrastructures, issuers, and aims to promote and represent their trades on the Paris marketplace and across the European Union.



The institutions that are members of the AFTI are listed in the appendix.

AFTI is grateful to CESR for the opportunity to express its views, as this subject of possible post-trading infrastructures arrangements is of importance for the securities business.

AFTI understands that the focus of this consultation is to assess what are the impediments (if any) jeopardizing interoperability between the post trading infrastructures, and, actual implementation of additional links between these infrastructures.

AFTI has not been through the mapping exercise, impossible to realise in such a short time frame. Therefore, this contribution is focused on the main principles that AFTI deems necessary to recognize and implement in the area of post-trading, rather than qualifying a specific national environment or a particular potential link.



2 OUR KEY MESSAGES

Whether interoperability is envisaged between Central Counterparties (CCPs) or Central Securities Depositories (CSDs) responds to different needs and raises different issues.

As a professional association of users, we perceive that interoperability between CCPs should be looked at and valued with special care due to impacts on risk management leading potentially to systemic risks.

The very purpose of a CCP is to enhance business safety through the concentration of all operations on a given range of products and mechanisms of protection to the clearing members.

Therefore AFTI puts in the first place risk and safety issues for the users. AFTI pays a particular attention and warns against any intentional or unintentional move to transform the risk approach putting it on the hedge of competition in the absence of cross-border harmonisation.

This may be the outcome of promoting interoperability between CCPs not currently offering the same level of clearing services and the same level of protection.

From a user's perspective, competing CCPs for the same products, will lead to a fragmentation of the liquidity and unavoidable arbitraging behaviours between diverging safety mechanisms and therefore potential differences in protection levels.

The objective of the interoperability provision of the Code of conduct is to introduce competition among markets infrastructures and reduction of prices. As users we strongly urge that competition and reduction of prices should be on operational productivity and not at the expense of high standards of risk management and overall level protection of the market and its participants.

From an AFTI's perspective, interoperability between CCPs, is to be viewed, not as an objective per se but as an intermediary step on the way to European CCP consolidation. In other words, AFTI preferred target model is a single European CCP (or several European CCPs in the case of a product segmentation), rather than the existence of several CCPs competing for the same product ranges and exchanging information through bilateral links.

As per the "interim period", when interoperability between CCPs may be in place, the main concern is that lower degrees of protection compete for the same markets and those economic drivers lead to riskier models for CCPs.

This worst case scenario is certainly not acceptable for the users and the financial system, CCPs being at the very heart of financial flows of the most secure currency (central bank money).

This is the reason why AFTI, given the current regulatory situation for CCPs which is very different across Member States, strongly advocates for a comprehensive study on relative levels of protection provided by the various CCP given their model and regulation. AFTI does not favour inter CCP links before this issue is solved in a satisfactory manner for both the users and the regulators. In the absence of harmonisation, a CCP link should have no impact the degree of protection for users and should not be detrimental to the financial stability.

In addition users are also concerned by the very large number of links being requested. It is certain that most of those requests do not have any economical justification. AFTI members like the other European associations do not support the implementation of a spaghetti model



and want to ensure that a strong business case validated by the users has been established before any investment for a given link is launched.

As far as CSDs are concerned, AFTI shares the view that interoperability between CSDs is useful. For the time being, however, CSDs use and communicate with different formats of messages and their settlement processes are also different. As a result, interoperability on a wider scale for European CSDs will result to be very costly for the market.

Going forward, Target 2 Securities (T2S) have a clear and positive impact on connectivity for settlement as CSDs will use a common communication protocol to interact with T2S. AFTI members therefore strongly recommend avoiding implementation of links between CSDs that would overlap with the benefits delivered by Target 2 Securities project.

In conclusion, AFTI shares the view of other European Institutions (French banking association, LIBA...) in favour of consolidated, efficient and safe European infrastructures. AFTI is of the opinion that CESR technical advice may be a valuable element in order to enrich the debate and help this objective to come to light.

AFTI looks forward to working with CESR and the wider community to develop efficient and reasonable solutions that would ensure a high level of protection for the market while avoiding duplication of costs across the various initiatives. The next concrete step towards making progress would be for CESR to disclose its mapping exercise.

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Appendix : List of AFTI members

ABN AMRO - Succursale de Paris
AILANCY
AIR LIQUIDE
ALFI
ARLIS - Groupe Lagardère
ASSOCIATION DES MARCHES FINANCIERS
ASSOCIATION NATIONALE DES SOCIETES PAR ACTION
AUDISOFT CONSULTANTS
AXA INVESTMENT MANAGERS PARIS
BANQUE AGF
BANQUE DE FINANCEMENT ET DE TRESORERIE
BANQUE DE FRANCE
BANQUE FINAMA
BANQUE MARTIN MAUREL
BANQUE PALATINE
BANQUE ROBECO
BARCLAYS BANK
BEARINGPOINT
BNP PARIBAS
BNP PARIBAS ASSURANCE
BNP PARIBAS SECURITIES SERVICES
BRED – BANQUE POPULAIRE
BROWN BROTHERS HARRIMAN
CACEIS
CAISSE CENTRALE DE REESCOMPTE
CAPGEMINI
CITIBANK INTERNATIONAL PLC
CLEARSTREAM BANKING
CNCE
COMPAGNIE FINANCIERE DU CREDIT MUTUEL
COMPAGNIE FINANCIERE Ed. de ROTHSCHILD BANQUE
CORTAL CONSORS
CREDIT AGRICOLE CHEUVREUX
CREDIT AGRICOLE TITRES
CREDIT DU NORD
CREDIT FONCIER
CREDIT MUTUEL - CIC SECURITIES
CREDIT MUTUEL CIC GIE CM-CIC-TITRES
CREDIT SUISSE (France)
CSC COMPUTEUR SCIENCES Corporation
DELOITTE
DEUTSCHE - BANK AG
DIFCAM
DUBUS S.A.
EQUINOX CONSULTING
EUROCLEAR France
EUROGROUP
EUROPEAN BANKING CONSULTING
EXANE
FINANCIERE MEESCHAERT
FININFO S.A.
FIRST FINANCE
FORTIS BANQUE FRANCE



FORTIS BROKERAGE CLEARING & CUSTODY
FORTIS INVESTMENT FINANCE
GIDE LOYRETTE NOUEL
GROUPE LYAUTEY CONSULTING
HIRAM FINANCE
HSBC France / HSBC BANK PLC
INEUM CONSULTING
LA BANQUE POSTALE
LAZARD FRERES BANQUE
LCH.CLEARNET SA
LCL - LE CREDIT LYONNAIS
LEGAL & GENERAL BANK (FRANCE)
MICHELIN Cie Générale des Etablissements
MORGAN STANLEY et Co International plc
NATIXIS
NATIXIS EUROTITRES
NEXTRAINING
NYSE EURONEXT
NYSE EURONEXT TECHNOLOGY SAS
OFFICE DE COORDINATION BANCAIRE ET FINANCIERE
ODDO & Cie
OSEO FINANCEMENT
OTC CONSEIL
PORTZAMPARC Société de Bourse
PRICE WATERHOUSECOOPER AUDIT
PROCAPITAL S.A.
RBC DEXIA INVESTOR SERVICES BANK - France
SILTEA
SOCIETE GENERALE
SOLVING France
STATE STREET BANQUE S.A.
SWIFT FRANCE S.A.S.
THE BANK OF NEW YORK MELLON
UBS SECURITIES France SA
UNIVERSITE LYON 2 LUMIERE -UFR DE SCIENCES ECONOMIQUE ET DE GESTION
FINANCIERE,
UNIVERSITE DE DROIT JEAN MONNET,
UNIVERSITÉ PARIS 1 - PANTHÉON SORBONNE,
UNIVERSITE PARIS X NANTERRE – UFR DE SCIENCES ECONOMIQUES, GESTION,
MATHEMATIQUES, INFORMATIQUE,
UNIVERSITE PARIS SUD – ORSAY,
VBF CONSULTING
VERMEG
XIONEO CONSULTING