ECSDA
European Central Securities Depositories Association

29 July 2011

ECSDA's Answer to the CPSS-IOSCO Consultation on Principles for Financial Market Infrastructures

ECSDA welcomes the CPSS-IOSCO consultative report on new "Principles for financial market infrastructures" issued on 10 March 2011 and fully shares the aim of global convergence to ensure that the essential infrastructure supporting financial markets is even more robust and thus even better placed to withstand financial shocks than at present.

ECSDA represents 41 (I)CSDs across Europe. Our answer to the consultation thus focuses on CSD-relevant provisions and on the relationship between the proposed CPSS-IOSCO Principles and relevant European standards.

1. General remarks

- **A single set of global, best practice requirements**

Today, CSDs in Europe are subject to various oversight standards at different levels: nationally, regionally with the ESCB-CESR recommendations, and globally with the CPSS-IOSCO recommendations. In practice, this means that CSDs have to comply with overlapping requirements, especially as far as disclosure questionnaires are concerned (e.g. CPSS-IOSCO disclosure framework, ESCB-CESR self-assessment, questionnaires of national regulators and of private sector bodies such as the Association of Global Custodians). The duplication created by these parallel initiatives remains a concern for many CSDs. Given that the new FMI Principles are more detailed and far-reaching compared to the former SSS recommendations, ECSDA members generally support a unified approach whereby the new FMI Principles would remove the need for other assessments (such as the assessment against the ESCB-CESR recommendations in Europe) and could potentially also form the basis for the other types of self-assessments, There would be clear benefits in having a single document of reference, especially if it applies on a global level. In addition to advocating a single set of standards, ECSDA also encourages regulators and other relevant bodies (CPSS, IOSCO, the ECB, ESMA, AGC) to coordinate their approach as much as possible to ensure consistency and avoid unnecessary duplication. For instance, we would welcome an initiative to review and align the Eurosystem User Standards for SSSs with the new CPSS-IOSCO Principles.

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- **A different set of Principles for CSDs than for CCPs**

ECSDA understands the rationale for a single set of standards across infrastructures but the result is a very complex report, with some Principles supposed to apply to all "FMIs" while in practice they apply to different degrees to each FMI type. As a result, ECSDA recommends a clearer distinction between the different types of FMIs in the final CPSS-IOSCO report. More particularly, differences between CSDs and CCPs should better be reflected in some of the Principles, such as:

- Principle 11, which tries to transpose the CCP notion of “segregation and portability” into the SSS/CSD sphere (although it is clear from discussions that this is not the intention of the authorities);
- Principle 19 on tiered participation, which introduces the concept of “indirect participants”.

Unlike CCPs, CSDs will not be mandated by law to undertake more business therefore increasing their systemic importance. Consequently, the legitimate focus on CCP clearing in the current regulatory discussions should take into account the specific function and more limited risk profiles of CSDs and avoid imposing similar requirements on CCPs and CSDs when the underlying issues are fundamentally different.

- **Consistency of European legislation with the new Principles**

For ECSDA, it is very important that the upcoming EU legislation on CSDs is fully consistent with the new CPSS-IOSCO Principles. Inconsistencies between the two would create implementation difficulties and would compromise the establishment of a sound and harmonised framework for CSDs (since regulators could potentially cherry-pick between the Principles and the legislation/ESMA standards when constructing their local regulatory regimes).

Some CSD-relevant CPSS-IOSCO Principles could eventually be integrated into technical implementing standards (drafted by ESMA, in cooperation with the ESCB, but formally adopted by the EU Commission), which would make them legally binding. In this case, it will be important to ensure that the standards remain at the level of "key considerations", without going into too much detail to allow for a flexible implementation of the Principles. Once the CPSS-IOSCO Principles have been given legal force at EU level, it is questionable whether a self-assessment by CSDs would still be needed (this would rather be compliance with the law).

- **A more reasonable approach for monitoring externalities**

Some Principles would require CSDs to monitor and control externalities on which they have very little visibility. For example, the need for CSDs systematically to assess the risks they pose to other entities would require them to gather a considerable amount of information to which they do not have access today (while potentially raising competition issues and generating additional costs). Even if such information could be obtained, it is unclear what a CSD would then do with it. In addition, there are limits to how far CSDs can provide incentives for participants to manage their own risks.

Such requirements could also shift responsibilities from market participants to the CSD sphere, potentially affecting the level playing field between CSDs and their non-CSD competitors to whom similar requirements do not apply.

This is a particular concern in relation to Principles 3 (framework for risk management), 5 (collateral) and 19 (tiered participation). As a result, ECSDA advocates a more moderate and flexible approach on the need to monitor externalities and recalls that, unlike regulators, CSDs do not have a complete

visibility of the risks faced by entities other than themselves. We wish to avoid disproportionate costs and implementation issues, which might mean that the direct use of CSDs (and other infrastructures) by market participants is actually discouraged because of the strict requirements.
We believe that this issue requires more dialogue between regulators and CSDs before finalisation of the Principles.

- **Scope of the Principles beyond FMIs**

The proposed Principles seem to only address the activities of institutions registered as FMI in their respective countries. However, ECSDA would like to stress the important role of regulators in monitoring and assessing the risks posed by FMI-like activities performed by non-FMI institutions such as some commercial banks. Indeed, an objective of the Principles should also be to allow regulators to detect any build-up of FMI activities that are not subject to the Principles.

- **Integrating Annex C into the new Principles**

ECSDA recommends merging the "remaining" RSSSs into the new Principles in order to achieve more clarity. In particular, Principle 11 should be merged with RSSS 6.

- **Timeline for implementation**

In the absence of the detail of the assessment methodology to be followed by the overseers of FMIs, and given the uncertainty over how some of the Principles are due to be applied to CSDs specifically, it is quite difficult for the CSD community to offer a view on how long it will take to comply with the revised Principles. In any event, the 2012 deadline appears rather unrealistic.
ECSDA members believe that, for consistency purposes, CSDs subject to the future EU legislation on CSDs should have to implement the new CPSS-IOSCO Principles (which are expected to be partly embedded into the EU legislation) at the time when this new EU legislation becomes applicable, rather than having to comply first with CPSS-IOSCO and then shortly after with EU law.

- **Consultation on the revised assessment methodology**

ECSDA understands that the revised assessment methodology is to accompany the release of the final Principles in early 2012. In terms of the assessment questions, ECSDA would welcome being consulted on ways to improve the current methodology. For instance, it will be important to allow for a consistent and objective use of ratings (e.g. definition of "partially observed" versus "broadly observed", etc.) together with a more qualitative assessment. Questions should also be as precise as possible to avoid unnecessary repetitions.

2. Comments on specific Principles

Principle 1: Legal basis

ECSDA generally supports the proposed drafting for Principle 1. Whereas all CSDs "seek to ensure that [their] activities are consistent with the legal basis in all relevant jurisdictions" (cf. paragraph 4.1.4 page 20), we would however caution against too strict an interpretation of this Principle, especially in a way which would require CSDs to obtain independent legal opinions for each aspect of their activities, not only for the market(s) in which they have established a business, but also in all the jurisdictions where their participants are established. This interpretation would not reflect current practice and would be very costly at a time when CSDs are expected to increasingly offer cross-border services and domestic services to non-domestic participants. We also do not see such a requirement as necessary in the European context where an appreciable degree of legal certainty has been achieved in important fields of the activities of CSDs through the Settlement Finality and the Financial Collateral arrangements Directives.

Principle 2: Governance

ECSDA supports the proposed drafting of Principle 2 on governance but would like to point out that governance requirements should generally apply at group level for those CSDs belonging to corporate groups rather than at the level of the CSD-entity, for example in relation to the need for independent directors in the Board or for the establishment of a risk committee.
We understand that the Principle covering "stakeholder input" can be interpreted in a flexible way to cater for the different governance models of CSDs.

Principle 3: Framework for the comprehensive management of risks

ECSDA agrees with the overall objective of Principle 3, which is to ensure that all FMIs have a comprehensive overview of their risks and that they take appropriate measures to manage the interdependencies with other entities.
Nonetheless, CSDs have some concerns over the practical implementation and interpretation of key considerations 2 and 3, as currently drafted, namely that these considerations will require CSDs to monitor externalities on which they have very little visibility.
First, there are limits to how far CSDs can provide incentives for participants to manage their own risks and measures such as late settlement penalties, which are mentioned in paragraph 3.3.5 (page 29), often have as their primary aim to promote settlement efficiency rather than to encourage individual participants to manager their own risks. In general terms, all institutions involved in the trading and post-trading value chain (investors, banks, market infrastructures, etc.) and not just the CSDs should be included in any sanctioning regime, as FMIs in principle do not have a direct influence on their clients' clients.

Furthermore, while all CSDs regularly review the risks they "bear from" other entities, assessing the risks they "pose to" other entities is much more difficult in practice. To understand the risks posed to each individual customer would require CSDs to gather a considerable amount of information to which they do not have access today (and which is typically only known to CSD clients and their regulators). In addition to generating considerable costs and complexity, gathering the necessary information to fulfil this requirement would potentially raise competition issues with a CSD's customers.

As a result, ECSDA advocates a more moderate and flexible approach on the need to monitor risks posed to others and recalls that, unlike regulators, CSDs do not have a complete visibility of the risks faced by other entities than themselves. More reasonable requirements would ensure that CSDs focus on managing their own risks as accurately as possible. This would avoid disproportionate costs and would ensure that the use of CSDs (and other infrastructures) by market participants is not discouraged because of too strict requirements.

Principle 4: Credit risk

ECSDA assumes that Principle 4 is mostly relevant for CCPs and only applies to CSDs to the extent that they offer (explicit) intraday credit facilities to their participants. As a result, we understand that the implicit credit granted in net settlement systems is included in Principle 7 on liquidity risk.

Regarding client exposures, a very limited number of exemptions from the "full collateralisation" requirement should be maintained for high credit-worthy clients, such as in the case of high-rated central banks acting as participants in CSDs.

In Europe, CSDs offering banking services are subject to stringent regulatory requirements detailing the conditions under which credit can be provided to customers, including the whole set of European banking and capital requirements regulations. Principle 4 should therefore take this into account to ensure that it is compatible with the situation of those FMIs operating under a banking license.

Principle 5: Collateral

ECSDA recognises the importance of establishing stable and conservative haircuts, as well as the need to limit pro-cyclicality as much as possible. Nonetheless, in stressed market conditions, CSDs have to find the right balance between limiting their own credit risks (e.g. by increasing haircuts) and limiting risk for the market as a whole (e.g. by avoiding major increases in haircuts which could cause additional stress in the market).

Whereas ECSDA fully agrees that participants should not be allowed to post their own debt or equities as collateral, the notion of "wrong-way risk", introduced in paragraph 3.5.2 (page 38: "collateral that would likely lose value in the event that the participant posting the collateral defaults") goes quite far and would be difficult for CSDs to implement, the elimination of correlation risk on collateral being very hard to achieve at reasonable cost. Because "wrong-way risk" cannot be fully avoided in practice, ECSDA recommends a more realistic objective requiring FMIs to have robust processes in place to manage and mitigate correlation risk on collateral.

As for the "concentration limits" and "concentration charges", ECSDA believes that a clear distinction must be made between the securities held at a CSD by a given participant, on which no limits can be imposed, and the use made of this securities for collateralisation certain transactions (which could be limited to avoid concentration risk). Indeed, whereas clearing members have to deliver collateral to secure their obligations to a CCP, CSD participants already have their securities deposited with the CSD, which acts a custodian for these securities. In practice, this means that the following sentence under 3.5.4 (page 38) should be rephrased as follows if it is to apply to CSDs:
"Concentration charges would penalise participants for ***~~maintaining holdings of~~ posting*** *certain assets* ***as collateral*** *beyond a specified threshold as established by the FMI".*

On collateral valuation (3.5.3), ECSDA is concerned that the inclusion of "extreme price moves" in the calculation of haircuts could lead to excessive costs for participants and over-collateralization. We also wonder what is meant by the statement *"an FMI's haircut procedures should be independently validated at least on a yearly basis".* It is unclear whether there would be any benefits in forcing CSDs to seek external validation for their internal haircut procedures unless such validation would be done by regulators.

The same is true for the collateral management requirement to limiting pro-cyclicality set under 3.5.5. which call for FMIs to *"appropriately address pro-cyclicality in its collateral arrangements"*, where ECSDA members have identified substantial problems relating to the requirement to implement collateral policies that are much stricter and conservative than other market players. Such requirements could curtail CSDs' ability to compete effectively whereas there is no evidence that collateral arrangements of FMIs were significant contributors to financial instability in the recent crisis.

Principle 7: Liquidity risk

As for Principle 4 on credit risk, ECSDA assumes that Principle 7 on liquidity risk applies to a very limited extent to CSDs, especially those settling exclusively in central bank money.

The cover note to the CPSS-IOSCO consultative report asks more specifically the following questions:
(1) Whether the potential stress scenarios should include the default one or two of the largest CSD participants;
(2) Whether the fact that some CSDs could have a "cover one" requirement while others have a "cover two" requirement would create competitive distortions;
(3) Which risks should be taken into consideration when determining the "cover" requirement.

On the first question, ECSDA notes that the proposed EU regulation for CCPs (so-called "EMIR") currently foresees that European CCPs would have to include the default of 2 of the largest participants in their stress scenarios. This would point in favour of a similar requirement at the international level. Furthermore, some CSDs also include the default of two if the largest participants in their stress scenarios today.

On the other hand, there are major differences in market structure across countries and some CSDs might have a large number of small clients while others are servicing two or three very large players representing the great majority of settlement volumes in that market. As a result, it is important for international standards to cater for such differences.

In response to questions 2 and 3, ECSDA believes that two factors should be take into consideration when determining whether "cover one" or "cover two" should apply to a given CSD:

(1) the risk profile of the CSD;

(2) the market structure.

For instance, if the two largest participants or groups of participants in a CSD (in terms of aggregate liquidity need in extreme but plausible market conditions) represent more than x% of settlement volumes in that CSD, a "cover one" requirement might be considered sufficient, whereas "cover two" would remain the rule for other CSDs.

Furthermore, ECSDA believes that there could be a role for IOSCO or CPSS (or their EU equivalents ESMA and the ESCB) to keep track of the scenarios that are followed in the respective countries, and to ensure transparency amongst regulators.

Principle 8: Settlement finality

ECSDA fully supports Principle 8 and notes that all European CSDs already provide final settlement intraday.

We would only recommend redrafting the introductory paragraph to Principles 8 to 10 on page 52 in order to avoid any misunderstandings on the notion of "settlement risk", which is not incurred by CSDs but rather by CSD participants:

"A key risk that ~~***an***~~ ***some*** *FMI****s or their users*** *face*~~***s***~~ *is settlement risk, which is the risk that settlement will not take place as expected*~~***.***~~ ~~***, An FMI faces this risk***~~ *whether settlement of a transaction occurs on the FMI's books, on the books of another FMI, or on the books of a commercial bank."*

Principle 9: Money settlements

ECSDA generally supports Principle 9 which acknowledges the co-existence between central bank money and commercial bank money settlement, whether offered by an FMI acting as a limited-purpose banking institution, or by a fully-fledged commercial bank acting as settlement agent. Whether or not they hold a banking license, ECSDA recalls that CSDs are supervised as financial market infrastructures and therefore apply strict safeguards regarding credit and liquidity risks compared to fully-fledged commercial banks.

Against this background, ECSDA would like to stress the role of participants' choice in using central bank or commercial bank money when the (I)CSD offers both options. Which of the three alternative options is used for money settlements will depend on the situation and the specific constraints of the FMI and/or its participants.

For Principle 9, it is not clear how FMIs should *"minimise and strictly control the credit and liquidity risk"* arising from the use of commercial bank money, and how regulators will assess this. In the current RSSS there is a reference between recommendation 10 (settlement assets) and recommendation 9 (credit risk). But, in the current RCCP, there is no reference to a recommendation that stipulates how CCPs should ensure that risks related to the use of commercial bank money is minimised and strictly controlled. ECSDA therefore believes that Principle 9 should be complemented with a reference to Principles 4, 5 and 7, and that the link with these Principles should be applicable across all FMIs.

Principle 10: Physical deliveries

No comments.

Principle 11: Central securities depositories

ECSDA generally supports the definition of CSDs provided in this Principle although we feel that it might be too narrow to include all CSDs currently operating in the European Union. We believe that the CPSS-IOSCO definition of a CSD should be as inclusive as possible and in addition we would suggest replacing the word "holds" by "provides", as follows:
"An entity that ~~***holds***~~ ***provides*** *securities accounts and, in many countries, operates a securities settlement."*
Such a wording would be more inclusive and better reflect the terminology used in Europe ("securities account provision").

Regarding key consideration 6 on CCPs acting as participants in CSDs, and particular paragraph 3.11.7, ECSDA would like to note that today, a CCP can hold its collateral in a CSD using one account only (with segregation between the clearing members done at the level of the CCP, rather than at the CSD level). ECSDA assumes that this practice is not incompatible with the recommendation that a CSD "should facilitate segregation and portability at the CCP". We would like to note that the concept of "segregation and portability" is mainly relevant for CCPs and cannot be applied in the same way to CSDs. CSDs apply other means facilitating the portability of customer holdings in case of a participant's default, hence this concept should not be prescriptive.

Furthermore, ECSDA is aware that certain parts of the user community are advocating that "banking-type" services provided by CSDs should be ring-fenced into separate legal entities. One of the reasons advanced for this is that there is an absence of a level playing field between CSDs offering banking-type services and banks. ECSDA would like to point out that, as previously stated, where CSDs offer banking-type services, they are already authorised as banks, and manage these risks prudently on a collateralised and very short term basis. Moreover, it would be somewhat unfair to force legal separation on CSDs, since equivalent EU legislation, under the single banking license, does not oblige banks to segment their securities services into separate legal entities.

Finally, ECSDA believes that Principle 11 should be merged with RSS 6 (currently in Annex C) for more clarity.

Principle 12: Exchange-of-value settlement systems

No comments.

Principle 13: Participant-default rules and procedures

ECSDA supports Principle 13. In relation to public disclosure, we note that a number of CSDs currently disclose participant-default rules and procedures to their participants and regulators (via the CSD rulebook), but not necessarily to the general public.
In line with out comments under Principle 3, while we can certainly see the relevance of periodical tests of default procedures, there are limits to how far CSDs can provide incentives for participants to test and review periodically its own default procedures to ensure that they are both practical and effective (cf. section 3.13.7 of the consultative report).

Principle 15: General business risk

ECSDA would like to comment separately on the two main issues raised by Principle 15 from a CSD perspective:

- Minimum capital requirements;
- Resolution plan and "orderly wind-down" or reorganisation.

First, ECSDA understands that the proposed Principle aims to establish "minimum capital requirements" for FMIs. Such capital would be used to cover potential general business losses and would be on top of, and fully independent from**,** other requirements aimed at covering financial risks (credit and liquidity risk). Although ECSDA has not performed a detailed analysis at this stage, we would support a requirement of no more than 6 months of operational expenses, given that a higher requirement would very likely lead to a major increase in the share capital of some CSDs.
In the EU, the European Commission is currently considering the possibility of imposing capital requirements for CSDs in future legislation. In this context, ECSDA supports a proportionate approach for determining the level of capital required so that the requirements take into account the actual risks faced by a given CSD. If future EU legislation requires a minimum level of equity to operate as a CSD, a proportional formula such as “x months of operating expenses” could be one way of ensuring proportionate requirements. In that case, consistency with CPSS IOSCO will be very important.

ECSDA believes that for CSDs that have a banking licence, compliance with related banking capital requirements should be sufficient and that no different or overlapping Principles should be created (thereby avoiding the burden of double regulation).

Second, ECSDA understands that Principle 15 also aims to form the basis of a resolution mechanism for FMIs. Not only should an FMI have a plan for raising additional capital should it fall below the level of minimum requirements, but it should also have a capital plan for the "orderly wind down or reorganisation of its operations or services". Although we are not aware of any CSD having been declared bankrupt in the past, we agree that all FMIs should have a clear plan in case they are faced with unexpected and substantial business losses potentially preventing them from operating as a going concern. However, we believe that an "orderly" wind-down is a challenging concept in the case of CSDs and that capital plans should rather include less disrupting mechanisms such as reorganisations, including recapitalisation plans, mergers, and the possibility for regulators to step in and replace management in emergency situations. We understand that CPSS/IOSCO is conducting specific analysis on this topic and ECSDA would appreciate being involved in this exercise.

Principle 16: Custody and investment risk

ECSDA notes that the risks described in Principle 16 are only faced by CSDs to a limited extent:
- investment risk is limited to an CSD's own assets, which are high-quality liquid and creditworthy assets;
- custody risk is mostly related to those assets held by a(n investor) CSD in an account with another CSD, which is by definition a highly regulated and duly supervised entity.

Principle 17: Operational risk

ECSDA recognises that Principle 17 on operational risk is very important for CSDs and would like to make two remarks in relation to key considerations 5 and 6:

- First, regarding FMIs' business continuity plans, we note that the requirements on "the use of a secondary site" and on resuming critical IT operations within two hours should be applied with proportionality in mind (paragraph 3.17.13 page 79). In this respect, we welcome the recognition that many measures to mitigate operational risk should take into account "the FMI's level of importance and interconnectedness", but more clarity on this criterion would be welcome in order to avoid different interpretations in different markets.
- Second, although ECSDA fully recognises the need for FMIs to manage their interdependencies, the requirement for FMIs to "manage the risks [their] operations pose to other FMIs" is likely to be difficult to implement in practice. As mentioned in our introductory remarks, the need for CSDs to systematically assess the risks they pose to other entities would require them to gather a considerable amount of information to which they do not always have access today (while potentially raising competition issues and generating additional costs). ECSDA thus advocates a more moderate and flexible approach on the need to monitor externalities and recalls that, unlike regulators, CSDs do not have a complete visibility of the risks faced by other entities than themselves.

Section 3.17.13 of the CPSS-IOSCO report requires a two-hour recovery time objective, While we do not challenge this target, ECSDA would recommend following a more prudent approach, in line with

the wording used in the ESCB-CESR recommendations, by adding the sentence: *"Depending on the nature of the problems, recovery may take longer".*

Principle 18: Access and participation requirements

No comments.

Principle 19: Tiered participation arrangements

ECSDA is unclear as to how Principle 19 could apply to CSDs, at least in most markets (with the possible exception of some “transparent systems”), and would welcome a clearer distinction between the different types of FMIs within this Principle.

Indeed, the situation of CSDs is very different from that of CCPs and payment systems in relation to participation arrangements (e.g. there is no equivalent to "General Clearing Members" in CSDs). In fact, the definition of "indirect participants" is likely to be problematic for many CSDs in practice, given that CSDs currently have no control and no visibility on their clients' clients. They do not have the tools (legally, regulatory or operationally) to identify and gather information on indirect participants, to understand the risk profile of such participant, to know their turnover and to manage the related risk. Besides, it is doubtful that CSD users will want to share such information, both for competition and data confidentiality reasons. As a result, ECSDA recommends that Principle 19 should not be imposed on CSDs directly but that the information of tiered participation arrangements should be disclosed by CSD participants to the relevant regulators (as all CSD participants are regulated entities), the latter being empowered to request such information and to use it to obtain a comprehensive overview of the chain of CSD participants. Indeed, regulatory authorities have a role to play in this regard as they are better placed to request the users of an FMI to disclose any such information.

ECSDA also recalls that, with some exceptions, requirements on segregation are mainly imposed on CSD participants rather than on CSDs themselves. CSDs offer tools for allowing their clients to segregate positions of their own clients if they so wish but cannot impose nor police the use of such facilities.

Principle 20: FMI links

ECSDA understands that Principle 20 focuses on so-called "horizontal links" between FMIs and that vertical links between FMIs (e.g. access to trade feeds for CSDs) are rather covered under Principle 18.

We welcome the distinction made between CSD-to-CSD links and CCP-to-CCP links, which are very different in nature. While CSD-to-CSD links give rise to operational and custody risks, CCP-to-CCP links are much more complex and pose additional risks, mainly credit and liquidity risks.

Nonetheless, we believe that the references to "segregation and portability" made in paragraphs 3.20.7 and 3.20.9 (on pages 89 and 90) are confusing, given that Principle 14 on segregation and portability is not applicable to CSDs (see also our comment in relation to Principle 11). ECSDA would

therefore advocate a rephrasing of the relevant paragraphs in Principle 20 to be in line with the terminology of RSS12 on the protection of customers' securities, which remains applicable for CSDs.

Principle 21: Efficiency and effectiveness

No comments.

Principle 22: Communications procedures and standards

No comments.

Principle 23: Disclosure of rules and key procedures

ECSDA supports Principle 23 and would like to point out that CSDs are already subject to a number of disclosure requirements, both imposed by regulators and as a result of "best practice" initiatives. These include, among others:

- the ECSDA Disclosure framework;
- the ESCB-CESR self-assessment;
- the annual questionnaire of the Association of Global Custodians (AGC);
- disclosure of fee schedules, rebate schemes and price examples, as well as completing the ECSDA conversion table under the European Code of Conduct;
- the implementation reports under the European Code of Conduct (on price transparency, access and interoperability etc.), including the requirement for an independent assurance report on the self-assessment report;
- Pillar III Disclosure Report, for those CSDs holding a banking license;
- CPSS-IOSCO disclosure framework for securities settlement systems;
- various other national and individual disclosure requirements depending on the characteristics of the given CSD.

The overlap between some of these requirements and the important costs associated with their maintenance and publication by CSDs on a regular basis highlight the need for more consistency at the global level on what FMIs need to disclose. In particular, efforts should be made towards the use of a single harmonised template for providing the necessary information to participants and the general public.

Principle 24: Disclosure of market data

No comments.

3. Other comments (on the glossary and Annex C)

In relation to the proposed **glossary**, as already mentioned in our comments on Principle 11, ECSDA would suggest replacing the word "holds" by "provides" in the first sentence of the definition of a CSD. As for registrars, they are not meant to be included in the CSD definition and CSDs, although they "help ensure the integrity of the issue", are not expected to control them directly when these operate as fully independent entities.

In relation to **Annex C**, ECSDA notes that more clarity would be achieved if the "remaining" RSSSs had been merged into the new Principles. In particular, Principle 11 should be merged with RSSS 6.

Finally, ECSDA would like to make some remarks on the revised **assessment methodology** which is to accompany the release of the final Principles in early 2012. In terms of the assessment questions, ECSDA would welcome being consulted on ways to improve the current methodology. For instance, it will be important to allow for a consistent and objective use of ratings (e.g. definition of "partially observed" versus "broadly observed", etc.) together with a more qualitative assessment. Questions should also be as precise as possible to avoid unnecessary repetitions.
Furthermore, in the European context, if most CPSS-IOSCO Principles are translated into EU implementing measures and thus become regulatory standards, self-assessments on these Principles will become unnecessary as they will be replaced by compliance with the law for those CSDs concerned.

ECSDA represents 41 (I)CSDs in 36 European countries. We trust that our comments will be taken into consideration by the CPSS and the IOSCO Technical Committee when reviewing the Principles before final publication. For any questions on this paper, please contact the ECSDA Secretariat at +32 2 234 63 13 or email soraya.belghazi@ecsda.eu.