The European Landscape: Lessons for Other Regions

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The European Landscape

- Increasing demand for:
  - Further financial integration in a single currency area
  - SC&S efficiency on domestic and EU level
- Consolidation and integration of SC&S infrastructures: main trends
  - At domestic level
  - At cross-border level
  - Different consolidation alternatives
European Initiatives

- European Commission Communication 2002
  - Public Consultation 15.03.2002
    - Giovannini Group 1st Report 2002
      - 15 barriers to the EU C&S integration
    - Giovannini Group 2nd Report 2003
      - Action proposals for removing barriers
- CESR-ESCB Joint Working Group
- Other International Initiatives

CESR-ESCB Joint WG (I)

- CESR-ECB Joint Mandate
- Main Objectives
  - Clear and rational regulatory framework
    - For SC&S regulation, supervision and oversight in the EU
    - Without unnecessary regulatory burdens
  - Enhance safety, soundness and efficiency of SC&S systems
CESR-ESCB Joint WG (II)

Main Objectives (Cont.):

- Avoid systemic risk
- Promote and sustain EU markets integration through:
  - Efficient structures (competitiveness)
  - Strong and reliable rules (confidence)
- Foster investors’ protection
- Level playing field
- Harmonization

CESR-ESCB Joint WG (III)

Main WG way forward:

- Deeper and stronger requirements for SC&S in the EU
  - Starting point: adaptation of the CPSS-IOSCO Recommendations
  - From Recommendations to Standards
    - More binding character
    - Compatible with CPSS-IOSCO Recommendations
- Regulatory Functional approach
  - Standards are applied to all relevant SC&S functions
  - Addressed to the institutions that carry out those functions
- Minimize the impact on market infrastructure
- Common Standards for SC&S Systems in the EU
Lessons for Other Regions (I)

- More incentives for competitive markets
  - Increase transparency
  - Legal soundness
    - Adequate legal regulatory and supervisory framework
  - To promote efficiency and enhance liquidity

Lessons for Other Regions (II)

- Consolidation of domestic and regional infrastructures
  - Standardization of international market practices and procedures
  - Harmonization of SC&S standards (SC&S cycles, book-entry...)
  - Support to the ongoing regional integration initiatives
  - Identify and define areas of mutually beneficial co-operation
    - At operative and strategic levels
Lessons for Other Regions (III)

- Need for Public Authorities support
  - Strengthen ongoing work, initiatives and networking
  - Active participation and co-operation of Central Banks and Securities Regulators