



JOINT WORK OF THE EUROPEAN SYSTEM OF CENTRAL BANKS AND THE COMMITTEE OF EUROPEAN SECURITIES REGULATORS IN THE FIELD OF CLEARING AND SETTLEMENT

CONTRIBUTION TO THE PUBLIC CONSULTATION OF CESR-ESCB

According to the call for contribution on the joint work of the Committee of the European Securities Regulators (CESR) and the European System of Central Banks (ESCB), Mercados Financieros is pleased to provide the following suggestions:

2.1 Nature of the recommendations

We understand as necessary some rules to be equally enforced for all the institutions and agents involved in clearing and settlement activities and, with the purpose of avoiding disparity in the criteria among the different Member States regulators, we consider a common European regulation would be the most adequate solution.

2.2 Addresses

Given that we expect a common European regulation we believe that those recommendations should be addressed to the legislators.

2.3 Scope

Yes, we agree in including all the institutions involved in the clearing and settlement processes, CSD's, ICSD's, CCP's, custodians and registrars. The appliance of these regulations will be not just the same for all the institutions, but will be the same for those who run the same activity.

Custody services and those of clearing and settlement are separated activities and therefore must be treated in a different way.

Credit or investment services institutions that provide custody services should maintain a strict segregation between their own securities and their customer's securities, and keep a rigorous register of their customer's transactions.

All the instruments mentioned in the consultation should be included.

Domestic and cross-border transactions should not be differentiated.

2.4 Objectives

Yes.

2.5 Access conditions

2.6 Legal risk

Custody risk: as it has been aforementioned, we believe that assets segregation and holding reconciliation are essential topics.

Settlement risk: we agree in all the points mentioned and consider that no distinction should be made between domestic and cross-border transactions.

2.7 Settlement cycles

We are in favour of harmonised cycles by products. In principle we support the following cycles:

Derivatives T+1
Fixed-income: T+2
Equities: T+3

We understand that as the same time as the CCP's are implemented, the risk incurred will decrease, and the relevance of a shorter or longer cycle will lose importance, but a harmonised cycle in all the European Union will continue being important.

Yours Sincerely,

MF Group

Madrid, May the 6th, 2002