

Clearing and settlement in the European Union

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The committee adopted the own-initiative report drawn up by Piia-Noora KAUPPI (EPP-ED, FI) in response to the Commission's communication on clearing and settlement in the EU. The report highlighted that inefficiencies in cross-border transactions arise due to national differences of a legal nature, technical requirements, market practices and tax procedures, and in some cases, restrictive market practices. It said that efforts to encourage integration should focus on bringing down the costs of cross-border clearing and settlement, ensuring that systemic or other risks are properly managed and regulated, encouraging integration by removing competitive distortions and ensuring proper transparency and governance arrangements.

The committee did not come out for or against a new directive, but it said that if the Commission did decide to propose legislation, it should focus on: re-confirming and strengthening access rights in order to ensure fair and non-discriminatory access to central clearing and settlement service providers; strengthening passport rights for providers of clearing and settlement services supported, when needed, by regulatory convergence; allowing for transparency and enabling market forces to work effectively; achieving consistency of regulation, supervision and transparency to enable providers of clearing and settlement services to manage systemic risk and anti-competitive behaviour; establishing a functional approach to the regulation of different players, which takes into account the different risk profiles and competitive situations of different entities; and introducing definitions that are coherent and consistent with existing market practices and with the terms used globally and within the EU.

MEPs argued that the removal of the 15 barriers identified by the Giovannini reports was essential, and were concerned that focusing on a new directive might be a distraction from efforts to achieve this. On the other hand, they said that fiscal barriers were one reason for higher cross-border costs, and they supported efforts to reduce these.

Among other points made in the report, the committee criticised the adoption by CESR-ESCB (Committee of European Securities Regulators and the European System of Central Banks) of standards in this area. It reaffirmed that such standards should not pre-determine EU legislation and called for an effective means of providing parliamentary scrutiny for the work of CESR in clearing and settlement. The report also urged the Commission to make pro-active use of its general competition powers to prevent abuse of dominant positions by any of the big players in the clearing and settlement market.