Basic information

2002/2169(COS) COS - Procedure on a strategy paper (historic)	Procedure completed
Financial services : clearing and settlement of cross-border transactions **Subject** 2.50.04.02 Electronic money and payments, cross-border credit transfers	

Key players

European Parliament

Committee responsible	Rapporteur	Appointed
ECON Economic and Monetary Affairs	ANDRIA Generoso (PPE-DE)	19/06/2002

Committee for opinion	Rapporteur for opinion	Appointed
JURI Legal Affairs and Internal Market	The committee decided not to give an opinion.	

Council of the European Union

European Commission

Commission DG	Commissioner
Financial Stability, Financial Services and Capital Markets Union	

Key events

Date	Event	Reference	Summary
28/05/2002	Non-legislative basic document published	COM(2002)0257	Summary
02/09/2002	Committee referral announced in Parliament		
03/12/2002	Vote in committee		Summary
03/12/2002	Committee report tabled for plenary	A5-0431/2002	
14/01/2003	Debate in Parliament		
15/01/2003	Decision by Parliament	T5-0014/2003	Summary
15/01/2003	End of procedure in Parliament		
12/02/2004	Final act published in Official Journal		

Technical information	
Procedure reference	2002/2169(COS)
Procedure type	COS - Procedure on a strategy paper (historic)
Procedure subtype	Commission strategy paper
Legal basis	Rules of Procedure EP 148
Stage reached in procedure	Procedure completed
Committee dossier	ECON/5/16493

Documentation gateway

European Parliament

Document type	Committee	Reference	Date	Summary
Committee report tabled for plenary, single reading		A5-0431/2002	03/12/2002	
Text adopted by Parliament, single reading		T5-0014/2003 OJ C 038 12.02.2004, p. 0175-0265 E	15/01/2003	Summary

European Commission

Document type	Reference	Date	Summary
Non-legislative basic document	COM(2002)0257	28/05/2002	Summary

Financial services : clearing and settlement of cross-border transactions

2002/2169(COS) - 28/05/2002 - Non-legislative basic document

PURPOSE : to present a Commission communication which sets out the first steps toward developing a policy on clearing and settlement in the EU. CONTENT : clearing and settlement are the processes by which securities market transactions are finalised and are integral to the functioning of the financial system. In the context of completing the internal market for financial services, it is crucial to have efficient (i.e. cost-effective, competitive and safe) clearing and settlement arrangements for the EU as a whole. The existing clearing and settlement arrangements within the EU are largely efficient in respect of domestic securities transactions. However, these arrangements are national-based and do not combine to provide efficient post-trade processing of cross-border transactions. Without provision for efficient cross-border clearing and settlement, the full benefit of an internal market for financial services cannot be realised. Much of the inefficiency in EU cross-border clearing and settlement derives from fragmentation due to national differences in technical requirements/market practice, tax procedures and laws applying to securities. Moreover, in the absence of a common regulatory approach to clearing and settlement activity, concerns over operational and prudential risks may also act as an impediment to the development of cross-border activity. The creation of an integrated clearing and settlement environment is, therefore, an essential pre-condition for efficient post-trade processing of all securities transactions within the EU. To this end, the Commission has identified two main policy objectives. The first objective is to remove barriers to the finalisation of individual cross-border transactions in the form of national differences in technical requirements /market practice, tax procedures and laws applying to securities. The Commission considers that the removal of barriers related to technical requirements will be primarily in the hands of the private sector. Nevertheless, national and EU authorities can play a role in removing these barriers by encouraging harmonisation through the development of standards. The remaining barriers will require public intervention, as in the case of defining the legal system that is applicable to securities transactions and holdings in the EU. As the removal of barriers alone would not necessarily result in a fair and competitive environment, the second objective is to remove competitive distortions or unequal treatment of entities performing similar clearing and settlement activities. A fully integrated EU clearing and settlement infrastructure would require that rights of access to systems be comprehensive, transparent, objective and, above all, effective. Market participants should not be constrained in making investment decisions by the location of counterparty, securities or infrastructure. There should be generalised access (i.e. by all markets, infrastructure providers and market participants) to all necessary systems. A first step in achieving this objective is envisaged in the proposed revision of the Investment Services Directive, which provides for the possibility of choice of systems for post-trade activity. The parallel application of competition policy can be used to reinforce these measures. This Communication does not discuss the merits of differentarchitectures or models for providing pan-EU clearing and settlement services. The choice of architecture should be determined by the market, subject to legitimate public-policy constraints (e.g. adequate competition, appropriate investor

protection and minimised systemic risk.) However, it is essential to create an environment in which market forces can deliver the most appropriate architecture for an efficient clearing and settlement infrastructure for the EU. This Communication is the first step toward developing a policy on clearing and settlement in the EU.

Financial services : clearing and settlement of cross-border transactions

2002/2169(COS) - 15/01/2003 - Text adopted by Parliament, single reading

The European Parliament adopted a report drafted by its rapporteur Generoso ANDRIA (EPP-ED, Italy) on clearing and settlement within the EU. (Please refer to the document dated 03/12/02.) Parliament proposed the introduction of an arrangement for 'core' settlement services that should be managed for legal purposes as a user-owned service governed by the rules of non-profit status, so as to generate fewer costs without distorting competition. This formulation will be able to stimulate lower prices, higher quality services and increased innovation, allowing market forces to consolidate the structure thus created, with appropriate legislation where there is risk. Central securities depositories should perform national and cross-border infrastructure securities settlement services and securities depository services on an exclusive basis. 'Value-added services' must be provided by means of a shared and supervised structure that should remain separate. The risk exposure of such entities should be limited to the taking of operational risks, to the exclusion of any banking risk. They should be organised and supervised in such a way as to ensure that the risk of contagion between the various functions is non-existent. Other services must be supplied in a clearly separate manner and subject to supervision, so as to avoid any distortion of competition. Settlement services must be invoiced in a transparent manner and in keeping with the principles of fair competition and free user choice. The Commission is asked to bring its inquiry into competition aspects of clearing and settlement systems to a close, in order to ensure that Community competition policy is respected in this sector with regard to discriminatory pricing, exclusive arrangements and excessive pricing. Finally, Parliament stated that there should be enhanced cooperation between supervisors to ensure that there is adequate supervision of clearing and settlement systems. Supervisors should cooperate on a regular basis in accordance with a common framework, including rules of admission, supervision and passports for freedom of establishment and freedom to provide services.