

EUROPEAN CODE OF CONDUCT FOR CLEARING AND SETTLEMENT

7 NOVEMBER 2006

I. Preliminary observations

1. The undersigning Organisations ("Organisations") provide trading and/or post-trading services. It is the common objective of the Organisations signing this Code to establish a strong European capital market and to allow investors the choice to trade any European security - whether it is a domestic or a foreign security - within a consistent, coherent and efficient European framework. The ultimate aim is to offer market participants the freedom to choose their preferred provider of services separately at each layer of the transaction chain (trading, clearing and settlement) and to make the concept of "cross-border" redundant for transactions between EU Member States. The Organisations are represented by the Federation of European Securities Exchanges (FESE), the European Association of Central Counterparty Clearing Houses (EACH) and the European Central Securities Depositories Association (ECSDA).
2. The Organisations are committed to the goal of greater efficiency and integration in Europe. To this end, they will comply with the present Code of Conduct ("Code") as a voluntary self-commitment and will adhere to a number of principles on the provision of post-trading services for cash equities. Some of the Organisations understand that they may need supervisory approval before signing the Code and/or implementing some of its measures.
3. To reach these objectives, the Organisations welcome the transparency of prices, the freedom of choice for traders, the improvement of open and transparent access to post-trading services with a view to achieving greater interoperability. In addition, upon signature of this Code, the Organisations envisage setting up a joint project office to assist the Organisations in implementing the Code.
4. The Organisations understand that the Commission is considering proposing to the Organisations the further extension of the Code once it has entered into force. The Organisations will then consider the extension of the self-regulatory approach to other asset classes and service providers, as well as any differing provisions of the Code which may apply to such asset classes and service providers. This review will take place at the time of implementation of the MiFID (Markets in Financial Instruments Directive). Prior to any such review, Organisations may apply all, or some, of the provisions of the Code to other instruments if they so choose.

The Organisations are willing to initiate a phased implementation of this Code of Conduct, as follows:

- Applying price transparency, following the principles as specified in Section III by 31st December 2006.
 - Establishing access and interoperability conditions by 30th June 2007, according to the principles set out in Section IV.
 - Unbundling services and implementing accounting separation, as outlined in principles specified in Section V as of 1st January 2008.
5. The Organisations share the objectives of this Code with the European Commission, the European System of Central Banks (ESCB) and other national central banks, the Committee of European Securities Regulators (CESR), national governments and regulators, and market participants. The Organisations are convinced that a joint effort is required to achieve the objectives outlined in the Code. A series of initiatives have already been undertaken toward these goals. The Organisations understand that the Commission is aware of the TARGET2-Securities initiative and will assess its impact on the Code. On behalf of the European Commission, the Giovannini Group identified 15 technical, legal and tax barriers as the main causes of the remaining inefficiencies and fragmentation of European capital markets. The industry significantly contributed to identifying these barriers in a consultation process launched by the European Commission in 2002 and are actively engaged in eliminating them. They also underline that a precondition for obtaining full interoperability in the provision of cross-border post-trading services is the dismantling of the remaining Giovannini barriers. Therefore they call on European and national authorities to continue to work toward elimination of legal and tax barriers and encourage supervisory convergence to fully exploit the potential from this Code.

II. Scope of the Code of Conduct

6. This Code is a voluntary self-commitment by the undersigning Organisations. It covers post-trading activities in cash equities in Europe. It comprises the provision of the following services:

- Clearing and central counterparty ("CCP") clearing services by clearing houses, CCPs and potentially also central securities depositories ("CSD").
- Settlement and custody services by parties offering issuer CSD services.
- Some of the elements of the Code also naturally apply to trading activities.
- Insofar as elements of this Code apply to trading and post-trading activities, all providers carrying out similar activities, irrespective of whether or not these are operated by the undersigning Organisations, should in principle adhere to the Code in order to ensure a level playing field across all market providers.

III. Price Transparency

Objectives

7. The Organisations believe that price transparency is an essential requirement for the integration of European capital markets and welcome measures in this direction. In order to further support ongoing individual efforts to increase pricing transparency, the Organisations agree on the following objectives:
- to enable customers to understand the services they will be provided with, and to understand the prices they will have to pay for these services, including discount schemes.
 - to facilitate the comparison of prices and services, and to enable customers to reconcile ex-post billing of their business flow against the published prices and the services provided.

Scope

8. The following principles shall apply to all Organisations and all prices that they charge, including inter alia:
- One-time and periodic fees (e.g. for membership, connectivity and set up),
 - Prices of transaction-related services (e.g., for trading, clearing and settlement),
 - Prices of custody services, and
 - Prices of additional services to customers.

Proposed measures regarding publication - identification of the services provided and generally applicable prices

9. Every Organisation agrees to the publication of:
- All offered services and their respective prices including applicable terms and conditions,
 - All Discount and Rebate Schemes and the applicable eligibility criteria, and
 - Examples that explain prices, as well as Discount and Rebates Schemes for different types of customers or customer groups.
 - All information will be made available at a prominent place on the Organisations' websites.

Prices and services

10. The published price lists shall contain all services and prices, a brief description of each service, and the relevant price basis. All Organisations agree to apply the published price list.

Discount and Rebate Schemes

11. For the purposes of this document, discounts mean price reductions applicable ex ante to published prices ("Discounts").
12. Rebates mean price reductions which apply ex post to the cumulative amount invoiced or paid in a certain time period ("Rebates"). As these could be subject to Board approval by the different Organisations ex post, it may not be possible to stipulate the exact amounts

or percentages applicable in advance. However, the existence of such regimes should be published in advance and the relevant financials published once Board approval has been granted.

Criteria for access to Discounts and Rebates

13. Price reductions applicable to any customer fulfilling specifically defined criteria ("Discount and Rebate Schemes") shall be published together with the respective price lists and applicable eligibility criteria. The Organisations will upon request provide information about how such Discount and Rebate Schemes apply to customers.

Price Examples

14. Organisations shall publish price examples that facilitate the comparison of offers and allow customers to anticipate the price they will have to pay for the use of services. These examples shall comprise the total charges a customer will have to pay to the Organisation in order to obtain a service (e.g., including the variable charges for conducting a typical transaction on the respective systems, including charges for services and activities necessarily related to this transaction, as well as total charges for becoming and remaining a customer).

Price Comparability

15. The Organizations are committed to work on further comparability of prices within each layer of the value chain.
16. By 1st January 2007, the price transparency measures described above will allow users to compare prices on an individual basis.
17. The European Commission has announced that it will conduct a study of post-trade prices. The Organisations appreciate objective and transparent means of price comparisons, and are therefore committed to contribute to the success of this study. The Organisations should actively cooperate with, and support, the external study on prices launched by the Commission.

Billing reconcilability

18. Ex post: Information will be provided so that customers are able to reconcile their actual bills with their activity and the published price lists for the services provided. Together with the invoice, Organisations shall upon request provide information to their customers that allow the reconciliation of the invoiced amount with the published price lists and the services provided, including:
 - A breakdown of the total amount invoiced for services provided, and
 - The amount or volume of the respective underlying price basis (e.g., number of order entries, number of trades, trading volume, number of cleared trades, number of settlement instructions).

IV. Access & Interoperability

Background

19. MiFID already gives some access rights in the post-trade area to regulated markets and to investment firms, and this Code is not intended to contradict any of those rights. In particular, MiFID in Articles 34 and 46 grants certain access rights:
- o The right of a market participant to access remotely a foreign CCP and/or CSD
 - o The right of market participants to choose the settlement location for their trades (but not the Central Counterparty Clearing one) provided links are in place between the regulated market and the entity in question;
 - o The right of regulated markets to choose a particular CCP and/or CSD to clear and settle their transactions.

General considerations

20. The Code addresses the effective extension of these principles to additional relations in the clearing and settlement sector, addressing mainly the relationships between infrastructures.
21. Organisations from a Member State should be able to access Organisations in the same or another Member State and the responding Organisations should provide such access in line with the Access conditions and procedures described in this section.
22. More specifically:
- o CCPs should be able to access other CCPs
 - o CCPs should be able to access CSDs
 - o CSDs should be able to access other CSDs
 - o CCPs and CSDs should be able to access transaction feeds from trading venues
 - o CSDs should be able to access transaction feeds from CCPs
 - o A trading venue should be able to access a CSD and/or CCP for its post-trading activities.

Access and Interoperability

23. For the purposes of this Code, the terms "access" is understood to mean the following:
- i. An Organisation (CCP or CSD) is a standard participant in another Organisation ("standard unilateral access");
 - ii. An Organisation (CCP or CSD) is a participant in another Organisation but, in addition, certain parts of the service offering to the requesting entity are customised ("customised unilateral access");
 - iii. Access by an Organisation (CCP or CSD) to a transaction feed from another Organisation ("transaction feed access").

24. "Interoperability" means advanced forms of relationships amongst Organisations where an Organisation is not generally connecting to existing standard service offerings of the other Organisations but where Organisations agree to establish customised solutions. Amongst its objectives, Interoperability will aim to provide a service to the customers such that they have choice of service provider. Such agreement will require Organisations to incur additional technical development.

Access conditions and procedure

25. Requests for access will be dependent upon considerations relating to the business case only of the requesting Organisation.
26. Standard unilateral access and transaction feed access shall be provided on a non-discriminatory price basis; any customised component of a unilateral access or transaction feed access should be paid for by the Organisation requesting access on a cost-plus basis unless otherwise agreed between the parties.
27. Access should be granted on the basis of non-discriminatory, transparent criteria and prices.
28. Requests for access should be treated expeditiously.
29. The process under which access requests are to be treated should be publicly available.
30. Refusals of access should only be based on risk related criteria or exemptions to access rights as detailed in MiFID. They should be explained in writing and communicated to the requesting Organisation promptly.
31. In case of disputes, the undersigning Organisations undertake to settle the dispute expeditiously.
32. In the event of a potential dispute, a mediation mechanism will be set up.
33. An Organisation requesting access to another Organisation should, in principle, comply with the legal, fiscal and regulatory arrangements applicable to the receiving Organisation.

Interoperability conditions and procedure

34. Establishment of Interoperability is subject to the business case of the entities concerned and on proper risk control.
35. To achieve such an optimized design both Organisations seeking interoperability, with the involvement of relevant stakeholders and the respective regulators in particular, need to have discretion in the design of the Interoperability relationship and not be limited in their solutions.
36. Against this background, the Organisations seeking Interoperability commit to the following:
- Any Organisation receiving a proposal for Interoperability will expeditiously enter into discussions with the proposing Organisation about the most appropriate design and procedures for establishing such an Interoperability relationship.

- They will conduct these discussions and negotiations in good faith and will avoid any undue delay.
 - Organisations will consider appointing a mediator to facilitate these discussions and negotiations and to support the resolution of conflicts between Organisations.
37. An Organisation requesting access to another Organisation should, in principle, comply with the legal, fiscal and regulatory arrangements applicable to the receiving Organisation. To the extent that the proposed Interoperability arrangement requires either organisation to access the other, that Organisation should, in principle, comply with the legal, fiscal and regulatory arrangements applicable to the other Organisation.

V. Service unbundling and accounting separation

Objectives

38. The Organisations regard service unbundling and accounting separation as important levers to further strengthen the transparency and efficiency of European capital markets. Service unbundling gives customers flexibility when choosing which services to purchase; accounting separation provides relevant information on the services provided. These measures are designed:
- To make transparent the relation between revenues and costs of different services in order to facilitate competition,
 - To make transparent potential cross-subsidies between the different services as described in paragraph 40, and
 - To provide users with choice regarding the services available to purchase.

Principles

39. Organisations shall unbundle prices and services at least as follows
- (i) The services of trading venues, CCPs and CSDs will be unbundled from each other.
 - (ii) Each CSD will unbundle the following services each from the other:
 - a. Account provision, establishing securities in book entry form, and asset servicing;
 - b. Clearing and settlement (including verification);
 - c. Credit provision;
 - d. Securities lending and borrowing; and
 - e. Collateral management.

Unbundling of prices

40. Unbundling means that:
- a. The Organisations will allow any customer to purchase an unbundled service without compelling that customer to purchase also another unbundled service and
 - b. Each unbundled service will be available at a price applicable to this service.
41. Unbundling does not preclude Organisations offering special prices for the purchase of several unbundled services together, with each service available at a separate price. And any such special prices shall meet the Price Transparency elements of the Code set out in Section III.

Accounting separation

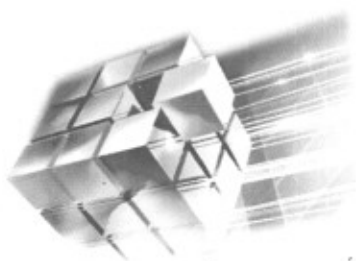
42. Any group that includes one or more trading venue, CCP or CSD shall disclose to the National Regulators the annual non-consolidated accounts separately upon request from the National Regulator. Organisations which offer trading, clearing and/or settlement services in a single corporate structure shall disclose to the National Regulators the costs and revenues of these services separately upon request from the National Regulator.
43. Each Organisation shall disclose to the National Regulators its costs and revenues for each unbundled service, as outlined in paragraph 40, in order to make transparent potential cross-subsidies. Organisations will apply the relevant IFRS standards or any other relevant local standards, where IFRS is not mandatory.

Monitoring and cooperation with ad-hoc committee convened by the European Commission

44. The Organisations will task their external auditors, or another external auditor of the Organisation's choice, to verify their compliance with the Code.
45. It is the Organisations' understanding that the European Commission aims to establish an ad-hoc committee (the "Committee"), comprising DG COMP and DG ECFIN and other public sector interlocutors to liaise with the auditing process. The Organisations are committed to ensure adequate monitoring of compliance with the Code and are ready to engage in further discussions on the exact mission statement of this ad-hoc Committee, on the access to confidential data and on how the Committee will interact with national authorities and regulators, CESAME and market participants.
46. It is understood any information communicated to the Committee will be treated confidentially.

Miscellaneous - Status of the Code

47. This Code is a measure of mutual trust and voluntary in nature. However, the provisions of this Code shall not grant any legal rights to, or duties for, the Organisations signing this Code or third parties. The Organisations are currently discussing industry definitions in a broader context. As this alignment process is still underway, the Organisations agree to treat all definitions contained in this document as preliminary, and applicable only for purposes of this document, until a consensus at a general level has been reached.



ECSDA

European Central Securities
Depositories Association

November 7, 2006


List of ECSDA members who committed to implement the European Code of Conduct on clearing and settlement jointly drafted by members of FESE, EACH and ECSDA

EU members

- Oesterreichische Kontrollbank AG (OeKB)
- Vaerdipapircentralen A/S – VP Securities Service (Denmark)
- Iberclear (Spain)
- Monte Titoli SPA (Italy)
- Euroclear Belgium
- CrestCo Ltd (UK)
- Euroclear France SA
- Euroclear Nederland
- Euroclear Bank SA
- Interbolsa (Portugal)
- Clearstream Banking AG (Frankfurt)
- Clearstream International SA (Luxembourg)
- VPC AB (Sweden)
- Suomen Arvopaperikeskus Oy (Finland)
- Cyprus Stock Exchange
- Latvian Central Depository
- Central Securities Depositories of the Slovak Republic
- Estonian CSD Ltd
- Keler Ltd (Hungary)
- Prague Securities Centre - Stredisko Cennych Papiru (Czech Republic)
- Central Securities Clearing Corporation (Slovenia)
- Central Securities Depository of Lithuania
- KDPW (Poland)
- UNIVYC Ltd (Czech Republic)
- Hellenic Exchanges SA Holding, Clearing, Settlement and Registry (Greece)

Non EU members

- SIS Group (Switzerland)
- Verdipapircentralen (Norway)
- Iceland's Securities Depository Ltd (Iceland)
- Central Registry of Securities JSC-Republic of Srpska (Bosnia & Herzegovina)
- Central Depository Agency Inc (Croatia)
- Central Depository Agency, JSC Podgorica (Montenegro)
- Central Securities Depository and Clearing House (Serbia)


ΕΛΛΗΝΙΚΑ ΧΡΗΜΑΤΙΣΤΗΡΙΑ
ΑΝΩΝΥΜΗ ΕΤΑΙΡΕΙΑ ΣΥΜΜΕΤΟΧΩΝ
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