

Press Release

Brussels, 12th July 2006

Proposal for an EU code of practice for the clearing and settlement of equities

Summary

- *The Federation of European Securities Exchanges (FESE) supports the adoption of a code of practice for the clearing and settlement of equities.*
- *FESE is of the opinion that the creation of a European integrated clearing and settlement system requires market-led rather than legislative initiatives.*
- *A roadmap should be agreed by 31st October to ensure optimal market solutions driving significant improvements for the industry.*
- *FESE will cooperate closely with EACH (the Association representing Europe's Clearing Houses) and ECSDA (the European Central Securities Depositories Association) responsible for the settlement layer.*

Elements for a code of practice:

Speaking from Milan, FESE President Massimo Capuano stressed: "Well functioning Clearing and Settlement processes are essential to the integration of EU capital markets. Exchanges need well functioning and cost efficient post-trade services to meet and facilitate both current and future patterns of trading".

FESE supports to include the following elements in the code of practice: price transparency, interoperability and separate accounting. The ultimate aim is to make the concept of "cross-border" redundant for transactions between EU Member States. To succeed, the industry needs to agree on clear definitions. In addition, implementation and monitoring should be independent and should be agreed by all parties involved.

FESE recommends that this process should be as consultative as possible and that it must be fully transparent to the market to ensure that it achieves maximum support from infrastructures, users and regulators.

Capuano confirmed that FESE's immediate goal is to agree on a 'roadmap' that will be signed by its members by 31st October.

However, he also stressed that the industry needs a stable and predictable environment to launch such a wide-reaching and potentially cost intensive agreement. In addition, the industry expects the continued commitment by the Commission to work towards the removal of tax and legal barriers to efficient cross-border clearing and settlement which are largely responsible for the high costs of cross border clearing and settlement.

Information for the editor:

The Federation of European Securities Exchanges (FESE) is the association of regulated securities and derivatives markets in Europe and has incorporated EACH, the European Association of Clearing Houses. FESE counts 24 Full Members providing equity and derivatives trading services as well as central counterparty functions in 28 European countries (EU-25 plus Iceland, Norway and Switzerland). In addition, FESE has several Corresponding Members from other European countries. The Federation is headquartered in Brussels.

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