



By e-mail!

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and

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Association of Danish Mortgage Banks' response to the consultative papers on the ESCB-CESR "Standards for Securities Clearing and Settlement Systems in the European Union" and "The Scope of Application of the ESCB-CESR standards"

General remarks:

The Association of Danish Association Mortgage Bank (the Association) has been going through the consultative papers on the ESCB-CESR standards and the Scope of Application, and would like to thank for the opportunity to respond to this. Also the Association would like to express its positive attitude towards the pre-hearing process on the papers arranged by i.e. the national Danish consultative panel.

Overall, the Association sees the papers as an important step towards providing an efficient and consistent basis for an adequate regulation, supervision and oversight of securities clearing and settlement systems in the European Union. However, it is important to state that possible dual or overlapping regulation through the future working of the different ESCB-CESR standards should be avoided for mortgage institutions and other actors in the area of securities clearing and settlements systems.

Remarks on the proposed Standards:

Standard 2: Trade confirmation and settlement matching

The Association finds it important to clarify what is exactly meant by trade "confirmed without delay" concerning direct market participants?

The Standard proposes that “ *trades between direct market participants should be confirmed no later than trade date (T+0)* “. However, on the same time it is proposed that “ *trades between direct market participants should be confirmed without delay after trade execution....* “. In this context the Association sees a need for a clear(er) trade time confirmation concerning the direct market participants.

Accordingly, the Association proposes the following underlined change in the text of Standard 2: “ *Trades between direct market participants should be confirmed as soon as possible after trade execution, and not later than trade date (T+0). Where confirmation of trades by indirect market participants (such as institutional investors) is required, it should occur as soon as possible after trade execution, no later than T+0* ”.

Standard 3: Settlement cycles

In general, the Association supports the idea of harmonising and further shortening the settlement cycles in order to ensure more efficient markets. Bearing this in mind, the Association also believes that harmonisation is best possible induced by forces of the market rather than regulatory intervention.

Related to the proposed adoption of rolling settlement in all securities markets, the Association would like to make sure that these settlements are to be understood as “rolling net-settlements”, since this is of high importance for the general market and the market participants.

Concerning the proposed cost-benefit analysis including i.e. the consideration of the difficulties entailed by cross-border harmonisation according to class assets, the Association would like to have more details and instructions to be able to carry out a cost-benefit analysis aiming at further progress and development in the area. Ideally, this work of analysis could be done through a set up of a specific working group on the topic.

Standard 11: Operational reliability

The Association supports actions and measures towards identification, monitoring and minimisation of operational risk policies and procedures mentioned in the standard.

Standard 17: Transparency

Overall, the Association supports the idea of transparency. However, the Association also finds it necessary to discuss in depth:

- what is meant by the term “ *a dominant position*”,
- when information can be considered “ *sufficient*” for market participants,
- to what extent “ *publicly accessible information*” should be understood, and finally

- what information and what means of distribution for the information is considered necessary for market participants to be able to *"identify and evaluate accurately the risks and costs associated with securities clearing and settlement services"*?

Remarks on The Scope of Application of the ESCB-CESR Standards:

The Association has no remarks on this part of the consultation.

Best regards

Peter Munch-Madsen