

Terms of Reference for the European Post Trade Group (EPTG)

Scope and Objective

It is proposed to set up a European Post Trade Group (EPTG) to coordinate the joint work of the public and the private sectors to drive reforms that will improve the safety, efficiency and competitiveness of Europe's post-trading to the benefit of issuers, market infrastructures, intermediaries and investors. It is widely accepted that post-trade harmonisation will foster much needed financial market integration.

This initiative should:

1. drive the dismantling of barriers to cross-border safety and efficiency, including identifying and tackling issues that have developed since the Second Giovannini Report in 2003;
2. complement the legal framework currently under construction (including EMIR, the CSD Regulation) in response to the regulatory agenda agreed by the G20 in the wake of the financial crisis, and the work of the ECB on its TARGET2-Securities (T2S) project. It will also support the cohesion of regulatory initiatives as they are implemented;
3. avoid the duplication of efforts. The public sector, including T2S and COGESI, and industry are already working on a number of harmonisation initiatives. The Group could share information on the progress on these initiatives and could help to co-ordinate efforts where additional work is required. It will define monitoring procedures with clear implementation deadlines and responsible actors for each harmonisation activity.

The scope of this initiative should include, with particular emphasis on cross-border activities, clearing, settlement, and holding of financial instruments. Trading will be in scope to the extent that it impacts post-trading, e.g. through exchange rules and regulations.

This initiative should focus on the value chain from issuer to end investor to ensure to address any potential opacity, complexity and inefficiencies that exist on an asset class by asset class basis.

Organisation

The members of the Group will be representatives of key players in the post-trading landscape to manage the reform process. The Group will be composed of senior representatives from the European Commission, ECB, ESMA, and industry. The Group members from industry will include representatives of issuers, infrastructure providers, intermediaries, and investors. The Group will also include independent experts on a permanent and an *ad hoc* basis

The Group may set up expert Task Forces for issues that are not currently tackled under other initiatives. Individual Group members ('sponsors') will ensure that the working group deliverables are timely and adequate.

It will also set up a rotating chairmanship to manage its work between its meetings. The Group's work will be supported by a secretariat (comprised of the designated staff from the Commission, ECB, ESMA, and industry).

The Group will, as a rule, meet three times a year on the basis of a rotating chairmanship between the Commission, ECB, ESMA, and industry. Regular phone conferences may be held to monitor the progress in the interim.

Process

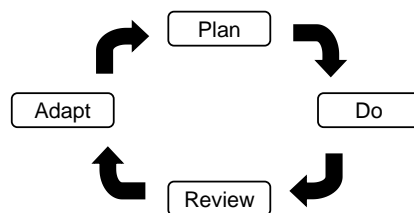
The Group will start its work by conducting a stock-taking exercise and identifying areas for action. It will draw up a list of issues on the basis of the existing harmonisation lists: the Giovannini barriers, the T2S list, and the EGMI list.

The Group will invest effort in consolidating and carefully considering all these lists including the actors responsible. This will require analysing the current situation by asset class for the activities of clearing, settlement, and holding along the value chain in order to identify areas where intervention may be required. The Group will identify gaps in the harmonisation activities and/or the responsible actors.

On the basis of this gap analysis, the Group will decide on the areas it should focus on, taking into account their urgency and priority. It will agree key short, medium, and long term priorities, and set measurable targets and timeframes. Progress will be reviewed at each meeting, with the opportunity to adapt agreed plans, and introduce new priorities. The Group may create Task Forces, if necessary, to focus on these areas at a technical level. A significant contribution from the industry is expected at this level.

The priorities will be set from the perspective of generating beneficial changes for market infrastructures, intermediaries and – in particular - the end users (issuers and investors) of Europe's post-trade infrastructures. To achieve this, the Group will consider the economic purposes of financial instruments against the post-trade infrastructures and services that support them. These economic purposes are access to capital and investment, collateral provision, hedging of risk, and the exercise of rights flowing from them.

The ongoing process shall follow a "Plan, Do, Review, Adapt" structure.



The Group will publish an annual report detailing the work undertaken and the progress achieved.

Initial areas for investigation

- Completing the dismantling of the remaining Giovannini Barriers.
- Safe and efficient provision and management of collateral.
- Crisis management of post-trade infrastructures, e.g. procedures and information sharing among market participants (i.e. excluding supervisory/oversight aspects of infrastructure crisis management).
- Innovation, and technological and process standardisation.
- Improving the safety and efficiency of post-trade infrastructure, in particular for funds.
- Identifying regulatory overlaps and underlaps in the post-trade arena.