

Summary of discussion

6TH MEETING OF EUROPEAN POST-TRADE GROUP

Hosted by European Commission, DG Internal Market and Services

16 October 2013, 10:30 a.m. – 4 p.m. CET

Participants

European Commission	Ms Jennifer Robertson	Chairperson
AFME	Mr Werner Frey	
BNP Paribas	Mr Alain Pochet	
EACH	Mr Marcus Zickwolff	
ECSDA	Mr Mathias Papenfuß	
ESMA	Ms Nathalie Piscione	
European Commission	Ms Agata Malczewska	
European Commission	Mr Tomas Thorsén	
ISDA	Mr George Handjinicolaou	
JP Morgan	Mr Dan Watkins	
JP Morgan	Mr Dan Lambeth	
Munich RE / DAI / European Issuers	Mr Markus Kaum	
Independent expert	Mr Peter Norman	
T2S Board	Mr Paul Bodart	
T2S Board	Mr Yvon Lucas	
ECB-T2S Programme Office	Mr George Kalogeropoulos	

1. Chairperson's introduction, approval of the agenda and adoption of the minutes of the previous meeting

The Chairperson welcomed members of the EPTG.

The agenda and the draft minutes of the 6th meeting of the EPTG in Frankfurt were adopted.

2. Updates on the ongoing initiatives

Yvon Lucas, Paul Bodart and George Kalogeropoulos reported on behalf of T2S:

- Tests are running smoothly and the technical side works well but there are still more phases T2S testing (such as user and community testing) before the launch in June 2015;
- Four sub-groups are currently run by T2S Harmonisation Steering Group (HSG):¹ CASG (Corporate Actions Sub-group), Task Force on Settlement Cycles and Task Force on Settlement Discipline Regime and the cross-border market practice sub-group (XMAP). The latter was created as a successor of TFAX in order to analyse non-harmonisation issues with respect to their impact on cross-border settlement efficiency in T2S and to also to propose, where relevant, T2S best market practices to the HSG regarding these topics;
- The T2S Advisory Group plans the publication of the Fourth T2S Harmonisation Progress Report in mid-March 2014;
- The Latvian CSD has joined T2S which means 21 markets and 24 CSDs are now participating in T2S;
- The T2S Board members also reported that a number of T2S harmonisation activities are dependent on the progress of the initiatives that are promoted by the EPTG sponsors (e.g. shareholders transparency, registration procedures and withholding tax procedures).

An email from Simonetta Rosati (ECB) was read to report on recent developments in the work of COGESI:

- Report on collateral eligibility requirements has been published and a workshop to present the Report was held on 15 July 2013.

Nathalie Piscione reported on behalf of ESMA:

- Recent development in the ESMA work on EMIR technical standards on trade repositories;
- Ongoing work on ESMA Discussion Paper on certain classes of derivatives subject to clearing obligations – publication due in 2014.

¹ <http://www.ecb.europa.eu/paym/t2s/governance/ag/html/hsg/index.en.html>

- Ongoing work on the recognition of third countries CCPs under EMIR and the publication of technical advice on equivalence;
- Update of the QAs section on ESMA website;
- Final report on draft regulatory technical standards (RTS) related to derivative transactions by non-European Union (EU) counterparties due in November;
- Ongoing work on CSDR Discussion Paper.

Jennifer Robertson reported on behalf of the Commission:

- CSDR negotiations – general approach reached in the Council and the trilogues underway;
- Ongoing work on technical standards and equivalence assessments in accordance with EMIR;
- Commission is analysing ESMA technical advice on equivalence;
- Ongoing work on recovery and resolution of non-banks following the CPSS-IOSCO consultations and the EP (MEP Kay Swinburne) report on the issue.

3. EPTG Annual Report of 2013

The members discussed the scope and the outline of the Annual Report.

It was agreed that each chapter describing the developments in the EPTG Action List items should be structured around the following three questions:

- Why is the work needed in this area?
- What has been done in 2013 (if relevant, before 2013)?
- What remains to be done?

The members agreed to the following schedule for the preparation of the Annual Report:

- End of October: submission of all outlines of the chapters,
- November-December: work on the text of the chapters,
- End of December: deadline for text submissions from the authors,
- January 2014: putting together a complete report, written consultation with the members,
- February 2014: EPTG meeting discussing and adopting the Report.

4. Review of EPTG steering document

The Group discussed the redrafted version of the EPTG steering document for the publication along with the Action List on the EPTG website.

5. EPTG Global List: update on the items

The Group recalled the origins of the Global List as a scoping document which allows the Group to coordinate its work with other initiatives on post-trade harmonisation. Global List covers all activities in the area of post trade and registers the recent developments on them. As such it is a very useful tool in the internal functioning of the Group. However, given that the list covers all initiatives apart from the ones of the EPTG itself and hence the Group may only have a secondary knowledge on them, it was agreed that the Global List should remain an internal working tool and should not be published on the EPTG webpages.

6. EPTG Action List: update on the items

The Group discussed the scope and format of the EPTG Action List. It was agreed that the Action List should indicate targets for next year, exact target dates (if applicable) and the actors responsible to agree solution in the comments table.

The sponsors reported recent developments on their actions:

- Mathias Papenfuß explained that in relation to EPTG Action 1 (Harmonisation of communication protocols and harmonisation of CSD operating hours and settlement deadlines) recent developments were limited. Year 2014 will be an important term for the CSDs participating in T2S since some of them will start testing the T2S ISO20022 messages in view of the platform launch (in June 2015);
- Dan Watkins reported on the results of the Survey on the buy-side readiness for T+2 settlement period (the presentation attached hereto). The buy side is reasonably prepared but there is still work to be done. Due to lack of automation, the small companies seem to be less prepared. For larger firms there is a challenge of different time zones in case of trading with the US and Asia.
- Markus Kaum informed that the task force on shareholders transparency and registration procedures chaired by him was formed to draft questions as a fact finding exercise. First drafts will be delivered by the end of the month whereas meetings and discussions will take place in November and December. The report will be delivered to the EPTG in the Q1 of 2014. Some members of the Group asked about the prospects of the Commission proposal on securities law legislation. Jennifer Robertson explained that the

proposal is not likely to be adopted in 2014. Several EPTG members stressed the importance of harmonisation of securities law for the post-trade.

- Jennifer Robertson reported on the results and follow-up of the T-BAG Report and the recent developments on transaction tax. It was suggested and agreed to move the two taxation actions back to the EPTG Global List.
- Alain Pochet delivered a presentation (attached hereto) on the Exchange Traded Funds update explaining that the market must be more efficient for clearing and settling ETFS. T2S will certainly contribute to it.
- In follow up of the last meeting and the issue raised by the T2S Programme Office, Mathias Papenfuß reported on the fact finding exercise performed by ECSDA and AFME in order to learn more about CSD account segregation rules. There are about 27 markets with segregation rules which are mandatory, primarily in the area of customisation (proprietary vs. clients account). It was agreed that AFME, ECSDA and T2S will look together in order to formulate a proposal on further EPTG actions. Until then the issue was agreed to remain as an EPTG action co-sponsored by Mathias Papenfuß and Werner Frey.

The Group discussed the possibility of adding a new action to the EPTG Action List, related to the implementation of the US Foreign Account Tax Compliance Act ("FATCA"). It was agreed that no new action will be added for the time being but the Group may look into this issue in the future.

Following up on the other issues presented from TFAX report as potential EPTG actions, it was agreed that no further action is required on non-standardised securities since there is limited business case in the EU and such securities are expiring. The issue of bond stripping will be followed by AFME and decision on its inclusion on any of the two list remains for the next EPTG meeting.

7. Organisational matters: venue and date of the next meeting.

Next meeting will take place in February 2014, hosted by the industry. The place will be confirmed by the Secretariat shortly.

Annexes:

- Results of the Survey on the buy-side readiness for T+2 settlement period,
- Presentation on the Exchange Traded Funds,
- Results of ECSDA and AFME survey on CSD account segregation.

European Post Trade Group

Buy-side readiness for T+2

October 2013



Executive summary

- To assess buy side readiness for T+2 settlement, a working group was formed consisting of traditional Asset Managers, Hedge Funds and Outsource providers as well as the main industry organisations.
- The working group agreed to conduct a buy side survey of processing efficiency.
- The survey was distributed by the IMA, EFAMA and AIMA to their membership in June of this year and the results were compiled by the IMA.
- Whilst not a fully comprehensive view, the survey results do provide a useful snapshot of current market practice.

Executive summary

- The buy side survey received 64 responses from 13 countries, with 50% from continental Europe.
- Responses were received from a wide variety of organisations with AUM ranging from under \$100m to over \$100 Bn and the type of organisations including Hedge Funds, Pension Funds, traditional Asset Managers and an Outsource provider.
- The survey covered all the securities asset classes that could potentially be impacted by the CSDR regulation.
- For the purpose of this report we have only included Equity, Fixed Income and Foreign exchange data, but acknowledge the possibility of some money market instruments and Convertible Bonds also being impacted.

Executive summary

The highlights from the survey are as follows:

- Two thirds of respondents appear to be well placed with high levels of trade processing automation.
- There are clearly pockets of the industry and regions that are less automated, but they appear to be the smaller operations and may still be able to operate effectively in a T+2 environment.
- A number of trades in all asset classes and across the whole range of countries and companies surveyed are currently being instructed on T+2 or later and would represent a fail under CSDR.
- This may be due to a lack of automation – but given that some large organisations in established financial centres are impacted there are likely to be other factors.
- A number of respondents identified the increased challenges in the cash management space and expressed concerns around the ability to recall stock from loan in a timely manner. *(Reduced timeframes in the cash management space could result in FX deals reverting from CLS to gross settlement with the re-introduction of Herstatt risk.)*

Executive summary

In addition AFME has supplied views from its members on Buy side readiness for T+2 and the feedback very broadly supports the findings in the survey:

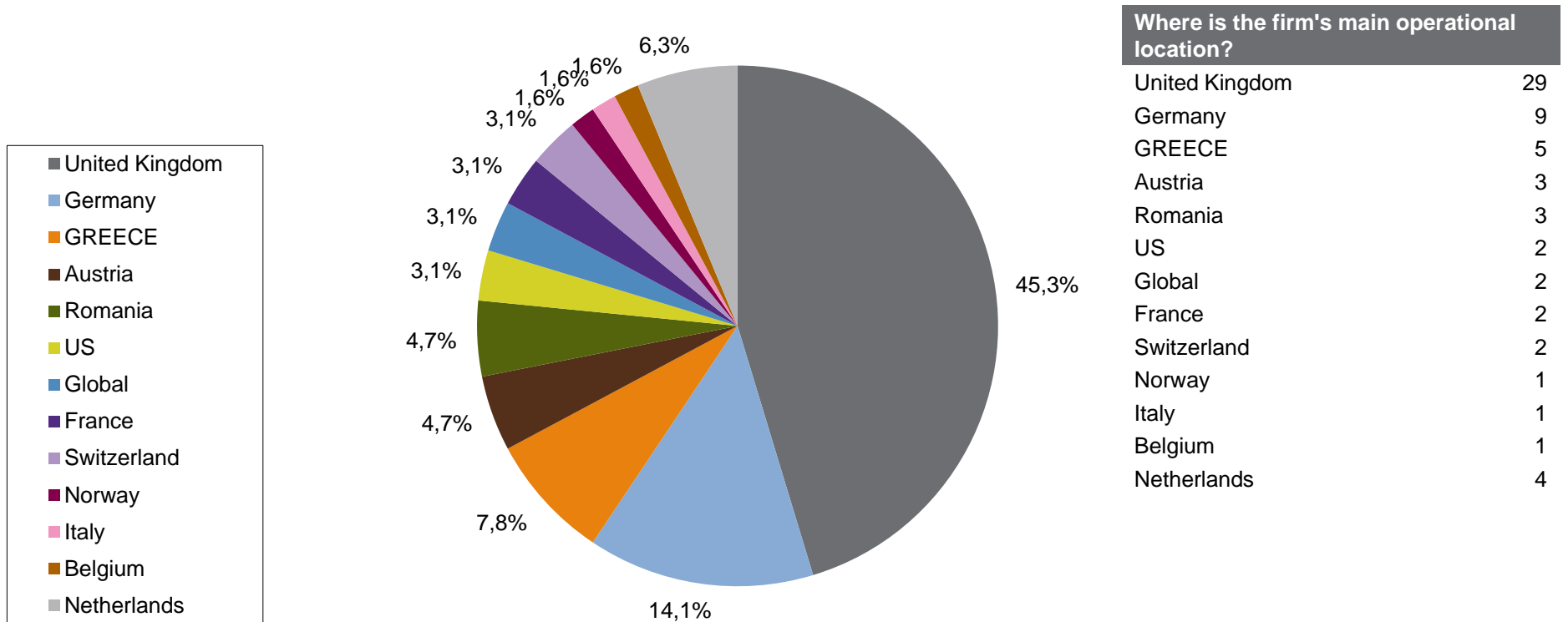
- 35-45% of EU clients may have challenges in supporting T+2 settlement due to a lack of efficiency.
- This accounts for 20-30% of the trading volume.
- Concerns were raised around the US and Asian based Investment organisations facing additional challenges due to time zone differences.
- There is a surprising number of clients who still want fax or e-mail confirmation, or even opt for no confirm at all.
- There is concern that all these factors could lead to an increase in failed trades, and there is a strong desire for article 6.1 of the European Parliament's text on confirmation to be incorporated in the CSD regulation.

Executive summary

Both the Survey and AFME responses suggest that the buy side community would benefit from increased awareness of the potential challenges of T+2 settlement:

- Requirement for more efficient trade processing.
- Reduced cash management timeframes and potential return of Herstatt risk.
- Possible impact on stock lending recall process.
- Impact on Fund settlement cycles. *(To avoid overdrafts or regulatory breaches fund settlement cycles may need to be brought into line with the underlying assets.)*
- Possible credit issues at the Custodian.
- Increased focus on system stability and BCP plans.
- Improved Depot management of dual settlement location instruments.

Where is the firms main Operational location?

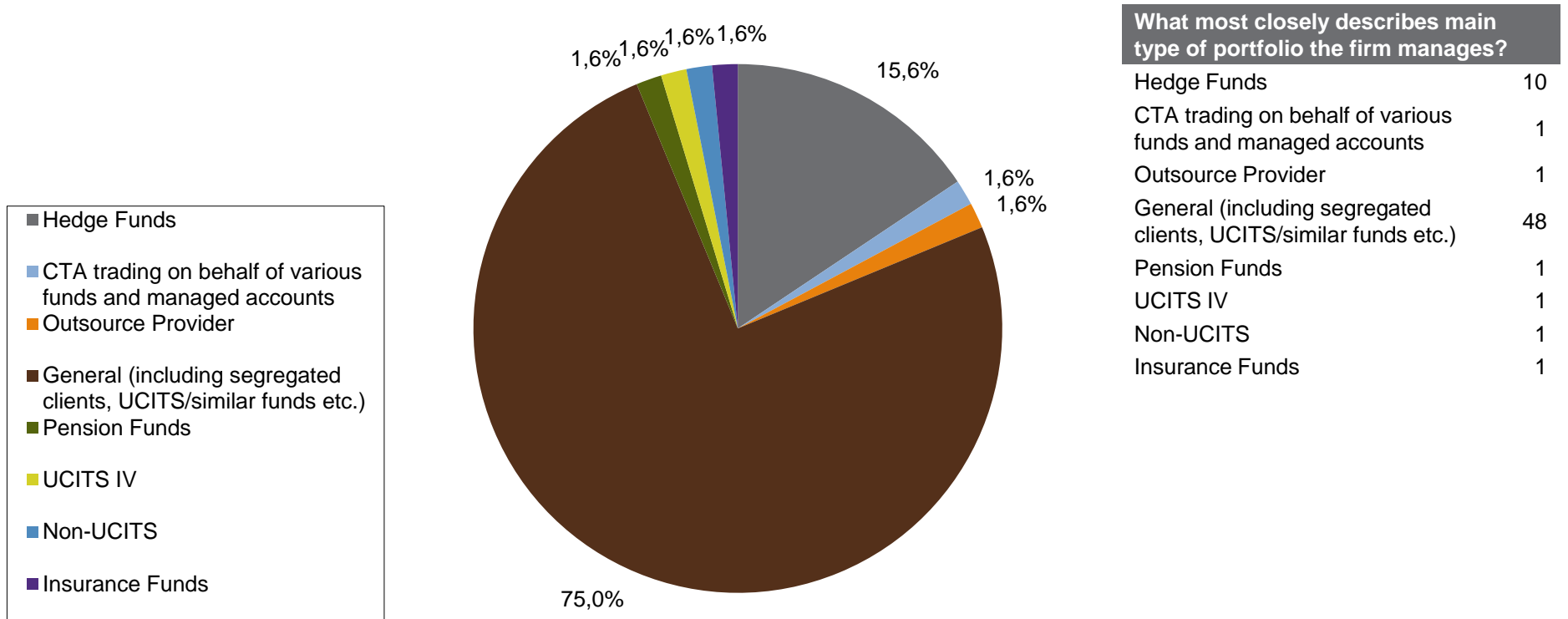


Where is the firm's main operational location?

United Kingdom	29
Germany	9
GREECE	5
Austria	3
Romania	3
US	2
Global	2
France	2
Switzerland	2
Norway	1
Italy	1
Belgium	1
Netherlands	4

Operational readiness survey of buy side firms received 64 responses from 12 countries, with over 50% of responses from outside of the UK. Notable there were no responses from Spain or Portugal.

What most closely describes main type of portfolio the firm manages?

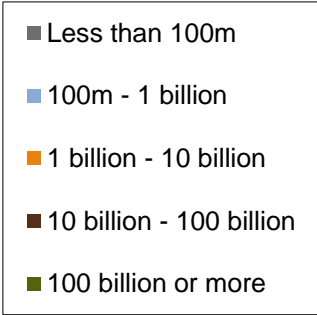
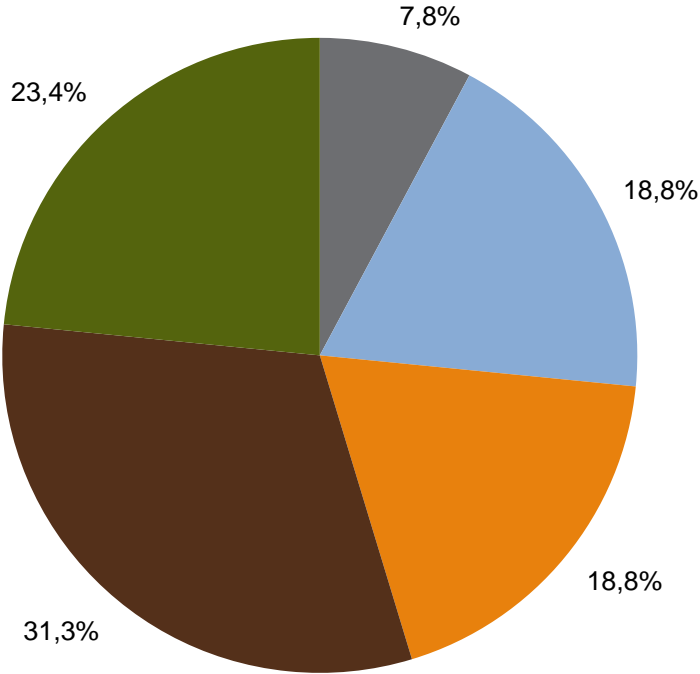


What most closely describes main type of portfolio the firm manages?

Hedge Funds	10
CTA trading on behalf of various funds and managed accounts	1
Outsource Provider	1
General (including segregated clients, UCITS/similar funds etc.)	48
Pension Funds	1
UCITS IV	1
Non-UCITS	1
Insurance Funds	1

The responses represent traditional asset managers and hedge funds as well as pension funds and Outsource providers

What are the firm's assets under management?



What are the firm's assets under management?

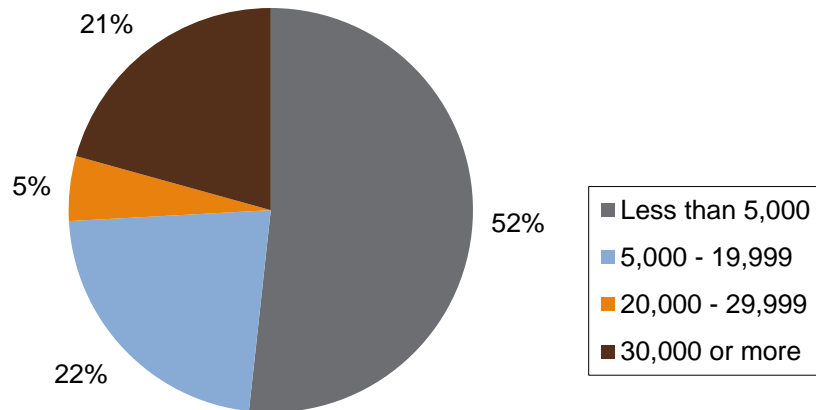
Less than 100m	5
100m - 1 billion	12
1 billion - 10 billion	12
10 billion - 100 billion	20
100 billion or more	15

AUM's range from under \$100m to over \$100 billion

Instruments traded

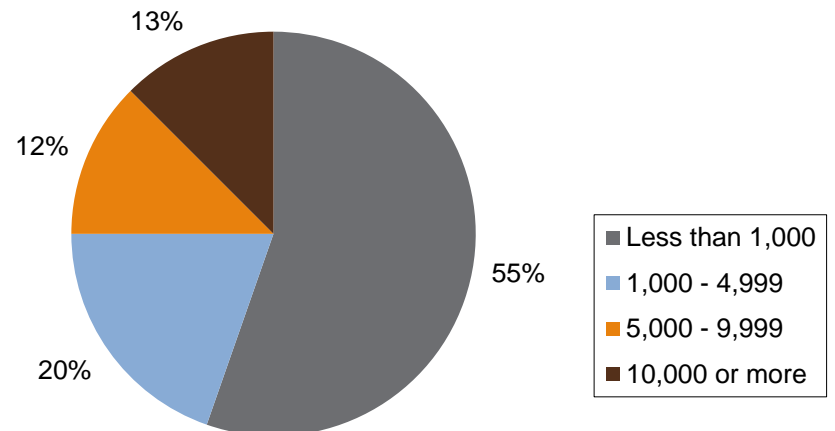
Average monthly trading volumes (allocation level)

Equities



Equities	
Not applicable	6
Less than 5,000	30
5,000 - 19,999	13
20,000 - 29,999	3
30,000 or more	12

Fixed Income

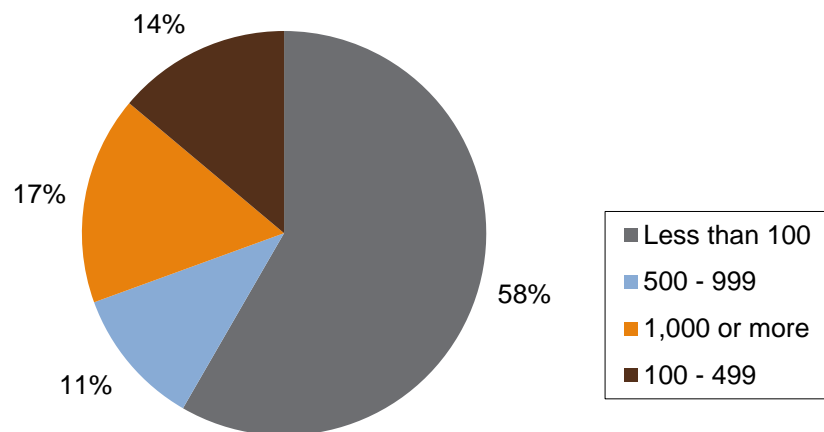


Fixed Income	
Not applicable	8
Less than 1,000	31
1,000 - 4,999	11
5,000 - 9,999	7
10,000 or more	7

Monthly trading volumes are at the allocation level and again represent the broad range of participants

Average monthly trading volumes (allocation level)... cont.

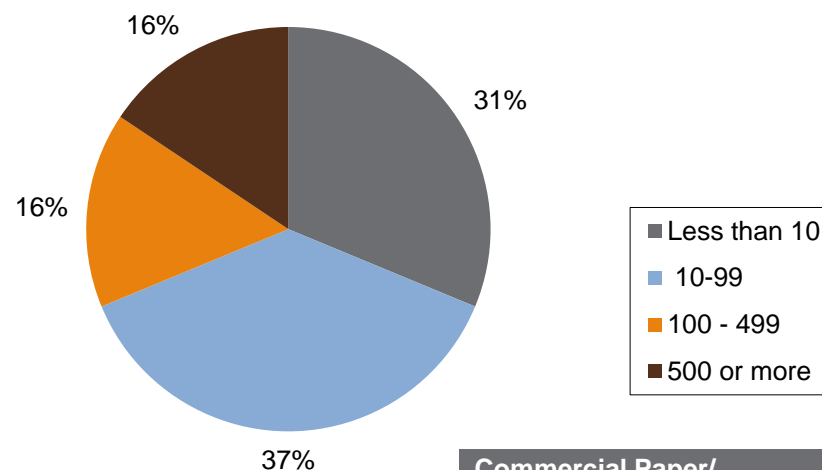
Convertible Bonds



Convertible Bonds

Not applicable	28
Less than 100	21
500 - 999	4
1,000 or more	6
100 - 499	5

Commercial Paper/Certificates of Deposit



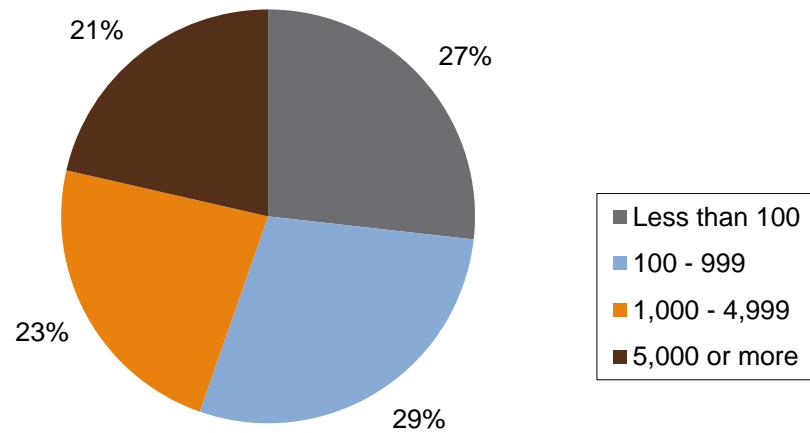
Commercial Paper/ Certificates of Deposit

Not applicable	32
Less than 10	10
10-99	12
100 - 499	5
500 or more	5

Although there does not appear to be clarity on the buy side as to the exact scope of instruments covered by T2 the survey covered FI , Conv Bds and CP/CD , in addition to equities , in light of Mifid 2 initiatives to move FI trading on exchange.

Average monthly trading volumes (allocation level)... cont.

Spot FX



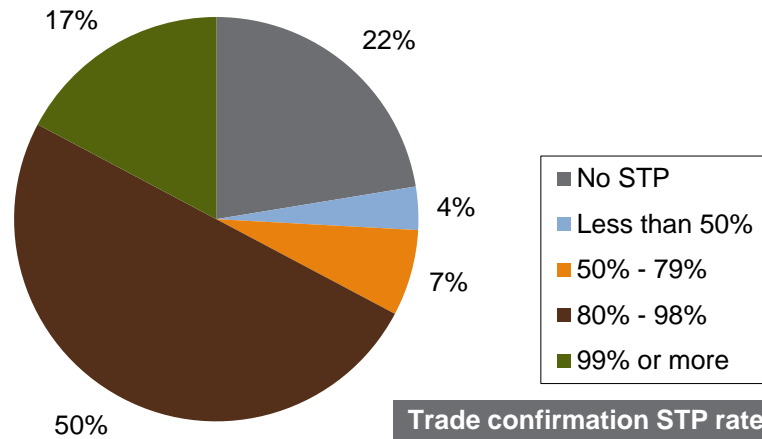
Spot FX	
Not applicable	8
Less than 100	15
100 - 999	16
1,000 - 4,999	13
5,000 or more	12

We also included Foreign exchange as there is a significant impact to cash management with a move to T2

Equities

Equities

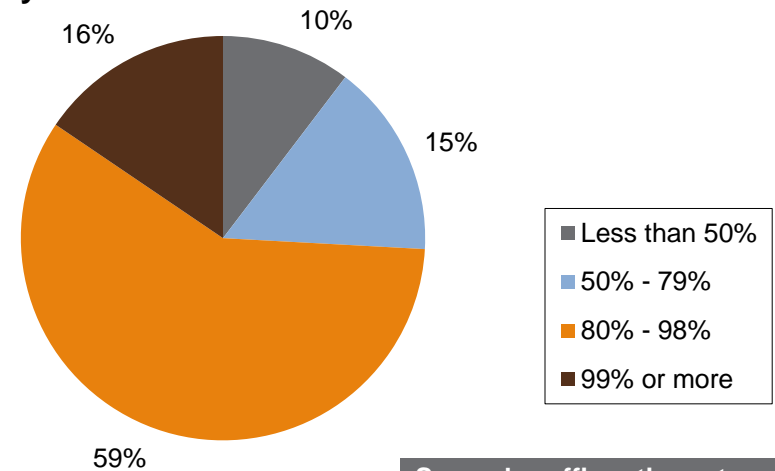
Trade confirmation STP rate with brokers



Trade confirmation STP rate with brokers

No Response	6
No STP	13
Less than 50%	2
50% - 79%	4
80% - 98%	29
99% or more	10

Same-day affirmation rate with broker



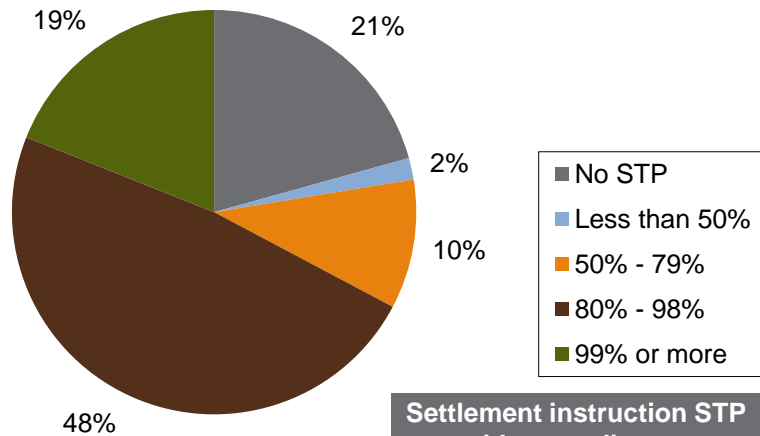
Same-day affirmation rate with brokers

No Response	6
Less than 50%	6
50% - 79%	9
80% - 98%	34
99% or more	9

Our analysis of the responses suggests that 2/3 of responders are well placed with greater than 80% of transactions being processed STP with both Brokers and custodians. Those with less than 80% STP are companies with lower volumes and AUM. Geographically, Austria, Romania, Greece, Germany and UK are all represented in this group

Equities... cont.

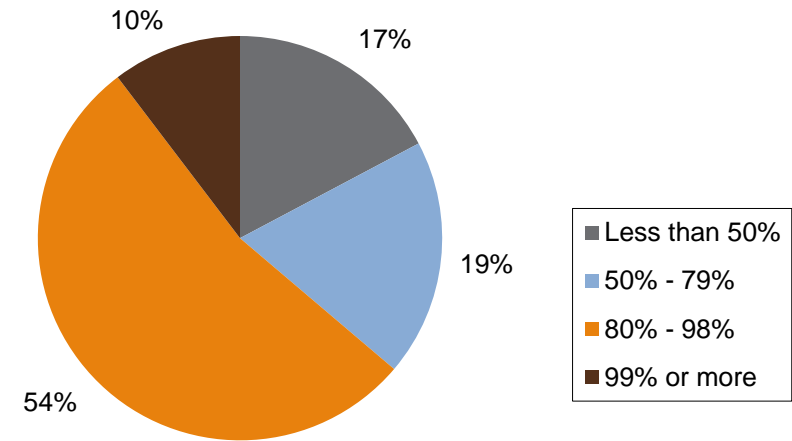
Settlement instruction STP rate with custodians



Settlement instruction STP rate with custodians

No Response	6
No STP	12
Less than 50%	1
50% - 79%	6
80% - 98%	28
99% or more	11

Settlements instructed on trade date

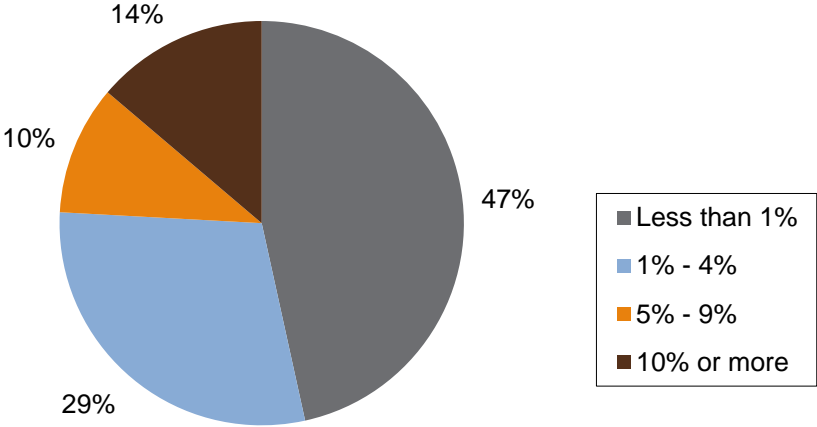


Settlements instructed on trade date

No Response	6
Less than 50%	10
50% - 79%	11
80% - 98%	31
99% or more	6

Equities... cont.

Settlements instructed after T+1



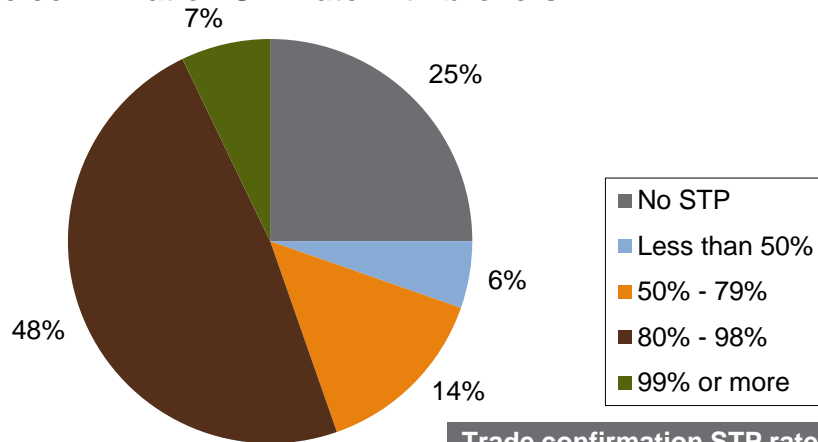
Settlements instructed after T+1	
No Response	6
Less than 1%	27
1% - 4%	17
5% - 9%	6
10% or more	8

A quarter of responders had > than 5% of trades instructed on T2 or later which is a worrying statistic. These include organisations with significant AUM and cover various regions and types of organisation.

Fixed Income

Fixed Income

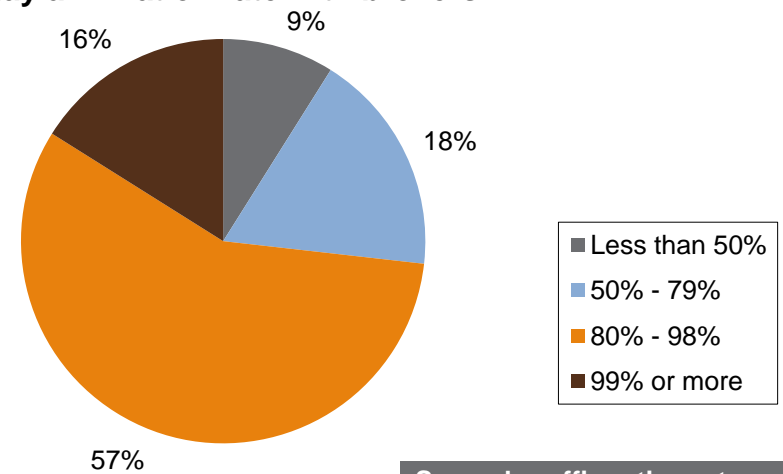
Trade confirmation STP rate with brokers



Trade confirmation STP rate with brokers

No Response	8
No STP	14
Less than 50%	3
50% - 79%	8
80% - 98%	27
99% or more	4

Same-day affirmation rate with brokers



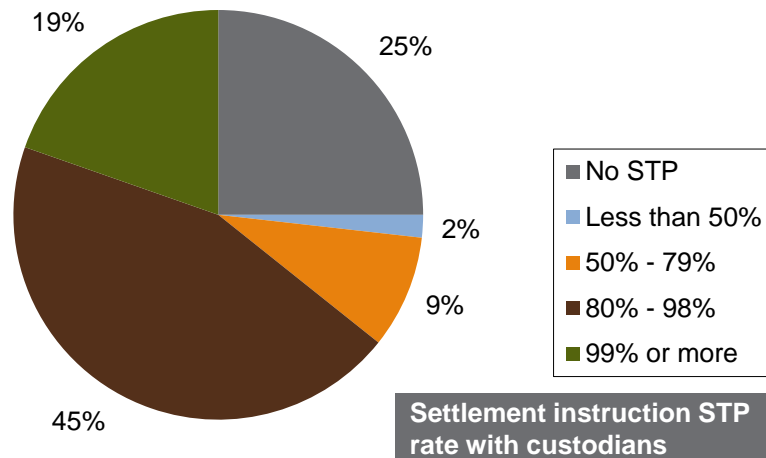
Same-day affirmation rate with brokers

No Response	8
Less than 50%	5
50% - 79%	10
80% - 98%	32
99% or more	9

The fixed income responses suggest a similar situation to the equity world but with slightly lower automation. Well over 50% of the industry is well placed at over 80% STP rates with custodians and Brokers. The Non STP exists across a range of countries but most predominantly Greece , Austria , and Romania , and again was in the lower AUM and volume organisations.

Fixed Income... cont.

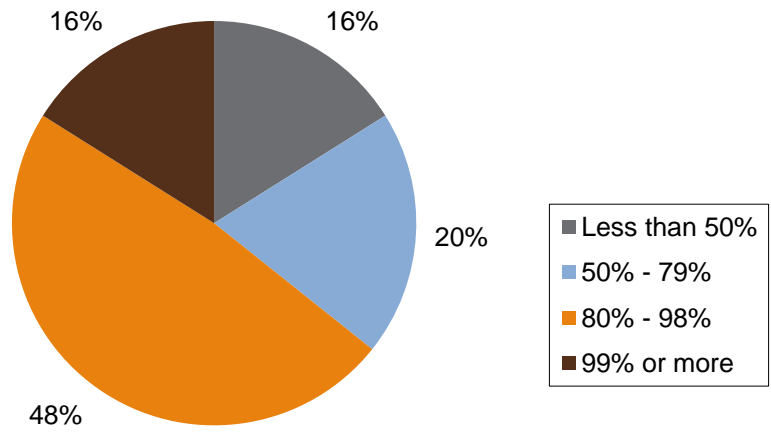
Settlement instruction STP rate with custodians



Settlement instruction STP rate with custodians	
No Response	8
No STP	14
Less than 50%	1
50% - 79%	5
80% - 98%	25
99% or more	11

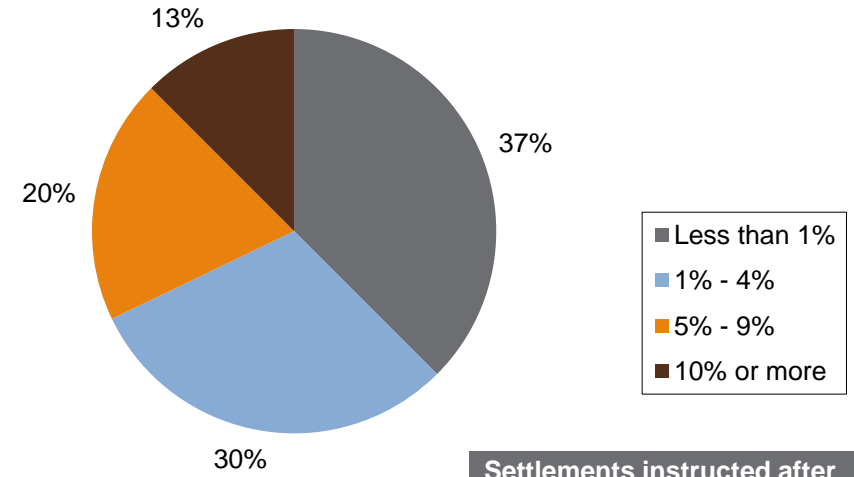
Fixed Income... cont.

Settlements instructed on trade date



Settlements instructed on trade date	
No Response	8
Less than 50%	9
50% - 79%	11
80% - 98%	27
99% or more	9

Settlements instructed after T+1



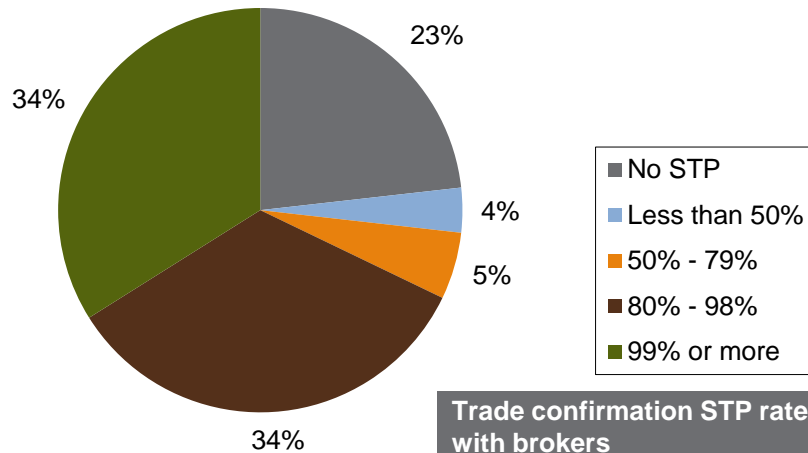
Settlements instructed after T+1	
No Response	8
Less than 1%	21
1% - 4%	17
5% - 9%	11
10% or more	7

36% of responders had > than 5% trades instructed on T2 or later. A cause for some concern. This again included organisations with significant AUM and from a number of countries, with the UK and Germany featuring predominantly.

Spot FX

Spot FX

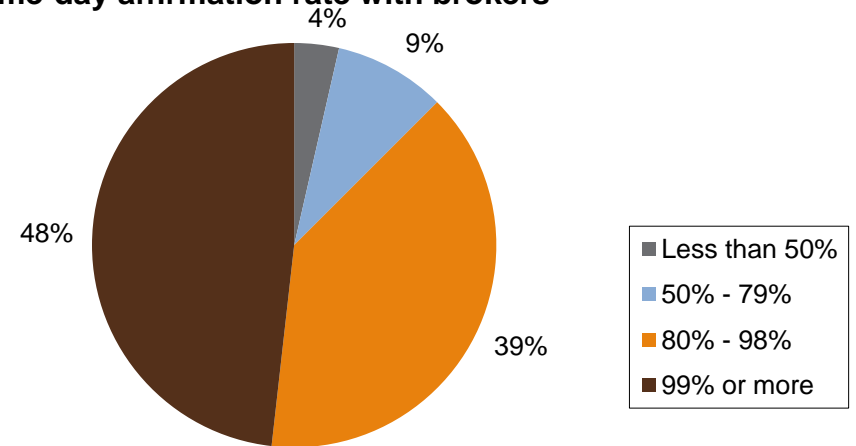
Confirmation STP rate with brokers



Trade confirmation STP rate with brokers

No Response	8
No STP	13
Less than 50%	2
50% - 79%	3
80% - 98%	19
99% or more	19

Same-day affirmation rate with brokers



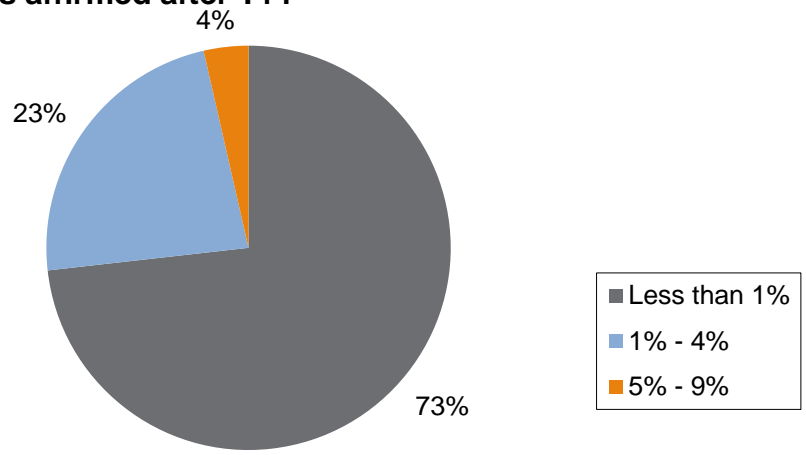
Same-day affirmation rate with brokers

No Response	8
Less than 50%	2
50% - 79%	5
80% - 98%	22
99% or more	27

This is the asset class which responders processed most effectively.

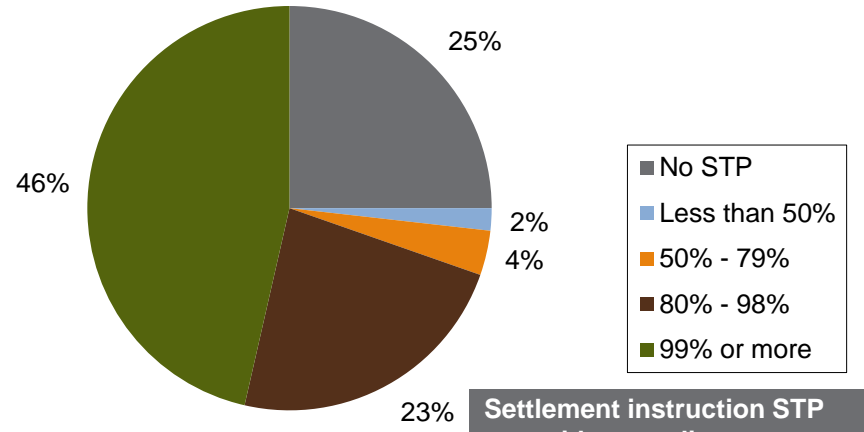
Spot FX... cont.

Trades affirmed after T+1



Trades affirmed after T+1	
No Response	8
Less than 1%	41
1% - 4%	13
5% - 9%	2

Settlement instruction STP rate with custodians

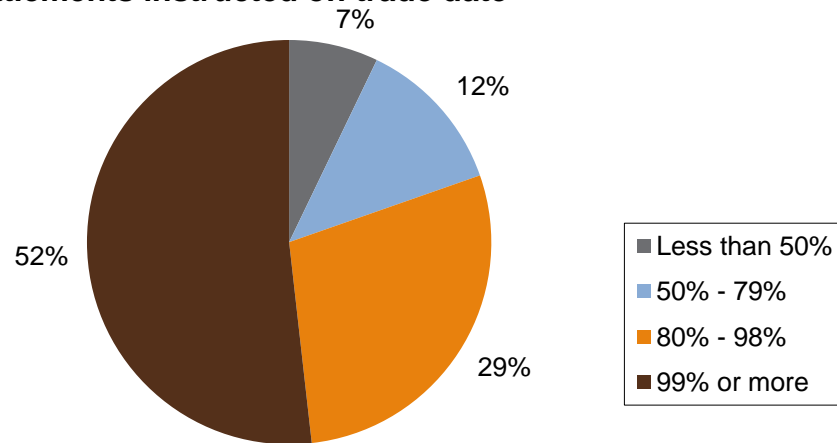


Settlement instruction STP rate with custodians	
No Response	8
No STP	14
Less than 50%	1
50% - 79%	2
80% - 98%	13
99% or more	26

There was still a quarter of responders who did not have STP with Custodians or Brokers.

Spot FX... cont.

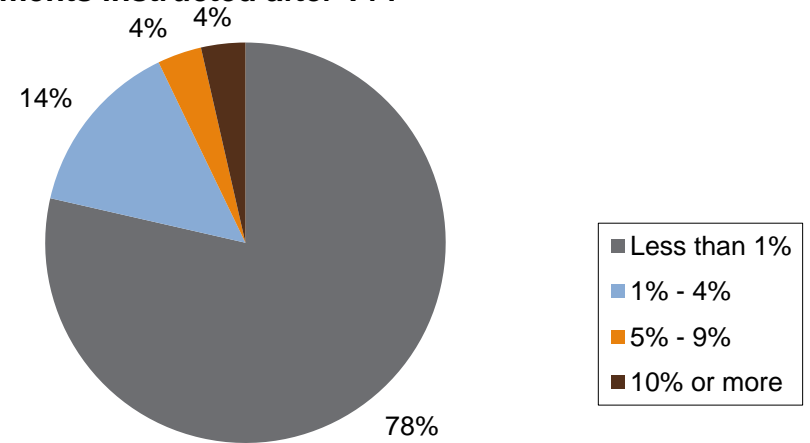
Settlements instructed on trade date



Settlements instructed on trade date

No Response	8
Less than 50%	4
50% - 79%	7
80% - 98%	16
99% or more	29

Settlements instructed after T+1



Settlements instructed after T+1

No Response	8
Less than 1%	44
1% - 4%	8
5% - 9%	2
10% or more	2

Only 8% of responders instructed >5% of instructions after T+1

**ETF update
(with contribution from Nyse Euronext)**

EPTG meeting

16/10/13



- **Industry Context**

- Competitive Landscape

Executive Summary

GROWTH

- **UCITS ETFs have become a “European refuge value” during the 2007-2009 crisis period.** Their advantage over non-listed UCITS lies in their transparency (valuation), liquidity and cost (management/distribution)
- Comparing the European business on ETF with US show, there is a huge potential for growth as soon as we can deliver more efficiency in terms of Clearing & Settlement

CONCENTRATION

- While the management of these assets is highly concentrated among top players **holding 68% of assets***, **asset servicing follows similar trends with 66% of assets in the hands of a few providers**

REGIONAL COMPETITION

- **Europe represents only 6% of global trading volumes while the US represents 85%.** The size of an average US ETF is four times the size of a European fund (very much cost effective). In Europe, the trading market is shared by the main European Exchanges (holding together 67% of non OTC Trading)

MARKET RISKS

- **ETFs’ increasing sophistication in synthetic and actively managed strategies since UCITS III, have raised concerns over the impact on investor protection, market integrity and the potential systemic risks emerging particularly from synthetic products and linked inefficiencies in their settlement process**
- **According to IOSCO**, as per any other regular securities, settlement inefficiencies may arise from the European securities fragmentation across multiple trading venues and diverse Central Security Depositories (CSDs) that could be either Issuer or Investor CSD.
 - Delays resulting from CSD transfer processes can aggravate settlement delays
 - In Europe, differing *buy-in* procedures and settlement discipline regimes are not prohibitive compared to a settlement delayed: i.e. the cost of failing in the ETFs is lower than the buy in process

There are two main different ETF categories

Physical

Physically ETFs aim at physically replicating an index buying a basket of shares. They could be fully replicated funds or partially replicated funds

- Index trackers are the most common example of physical ETFs

64%*

funds
499

Avg
fund size
313 €mn

Synthetic

Synthetic ETFs aim at replicating an index synthetically with the use of derivatives (mainly swaps)

- Considered more risky because of the counterparty risk brought by the use of derivatives
- Examples of synthetic ETFs:
 - **Inverse ETF**: ETFs attempting to return the opposite of a particular asset class or index
 - **Leveraged ETF**: seek a return that corresponds to a multiple of the daily performance of the index

36%*

funds
820

Avg
fund size
109 €mn

Current evolution of synthetic vs physical ETFs

Great evolution of European synthetic funds...

- The share of the synthetic ETF market has grown from around 21% in 2005 to 36% in November 2012

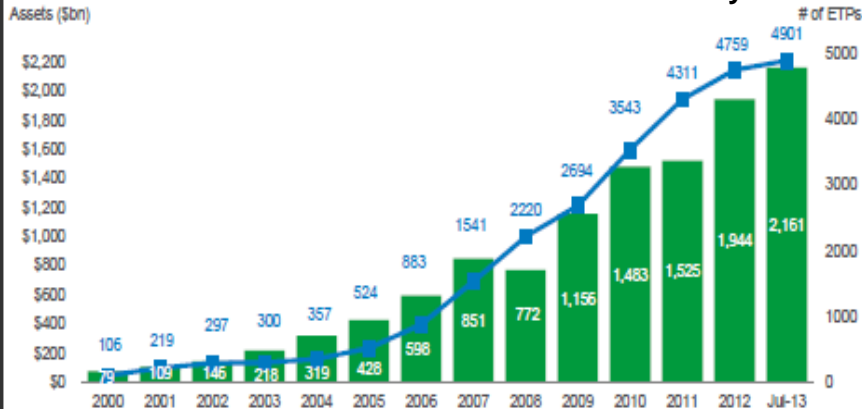


...but since 2011 they are under pressure

- In a difficult 2011 economic environment, synthetic ETFs have been accused of being a source of systemic and counterparty risk (MIFID).

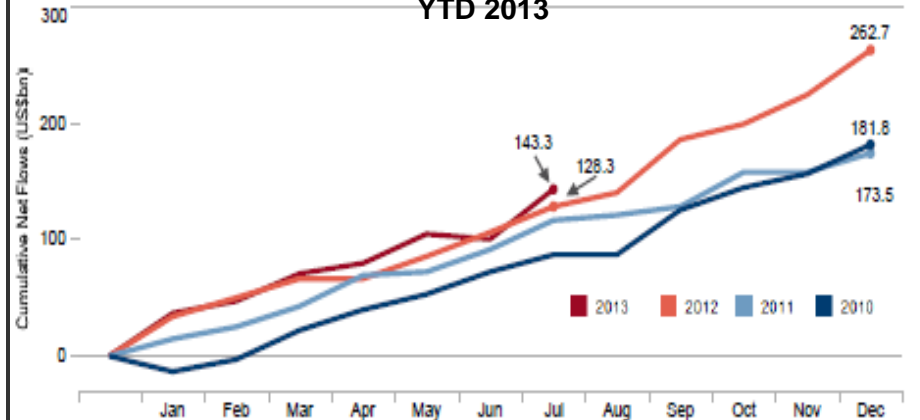
ETFs are BOOMING Despite the macroeconomic environment...

Global ETP Assets & Number of ETPs by Year



Provider *	Jul-2013 Assets	% Market Share	Jul-2013 Net Flows	YTD 2013 Net Flows	# ETPs	2013 YTD Change	
						Assets	% Market Share
iShares	836.0	38.7	10.8	33.9	704	76.5	(0.4)
State Street	370.6	17.1	16.9	10.3	185	34.0	(0.2)
Vanguard	296.9	13.7	6.9	36.0	95	50.3	1.1
Invesco PowerShares	88.6	4.1	2.5	9.4	195	15.2	0.3
Deutsche Asset & Wealth M..	56.2	2.6	(0.1)	(0.3)	313	4.9	0.0
Lyxor / Soc Gen	39.2	1.8	(0.3)	(2.5)	203	(3.4)	(0.4)
Nomura Group	30.0	1.4	(0.3)	1.9	49	5.3	0.1
WisdomTree Investments	30.2	1.4	1.0	11.8	51	12.0	0.5
ProShares	24.6	1.1	(0.3)	3.6	141	3.5	0.1
Van Eck Global	22.9	1.1	0.2	0.9	57	(4.8)	(0.4)
176 Others	366.0	16.9	6.8	38.3	2,908	23.6	(0.7)
Grand Total	2,161.4	100.0	44.1	143.3	4,901	217.0	0.0

Global ETP Cumulative Net Flows – Record Flows YTD 2013

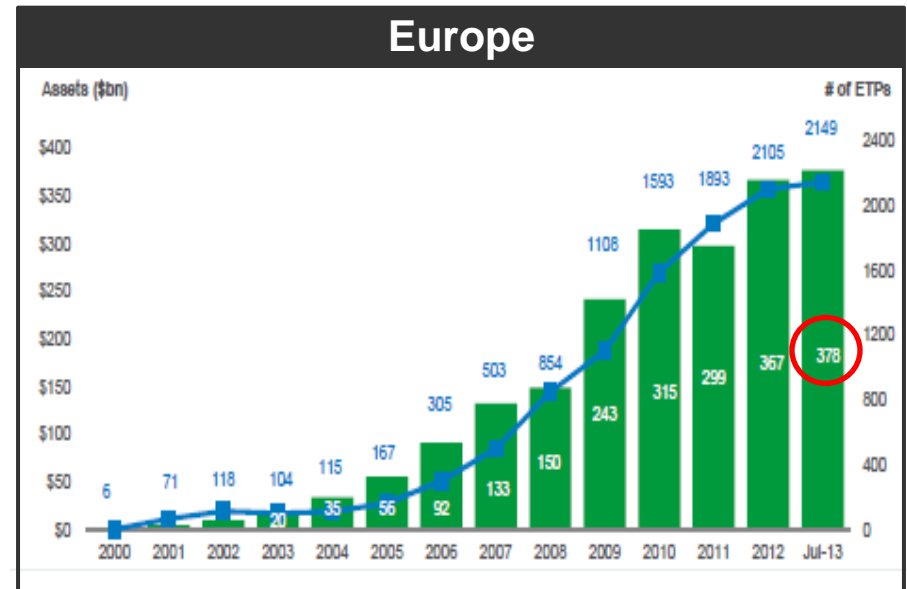
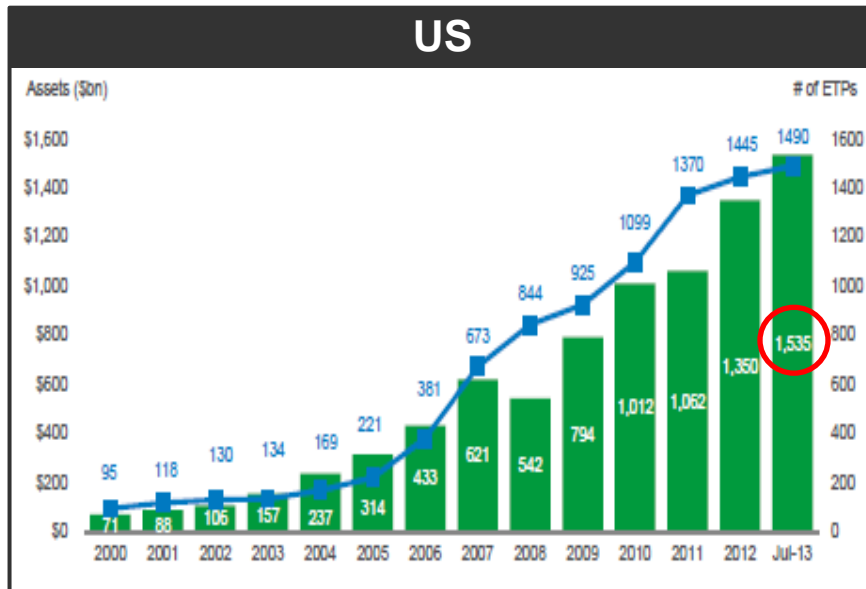


10-year CAGR* - ETF Assets

- Global ETP: 29.7%
- United States: 29.3%
- **Europe: 42.9%**
- Asia Pacific: 16.8%

The European market could pick-up pace more than double its AUM in the next 5 years...

Currently, the European ETF market is 5 to 10 years behind the US in terms of size, sophistication and product development:



...and are Among the world's most traded securities

NYSE Euronext US

Rank	Name	Product Type	ADT €M – YTD 2013*
1	SPDR S&P 500 ETF Trust	ETF	12,8
2	Apple Inc.	Stock	4,8
3	iShares Russell 2000 ETF	ETF	2,2
4	iShares MSCI Emerging Markets ETF	ETF	1,8
5	Facebook, Inc. Class A	Stock	1,8
6	PowerShares QQQ Trust. Series 1	ETF	1,4
7	Tesla Motors, Inc.	Stock	1,3
8	Microsoft Corp	Stock	1,2
9	Google, Inc.	Stock	1,0
10	Bank of America Corp.	Stock	0,2

NYSE Euronext Europe

Rank	Name	Product Type	ADT €M – YTD 2013*
1	SANOFI	Stock	209,5
2	BNP PARIBAS ACT.A	Stock	190,6
3	TOTAL	Stock	173,0
4	SOCIETE GENERALE	Stock	161,7
72	LYXOR ETF ES 50	ETF	17,2
82	LYXOR LEV CAC 40	ETF	15,0
90	LYXOR XBEAR CAC 40	ETF	13,8
91	LYXOR ETF CAC 40	ETF	13,8
97	CHRISTIAN DIOR	Stock	12,3
100	SUEZ ENVIRONNEMENT	Stock	11,5

Significant additional growth potential (1/2)

According to a 2013 Ernst & Young European ETF study :



- The UK, Germany, France, Switzerland and the Netherlands are the countries that possess the highest growth potential due to:
 - Population wealth/savings, and;
 - The proportion of this wealth (in the form of investments) that could go into ETFs

15% in
2013

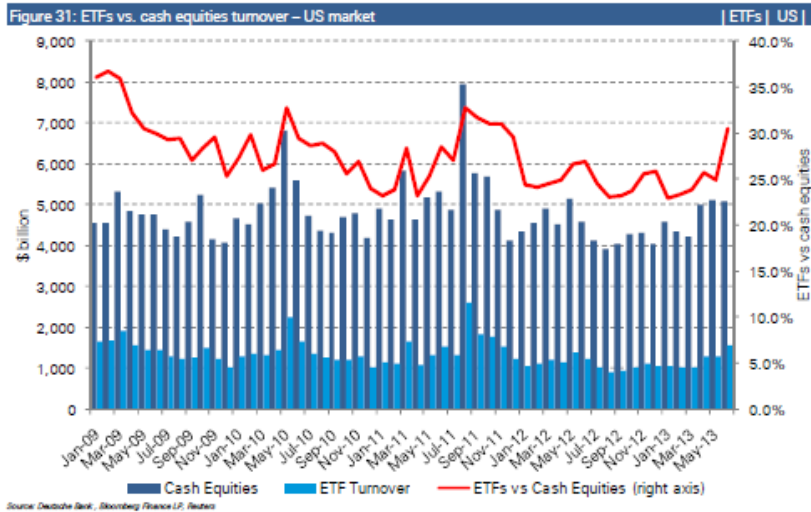


25% by
2020



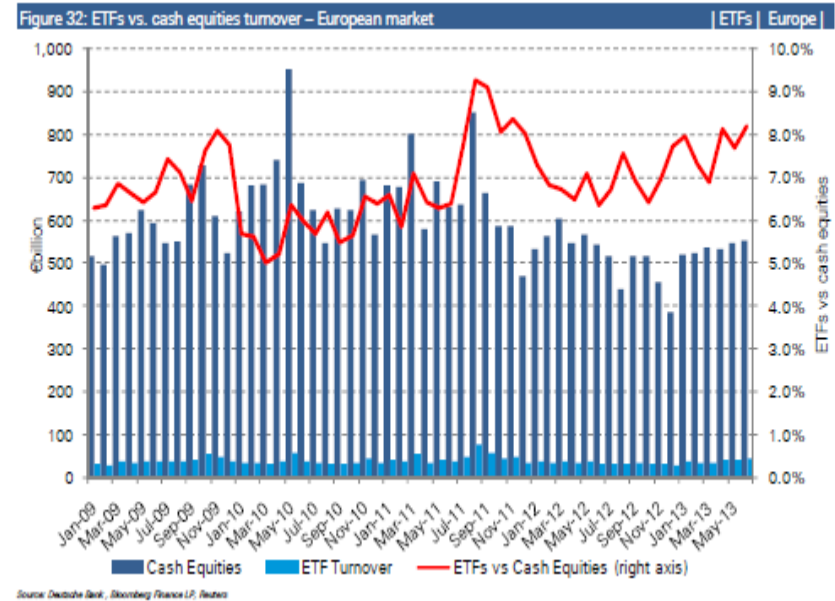
- The proportion of all European ETF assets held by retail investors in Europe is expected to expand from 15% in 2012 (equivalent to approximately €55bn in the end of 2012) to 25% by 2020 (which will be equivalent to approximately €183bn)
- The current equivalent figure in the US is 50-60%

Significant additional growth potential (2/2)



In the US, the proportion of ETFs vs Cash Equities is approx. 32%

The equivalent figure for Europe is currently approx. 8%



...But for this to happen, several structural issues must be overcome

The European ETF market is currently years behind the US in terms of size, sophistication and product development, primarily due to :

Fragmentation of European Market

- Local character of market infrastructure
- Legacy of national regulations
- National bias of investors

Current Fund Distribution Model

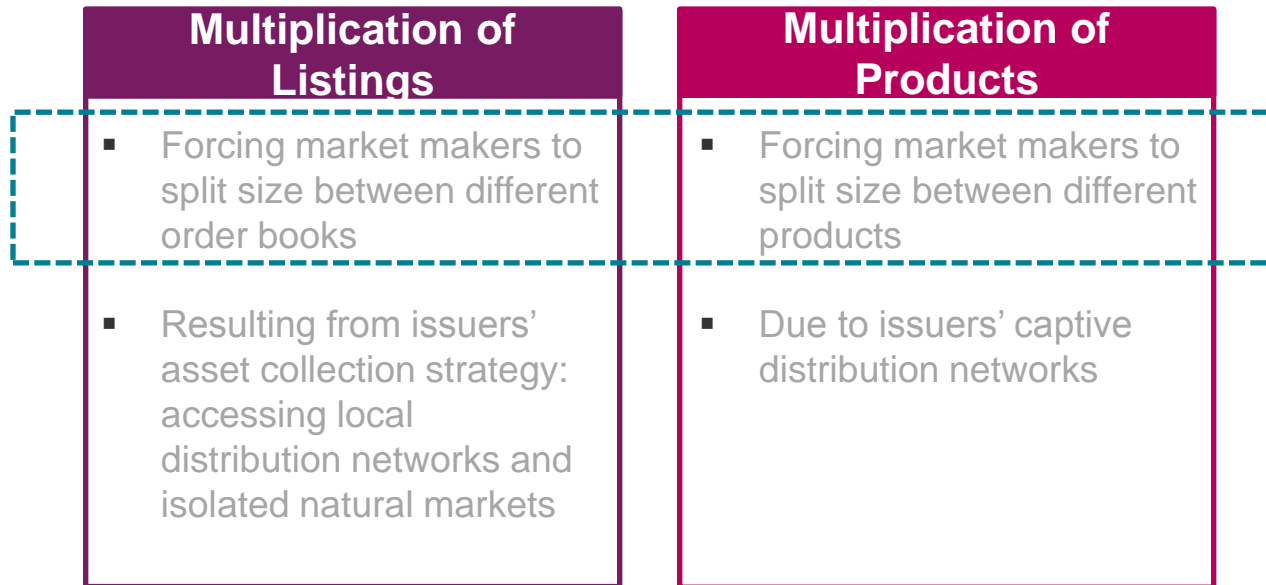
- Product penetration highly limited to top-tier investors
- Issuers' captive distribution networks

Lack of Retail client penetration

- Linked to the current distribution

Focus : fragmentation – listings and products

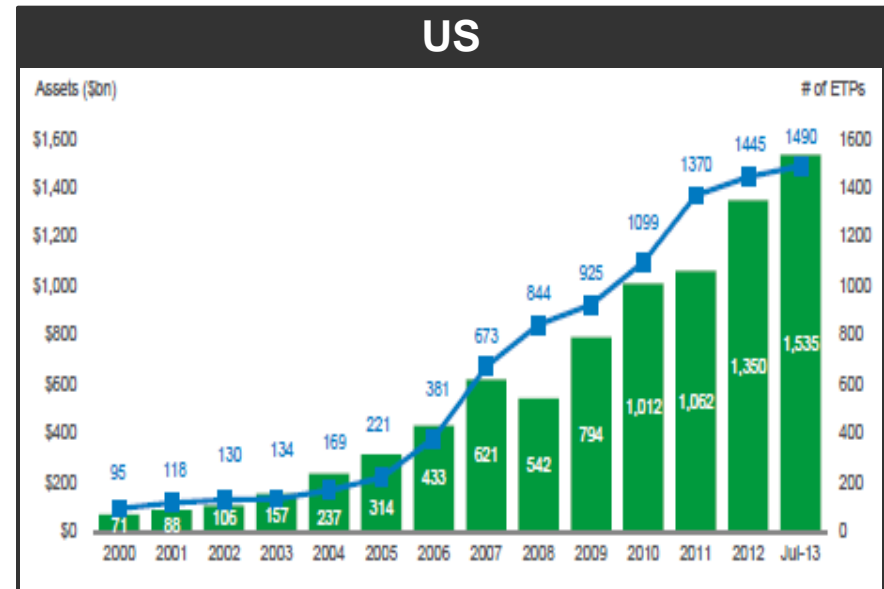
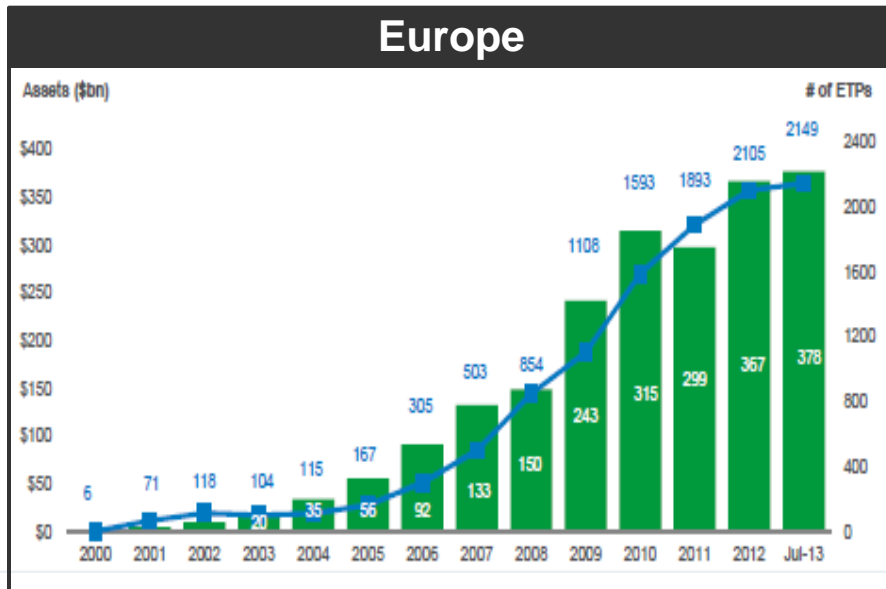
Multiplication of listings and products result in liquidity fragmentation:



Liquidity fragmentation & Reduced on-book competition

Focus : fragmentation – multiplication of listings and products in Europe

At the end of July 2013, the US ETF industry was managing four times the money of its European counterpart, but with 659 fewer ETFs (1,490 in the US vs 2,149 in Europe) :



Focus : fragmentation – post trade

Fragmentation caused by inefficient plumbing :

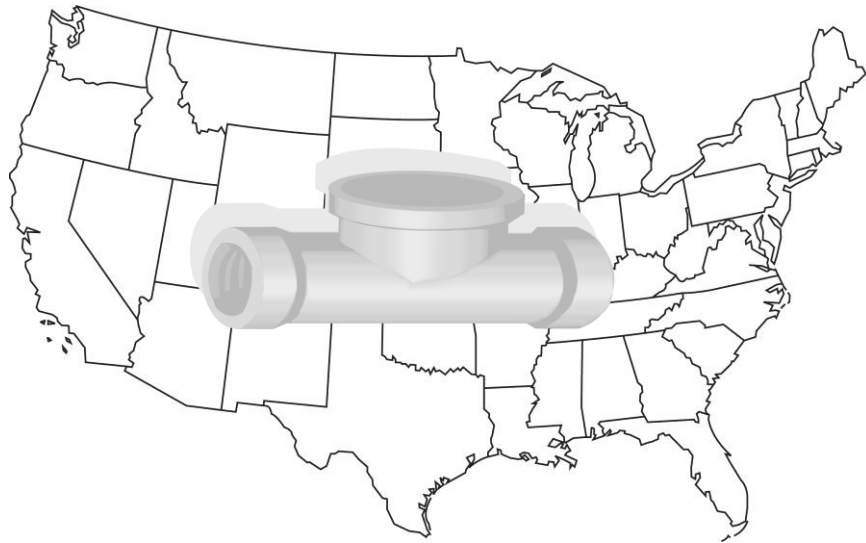


- Currently, many ETFs are cross-listed on several exchanges and cleared and settled in the national CSD associated with the exchange
- This structure:
 - Creates friction: operational risk and capital burden when trading ETFs across borders
 - Makes positions realignments cumbersome and expensive
 - Results in non-synchronized buy-in procedures and settlement cycles.

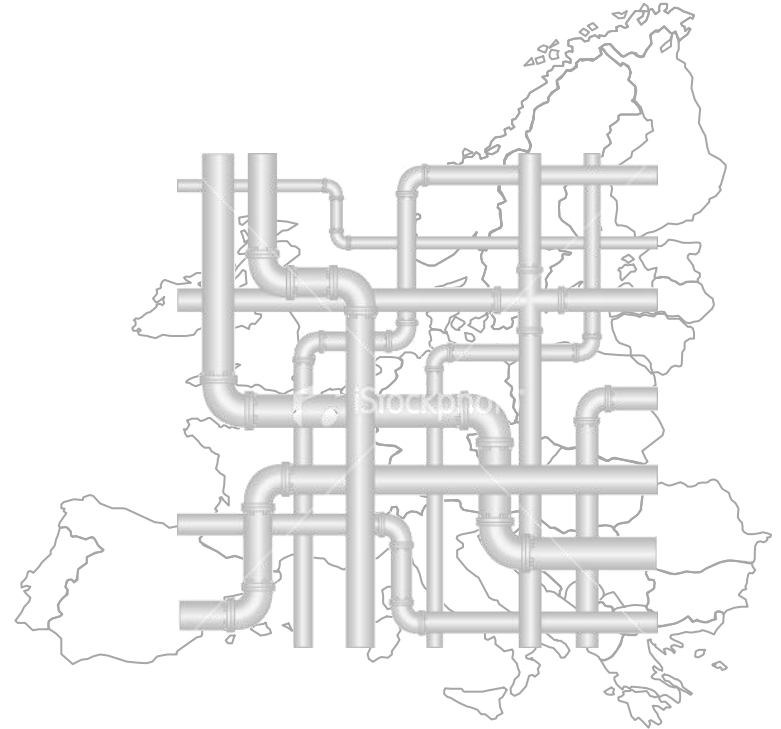
Liquidity fragmentation & Reduced on-book competition

More efficient post-trade plumbing in Europe could reduce liquidity fragmentation

And reduced on-book competition, bringing the model closer to that of the US:



vs.



Multiple Changes Ahead will have a large impact on the competitive landscape

Structural Changes

- **Regulation:**
 - Gradual establishment of a pan-European regulatory framework
 - MiFID II:
 - Pre- and post trade transparency obligations
 - Suitability tests for distribution of “complex” UCITS
- **Distribution Network:**
 - Exchanges’ networks grow beyond “natural” frontiers
 - Fee-only vs. commission-based distribution model
- **Post-trade Infrastructure:**
 - **Target2-Securities (T2S)** –facilitating transnational realignment
 - Alignment of settlement cycles

Changes in Investor Behaviour

- Increased client awareness of performance, direct and indirect costs, and risks
- Growing preference for Physical- over Synthetic replication ETFs

Increasing cost pressure for issuers

- Due mainly to listing fragmentation and regulatory costs

Consolidation

- The pace of industry consolidation (products, firms..) will continue to accelerate, resulting in the survival and thriving of only the exchanges that have a scalable ETF businesses.



▪ Industry Context

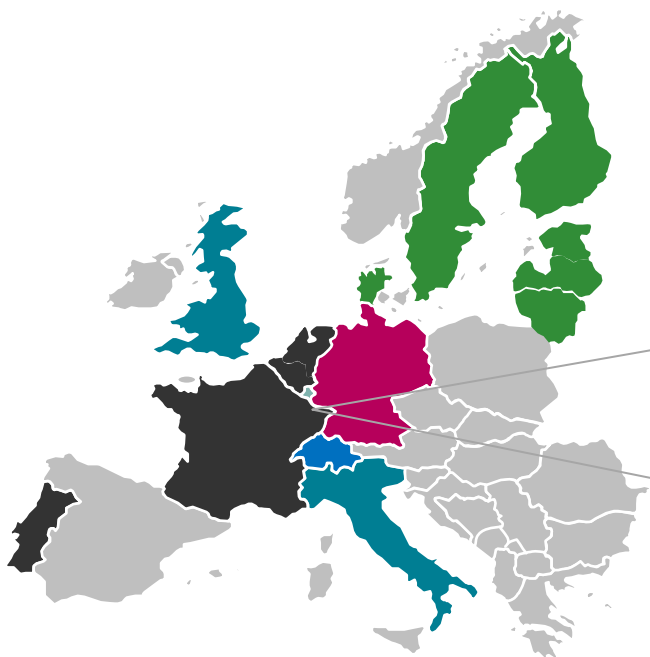
▪ **Competitive Landscape**

Active listings on main European stock exchanges ytd*



Ran k	Exchange	# of Listings	MS
1	London SE Group	1,878**	40%
2	Deutsche Börse	1,010	22%
3	SIX Swiss Exchange	779	17%
4	NYSE Euronext	674	14%
5	Luxembourg SE	110	2.3%
6	BME	74	1.6%
7	NASDAQ OMX Nordic Exchange	65	1%
8	Wiener Börse	21	0.4%
9-16	Remaining 8 exchanges	77	1.6%
Total		4,691	100%

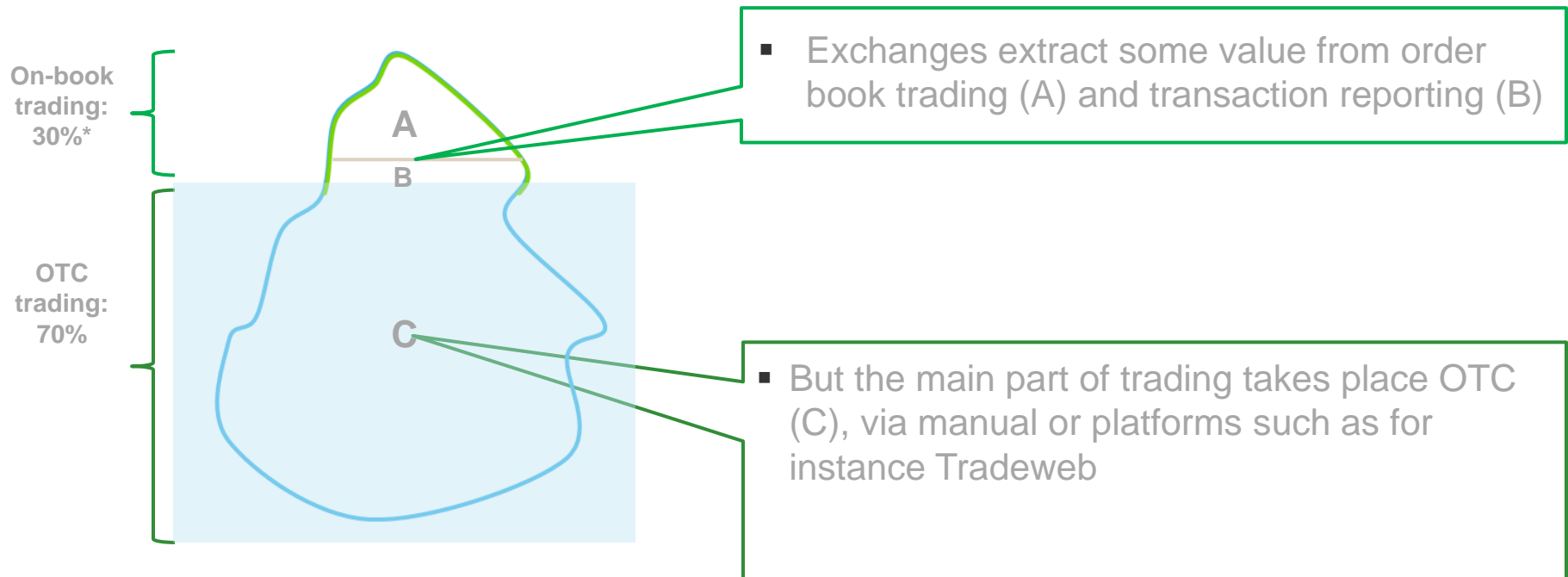
Trading activity on main european stock exchanges ytd*



Ran k	Exchange	Turnover (€)	MS
1	London SE Group	83,328	35%
2	Deutsche Börse	75,585	31%
3	NYSE Euronext	36,732	15%
4	SIX Swiss Exchange	30,878	13%
5	NASDAQ OMX Nordic Exchange	4,447	1.9%
6-16	Remaining 11 exchanges	8,945	4%
Total		237,945	100%

Note: on-exchange trading represents only a fraction of total trading volume → **OTC trading represents an estimated 60-70%**

Focus OTC trading - On-book trading currently represents only the tip of the ETF trading iceberg in Europe



Conclusion : Main Messages

- **US volumes** : 5 times the European ones with a smaller number of ETFs products/listings \implies Bigger maturity of the US Market.
- In the US, **the proportion of the ETF versus cash equities** is roughly 32% versus only 8% in Europe
- ETF is the **preferred hedging tool** because of the regulatory measures impacting the other asset classes.
- **At least 75% of European transactions are OTC** and regulated markets exist simply to disclose prices.
- **Regulators should** :
 - Monitor the reporting/pre-trade transparency of these securities
 - Impose the clearing of the ETFs via CCPs (even for OTC deals)
- **These products could evolve in Europe as follows** :
 - Consolidation at the listing and product level
 - Development of the retails market (15% today and 25% expected for 2020)
 - Streamlining the plumbing with T2S

Need to keep the Market Infrastructures (Exchanges, CCPs, CSDs...) in the middle of the game/consultation

ECSDA and AFME survey on CSD and national practices for account segregation

Original date of the survey: 10/10/2014
 Last updated: 08/04/2014

Country	T2S CSD	CSD Short Name	ECSDA member Mandatory requirements on segregation	ECSDA member Rules	ECSDA member Requirements that need to be replicated by others in the chain	ECSDA member Rationale (if known)	AFME member Market Users' Perspective	AFME member User Sub Account
			Irrespective of CSD participants' own business requirements, are there any mandatory requirements imposed on CSD participants regarding account segregation? (Yes/No)	Please explain the rules regarding the segregation of accounts by participants (use of proprietary and client accounts, different kinds of sub-accounts, etc.)	Please indicate to what extent an investor CSD would have to replicate these rules in its system to allow for cross-system settlement.	Please indicate the main reasons for the segregation rules described.	Please provide views on the requirements regarding account segregation.	Please describe the use made of sub accounts in the CSD.
AT	Yes	OeKB	No	n/a	n/a	n/a	No specific requirements to segregate, sub custodians can utilise client omnibus accounts at OeKB.	All assets held in sub custodian's client account at OeKB.
BA	No	CR HoV RS	Yes	According to the Law on Capital Market, the CSD opens and maintains proprietary accounts for the owners of securities, brokers open the client account for the client in accordance with the CSD regulation, and custody banks open the custody account for the client (segregated account on the name of the client, and omnibus account on the name of the custody bank). CSD regulations also define purpose of different types of accounts.	N/A Cross-border transactions and cross-border settlement does not exist on capital market of Republic of Srpska, so there are no regulations regarding this subject	The main reason for segregation is to secure the investor propriety.	Not Supported	Not Supported
BA	No	RVP	Yes	Registry account is opened: - by registering new issuers, to all security owners at the issuer, who had not previously had an account; - legal or natural, domestic and foreign entity who acquire securities by purchase, inheritance, gift or in some other way and had not previously had an account; - legal or natural, domestic and foreign entity who already had the client account/custody account by Registry's member, if that member fails, and owner doesn't transfer his securities to the clients account/custody account by the Registry's member. <u>Client account</u> is an account opened in the registration system in the Registry by a transfer system member of - brokerage house. There are three types of client accounts: 1. client account - custody account; 2. client account - owner's account; 3. client account - portfolio account.	Mentioned types of accounts are defined in the Registry's CSD. We cannot indicate to what extent an investor CSD would have to replicate these rules in its system. This will depend on its system.	The main reason for account segregation is different rights and obligations of the securities market participations that arise from the current rules which regulate securities market.	Not Supported	Not Supported
BE	Yes	BNY Mellon CSD	Yes	Segregation is mandatory for Belgian Participants (according to article 77ter of the Law of 6 April 1995 concerning the supervision on investment companies which was modified by the Royal Decree of 27 April 2007, and according to article 66 of the Royal Decree of 3 June 2007 implementing the MiFID directive). For foreign participants, the segregation is optional depending on their legislation and regulatory requirements of their home state.	Regarding rights of BNY Mellon CSD's Participants, (a) The Securities held within BNY Mellon CSD's System and the Securities held with an Investor CSD System are subject to Royal Decree no. 62, which grants a right of co-ownership to the Participants in respect of the Securities held on their Securities Accounts. (b) According to section 4 of Royal Decree no. 62, the holding by BNY Mellon CSD of Securities for the account of its Participants through an Investor CSD/or other depositories does not have an effect that Royal Decree no. 62 would not be applicable to such Securities. Where BNY Mellon has established a link it will open, where relevant and possible, an omnibus account for safekeeping of the assets of its Participants. The associated cash account will be opened by BNY Mellon SA/NV as cash agent for BNY Mellon CSD. All assets that will be held at an Investor CSD will be held in a participant account, segregated and separated from the Investor CSD's own proprietary assets.	Belgian Law	Participants' assets held in BNY Mellon CSD system are adequately protected under Belgian law, particularly against the insolvency of BNY Mellon CSD and its participants: Royal Decree n°62 offers asset protection to the beneficial owners, with respect to their proprietary rights, by offering a two-tier system of rights <i>in rem</i> , protecting the end investor against the consequences of the bankruptcy of BNY Mellon CSD and its respective participants. As per Belgian law, BNY Mellon will maintain segregation of its own assets from those of its participants/issuers on its own books and on the books of the linked CSDs BNY Mellon CSD would use. BNY Mellon CSD does not hold securities for its own account.	Upon entering into the Participant Adherence Agreement a Securities and a Cash Account are opened in the name of the relevant Participant. Participants must request in writing to BNY Mellon CSD the opening of one or more additional Securities Accounts - if required for their segregation regulatory or legal requirements. From an operational perspective, all CSD participants' securities accounts will be set up and opened on the CSD-specific ring-fenced location (with company ID 02015). Furthermore, BNY Mellon CSD will provide segregation of Participant's own securities from those of Participant's customer accounts if required. This will ensure further protection of Participant's customer assets in the event of Participant's insolvency.

BE	No	Euroclear Bank					Segregation of Client/Legal Entity Assets, especially where turnaround activity is performed to prevent one Client/Legal Entity using another's position. Segregation also required where Client/Legal Entity is a member of a trading platforms such as LSE IOB, Brokertec and CCP has PoA to instruct trades over the account. Some segregate client assets from firm assets by maintaining segregated accounts at each CSD, ICSD and sub custodian. No specific requirements to segregate, client omnibus accounts are permitted and utilised.	Some maintain segregated accounts for client and firm assets. We also segregate at Euroclear for tax band puposes. Assets held in a combination of omnibus and client segregated accounts where necessary for operational purposes.
BE	Yes	Euroclear Belgium	Yes	According to the Belgian Market Authorities, the participants have to segregate their own assets from the ones of their clients, either in a sub-account or in a dedicated account.	Usually, an investor CSD is not holding assets for its own account. As such, this segregation should not imply on an investor CSD.	Belgian regulators	Rare but we do have one instance where a Client/Legal Entity requested a seg account to ensure their trades were sent to the CSD immediately for matching with no risk of co-mingling with other parties assets. No specific requirements to segregate, sub custodians can utilise client omnibus accounts at Euroclear Belgium.	All assets held in sub custodian's client account at Euroclear Belgium.
BG	No	CDAD	Yes	Account segregation is a compulsory commitment according to the Bulgarian legislation in force. In conformity with the <i>Law on Markets in Financial Instruments and Ordinance No. 38 on the requirements of the activities of the investment intermediaries</i> , CDAD's participants are required to segregate the accounts held on the name of their clients from their own accounts. CDAD operates a regime of direct holding of securities and maintains a register of beneficial owners accounts.	Further to the dispositions of the Bulgarian laws, foreign institutions (eg investor CSDs) are entitled to held omnibus type of accounts, therefore they are not required to segregate the accounts held at CDAD.	Reasons for imposing account segregation are mainly related to the protection of investors (when dealing with FI operations) and protection in the event of bankruptcy of a participant of the Clearing and Settlement System.	A segregated account is operational at CDAD. This is recognised as a nominee account.	All assets are held segregated account at CDAD. This is recognised as a nominee account.
CH	Yes	SIX SIS	Yes	In the Swiss market, we generally offer omnibus accounts, and these can be tailor-made to the participant's preference, allowing for segregation by client, security etc. Elsewhere, we are obliged to follow local practice or law, which means that account segregation is either (i) mandatory; (ii) possible; and (iii) not possible.	No mandatory rules to be replicated; flexible account set up according to the needs of the account holder is possible. As mentioned in the answer to question 2, it depends on the local market rules in force.	According to the rules of the local market, where we act as an investor CSD.	Segregation of Client/Legal Entity Assets, especially where they are members of SIX and the CCPs have a PoA to instruct SIX trades over the account. Currently there is no mandatory segregation. And there should also in future be no mandatory obligation to segregate at the level of CSD, as any such obligation places an operational burden on all intermediaries in the custody chain (it does not refer to proprietary assets and does not infringe on the principle of segregation of client and proprietary assets). Some members segregate client assets from firm assets by maintaining segregated accounts at each CSD, ICSD and sub custodian. No specific requirements to segregate, client omnibus accounts are permitted and utilised.	There is no need for segregated sub accounts. The current omnibus market practice, supported by the national legal setup, reflects per se a real omnibus account market in which the intermediary- or nominee-concept behind the omnibus account is fully recognised and thus there is no need for segregated accounts. In case there is an operational need to segregate, the market (and SIX SIS) is flexible and allows any segregation (e.g. upon client's request to segregate their holdings). Some maintains segregated accounts for client and firm assets. We also maintain additional segregated accounts at this CSD for Operational puposes. Some operate some client segregated accounts at SIX SIS via our sub custodian but this is not a mandatory requirement.

CY	No	CSE	Yes	Under the existing regime (Legal and Regulatory), the securities held in the Cyprus CSD, are kept in the accounts of end clients (end investors level) and are administered by CSD Operators. Accounts may be opened in the name of natural or legal persons. Also note by exception it is permitted to open accounts in the name of a union of persons, trust, mutual fund or related institutions, which do not have a legal personality, a trustee, receiver, administrator or representative with an indication of such capacity, under the conditions set in the Regulation. Moreover in the case of government bonds the creation of an Investors Share Account in the form of an omnibus account is permitted in the name of any legal entities. Also the concept of the omnibus accounts for equities is permitted only in the name of a Credit Institution or a Financial Organisation (European Economic Area countries or a third country which in accordance with a decision of the Advisory Authority for Combating Money Laundering and Terrorist Financing it has been determined that it applies procedures and measures for preventing money laundering and terrorist financing equivalent to the requirements of the European Union Directive 2005/60/EC). Also the Cyprus CSD permits the creation of Investors Share Account in the form of an omnibus account only if the equities are under the control of a Custodian (Operator of the CSE)	The participation in the Cyprus CSD of any Central Securities Depository and Central Registry of a member state of the European Union is recognized, if the CSE Council is satisfied that it conforms to the established criteria and prerequisites according to the relevant legislation of the European Union. Regarding the accounts opened at Cyprus CSD the Investor CSD should be in accordance with the law and the procedures of the Cyprus CSD.	According to the Securities and Cyprus Stock Exchange (Central Securities Depository and Central Registry) Laws of 1996 to 2011, the CSD undertook the responsibility for keeping the registries of listed companies. According to the Law the Central Depository / Registry maintains and records all changes in the registries such as the details of the registered holders, the transfers, pledges, corporate actions, etc regardless of whether the transaction takes place within the CSE (through the trading system) or off the Exchange.	Segregation at Beneficial owner Level One CSD account is required per sub custodian account but beneficial owner segregation is not required. In cases of omnibus accounts CSD segregation is not required but please note that the person in whose name the share account is created, shall maintain detailed information of the beneficiaries and shall respond to any request of the Cyprus Securities and Exchange Commission for the collection of information with regards to the beneficiaries of the securities. Also note that the person in whose name the share account is created has the obligation to have made the necessary arrangements in order to be in a position to respond to any request of the Cyprus Securities and Exchange Commission for the collection of information in regards to the final beneficial owners of the securities and the final owners of voting rights.	One CSD account is required per sub custodian account but beneficial owner segregation is not required. The name of the account holder at CSD is recognised as being the legal holder of the securities.
CZ	No	CDCP					One CSD account is required per sub custodian account but beneficial owner segregation is not required.	One CSD account is required per sub custodian account but beneficial owner segregation is not required.
DE	Yes	CBF	No.	A depository ("Verwahrer", i.e. participant of CBF) may sub-deposit securities with a sub-depository (Drittverwahrer, i.e. CBF as CSD) in collective safe custody (§5 Depotgesetz). At CSD level, the depository is entitled to hold omnibus accounts in its name at the level of its sub-depository, i.e. to hold its clients' assets together with its own assets (§ 3 1 Depotgesetz (German Safe Custody Act). However and to avoid a bona fide acquisition of any legal position in the customers' assets, § 9 in connection with § 4 Depotgesetz assumes that these assets are clients' assets. This assumption must not be challenged, i.e. the ownership position of the legal owner cannot be destroyed ("unwiderlegliche Fremdvermutung"). Book-keeping obligation of CBF as sub-depository ("Drittverwahrer") In addition, CBF is under the book-keeping obligation to separate its customer's assets in four "Depot"s (custody portfolios) pursuant to Nr. 10 para 4 of the BaFin "Bekanntmachung über die Anforderungen an die Ordnungsmässigkeit des Depotgeschäfts und der Erfüllung von Wertpapierlieferungsverpflichtungen" of 21 December 1998 ("BaFin Publication") which is based on § 25 as I KWG. Depending on their qualification, the securities have to be booked to different "Depots" (Depot A, B, C, D). Because of the "Fremdvermutung", the sub-depository has to book all securities deposited by default to "Depot B" ("Fremddepot"). In case of assets owned by the depository itself, it has to declare this to the sub-depository ("Eigenanzeige"), (only) upon which the securities will be booked by the sub-depository to "Depot A".	German Safe Custody Act applies, no need to replicate in rules.	investor protection	Segregation of Client/Legal Entity Assets, especially where they are members of Xetra and Eurex have a PoA to instruct SIX trades over the account. Some segregate client assets from firm assets by maintaining segregated accounts at each CSD, ICSD and sub custodian. Mainly omnibus structures are used. No specific requirements to segregate, sub custodians can utilise client omnibus accounts at VP in nominee accounts.	Segregated sub-accounts required specifically for things such as Eurex Collateral. Some maintain segregated accounts for client and firm assets and also maintains additional segregated accounts at this CSD for Operational purposes. Some use is made of sub-accounts. Limited use of account segregation is made at CBF but it is permitted.
DK	Yes	VP Securities	Yes	According to The Financial Business Act financial undertakings are required to segregate a client's financial instruments from the institution's assets. At the level of the CSD, there is no legal requirement for participants regarding account segregation. At this level participants have freedom-of-choice on their preferred level of account segregation. VP does not operate sub-accounts and segregation normally occur via opening of one or more separate accounts per investor (single investor accounts).	No replication necessary for investor CSDs	VP operate an integrated wholesale and retail securities settlement system and asset segregation offer ultimate investor protection against insolvency of its intermediary (account controller)	Segregation of Client/Legal Entity Assets, especially where they are members of OMX. Flexible account solutions, like segregation on different sub level, omnibus account and own account. No specific requirements to segregate, sub custodians can utilise client omnibus accounts at VP in nominee accounts.	Most commonly used are segregated account (account on behalf of one clients' client/beneficial owner), Omnibus account (on behalf of several clients' clients) and owners account (exclusive held by the client). All assets held in sub custodian's client account at VP.
EE	Yes	ECSD	No	Estonia belongs to the category of direct holding markets where end-investor accounts are opened at the level of the CSD. In addition nominee/omnibus accounts may also be opened at the CSD. The rules for account segregation are stipulated in the Securities Market Act (not in the CSD rules): § 88. Maintenance and protection of assets of client (1) An investment firm is required to keep the assets of the client entrusted to it separate from its own assets and those of other clients of the investment firm, unless the investment firm and the client have expressly agreed otherwise in writing. The express written agreement of the client is also necessary to hold the securities of the client in a nominee account.	No requirements for the Investor CSD to replicate the rules for cross-system settlement	Protection of assets of client	No current requirement we are aware of	No current requirement we are aware of

ES	Yes	Iberclear	<p>Yes, Article 7.3 of Securities Market Act 24/1988, of 28 July, determines that book entries shall be kept by the CSD (first level), and by the participating entities (second level) authorised for that purpose</p>	<p>In Spain, IBERCLEAR keeps the book-entry register in coordination with its participants. The registry system is therefore at two levels:</p> <p>-First level: Central Register kept by IBERCLEAR in which two accounts are kept for each participant and class of security.</p> <p>a) own account b) third parties account that shows the aggregate balance of the securities that the participant holds on behalf of their clients.</p> <p>-Second level: A Detailed Register disclosing and breaking down the positions that each participant holds on behalf of its third parties or customers.</p> <p>With the project to reform the Spanish clearing, settlement and registry system, the Central Register kept by IBERCLEAR will be organised into the following accounts for each type of security:</p> <ul style="list-style-type: none"> - One or more proprietary accounts to reflect the balances owned by the participants. - One or more general client accounts to reflect the overall balances that the participants keep for third parties. - Individual accounts in the name of a single owner (natural or legal person). - Financial intermediary special individual accounts, for use in the optional order settlement procedure. 	<p>Investor CSD has to comply with the Spanish regulations on securities accounts</p>	<p>In Spain, this rule is regulated by law and the reasons are to guarantee the protection of the participants and their clients</p>	<p>No specific requirements to segregate, sub custodians can utilise client omnibus accounts at Iberclear BUT underlying registration positions must be reflected accurately.</p>	<p>Segregated accounts per Registration Name. All assets held in sub custodian's client account at Iberclear with registration accounts reflected beneficial owner details on the books of the sub custodian.</p>
FI	Yes	Euroclear Finland	<p>Yes</p>	<p>As a main rule, book-entry securities are not held in fungible pools in Finland. Instead, securities are registered in investor-specific accounts kept in the investors' names on the level of the CSD. This is mandatory requirement for Finnish persons and entities (Section 5a, Act on the Book-Entry Accounts (827/1991)) and Chapter 8, Section 1 of the Act on the Book-Entry System and Clearing Operations (749/2012)).</p> <p>According to the Section 5a of the Act on Book-Entry Accounts (827/1991), book-entry securities may be entered in a special book-entry account (custodial nominee account) administered by a custodial account holder on behalf of a beneficial owner on the basis of an authorization, if it is a question of book-entry securities administered on behalf of a foreign individual, corporation or foundation. Such accounts must contain information on the custodial account holder and the fact that the account is a custodial nominee account. A custodial nominee account may be used for the keeping of book-entry securities administered on behalf of one or more customer(s). It is not allowed for the custodian to hold its own securities in the same account as its customers.</p> <p>According to the Section 16 of the Act on Book-Entry Accounts, book-entries may be registered in a special book-entry account (commission account) in order to arrange the operations of a clearing organization. Book-entries owned by the account holder and its customer may not be registered in the same commission account.</p> <p>The Act on Securities Accounts (750/2012) shall be applicable to the securities accounts kept in Finland by the account holder of a custodial nominee account for the book-entries of its clients. The Act on Securities Accounts shall correspondingly apply to the obligation of the account holder of the commission account to keep a register of book-entries belonging to its customers. According to the Section 3 of the Act on Securities Accounts, custodian shall keep customer-specific securities accounts of the securities held by the custodian.</p>	<p>According to the Section 5a and Section 16 of the Act on Book-Entry Accounts, the central securities depository may approve as an account holder of the custodial nominee account or the commission account a foreign co-operation partner which is subject to sufficient public supervision and whose economic operating conditions and administration fulfill the requirements set on the reliable attendance to the duty.</p> <p>Thus the rules described in the previous answer apply also to the investor CSD.</p>	<p>Investor protection but also shareholder transparency in general and market abuse related transparency.</p>	<p>Segregation of Client/Legal Entity Assets, especially where they are members of OMX. Need for flexible account structure allowing omnibus accounts and segregation on both client level and end-investor level (client's client level). Segregation needed also to segregate free and different restricted positions (ex. pledge). No specific requirements to segregate, sub custodians can utilise client omnibus accounts at Euroclear Finland.</p>	<p>Possible to use segregated accounts on client level and on end-investor level (client's client). Segregation is used also in connection with segregating free and restricted positions. Segregation is partially based on local legislation. All assets held in sub custodian's client account at Euroclear Finland.</p>
FR	Yes	Euroclear France	<p>Yes</p>	<p>At the level of the CSD, there is no legal requirement imposed by the French CSD on its participants regarding account segregation (irrespective of participants' own business requirements). However, at the level of the CSD participants, according to the General Regulation of the AMF, the investment firms and the authorised account keepers which are licensed or passported in France, are subject to segregation obligations. They are obliged to segregate their own assets from the assets of their clients in their books and at the level of the issuer CSD.</p> <p>A technical segregation is needed in Euroclear France to identify securities held in registered form (specific account nature)</p>	<p>As a result there is no obligation for the investor CSD to replicate the segregation rules of the issuer CSD.</p> <p>For French registered securities, all account holders in Euroclear France have to segregate the registered assets from the bearer assets.</p>	<p>AMF rule</p> <p>Processing of French registered securities to provide appropriate information to the issuers or issuer agents.</p>	<p>Rare but we do have one instance where a Client/Legal Entity requested a seg account to ensure their trades were sent to the CSD immediately for matching with no risk of co-mingling with other parties assets. Also segregated account required where LCH.Clearnet SA have PoA to instruct Bond trades over the account. No specific requirements to segregate, sub custodians can utilise client omnibus accounts at Euroclear France.</p>	<p>All assets held in sub custodian's client account at Euroclear France.</p>

GR	No	Helex	Yes	<p>HELEX maintains account segregation at individual level, where the account holder is the beneficial owner of the holdings in the account. Individual account segregation applies equally to all account holder persons, physical or legal, Greek or foreign.</p> <p>The participants of HELEX are called Operators and administer such accounts. Operators can be Members of the Athens Exchange, Custodians, foreign Central Securities Depositories (Investor CSD), System Administrators, such as Clearing Houses (CCPs) linked to HELEX for the settlement of transactions as well as HELEX itself. All Operators have equal rights and responsibilities with regards to this individual account segregation and there is no differentiations for any type of Operator.</p>	<p>HELEX does not impose requirements for replication of the account segregation rules by the Participants (including Investor CSDs) to their own systems.</p> <p>However their home market rules, international market practices and operational or system requirements may require mirroring of HELEX's account segregation.</p>	<p>HELEX is operating a transparent direct holding system, according to local regulatory and legal requirements. Settlement and registration occurs simultaneously at account holder level. This provides the following benefits :</p> <ul style="list-style-type: none"> - increased protection of investors with legal certainty regarding their rights and reduced custodial risk. This has proved particularly important during the recent macro situation in Greece and has prevented "securities run" from foreign investors; - reduced overall post trading cost as settlement and registration occur simultaneously with one matching and one instruction per account holder; - minimized custodial cost as no further actions/arrangements/account transfers/registrations are needed ahead of General Meetings; - minimized tax administration cost as no further actions/arrangements/account transfers are needed for tax calculation; - effective risk management which reduces settlement risk; - reduced cost and increased level of services for issuers; - fast and reliable issuance procedure directly into the accounts of beneficiary investors without the intervention of intermediaries; - low-cost services to issuers, operators, investors and supervisory authorities; - transparency throughout the transaction chain; - increased supervisory review capabilities; - effectiveness of control procedures against money laundering; - fast automated responses on queries from courts, inland 	<p>Segregation at Beneficial owner Level Nominee concept is not recognised so it forces account segregation.</p>	<p>The name of the account at HELEX is recognised as being the beneficial owner of the securities.</p>
HR	No	SKDD	Yes	<p>Participants must hold client assets on custodian accounts. Securities that are on custodian accounts are not considered as part of custodians property. Participants assets are held at their own basic investor accounts.</p>	<p>Investor CSD would have to be recognized as CSD and an omnibus account would be open in his name in issuers CSD. Assets on such account would be considered as property of investors CSD clients.</p>	<p>Protection of clients assets.</p>	<p>No current requirement we are aware of</p>	<p>No current requirement we are aware of</p>
HU	Yes	KELER	YES	<p>Legislative requirements:</p> <ul style="list-style-type: none"> - KELER has to comply with securities account segregation requirements at proprietary and client position level - In the context of collateral management KELER is to open dedicated securities sub-accounts based upon client needs to fulfill requirements set by EMIR - Securities issuance and cancellation can be effected through a dedicated sub-account from/to which the securities are transferred to/from the normal client account - Segregation is mandatory to fulfill different collateral requirements set by KELER CCP in the context of derivative trading, commodities settlement and on-exchange settlement <p>Current technical (IT) requirements:</p> <ul style="list-style-type: none"> - SLB transactions can be processed on a dedicated sub-account opened exclusively for lending and borrowing purposes - Non-fungible securities (with serial numbers) should be held on a dedicated sub-account - Daily mark-down of investment fund units can be processed on a dedicated sub-account <p>Others:</p> <ul style="list-style-type: none"> - In order to benefit from the treaty rates regarding US income payments clients should separate their US holdings and open one pool account per treaty rate 	<p>In our opinion it is up to the investor CSD's decision to what extent it replicates the account structure in its records.</p>	<p>The technical requirements are mainly due to system limitations and processing related reasons. These rules however will be reviewed in Q4 2013 in the course of the specification of the new software KELER will implement in 2014. The basic concept is to limit the account segregation requirements e.g. with using balance types (i.e. position segregation) and blocking purposes. The US securities segregation by treaty rates is a policy related issue and required by KELER's US sub-custodian.</p>	<p>No specific requirements to segregate, sub custodians can utilise client omnibus accounts at KELER.</p>	<p>All assets held in sub custodian's client account at KELER.</p>
IS	No	VBSI	yes	<p>Icelandic law requires that all holdings shall be on Beneficial owners account. However individuals can by request ask to hold their sec. in an omnibus account. The main rule is direct holding.</p>	<p>Not easy to estimate but if sec are in omnibus account this should not be a problem, if not the counterparty CSD must be able to open an account for the investor</p>	<p>Investor protection.</p>	<p>No current requirement we are aware of</p>	<p>No current requirement we are aware of</p>

IT	Yes	Monte Titoli	Yes	<p>According to Italian regulation the central security depositories shall keep:</p> <p>issuer accounts: an account for each issuer whose financial instruments are recorded in book-entry form in CSDs own book. Each issue will be recorded separately, with all the information provided by the issuer needed to identify the characteristics of the issue, the type of financial instrument, the ISIN code, the quantity issued, the total value of the issue, the unit value and any related rights.</p> <p>intermediaries account: separate proprietary and client accounts for each intermediary, enabling them to distinguish their own asset from the asset of their clients (omnibus client segregation). In the above mentioned accounts, each type of financial instrument will be recorded separately. These accounts may not show debit balances.</p> <p>Moreover the CSD:</p> <p>a) in case of dividends or coupons payments shall keep separate records of the relevant financial instruments until receipt of payment instructions or the right to receive the payment is expired;</p> <p>b) in case of rights issue shall record right separately from the related financial instruments;</p> <p>The CSD is also obliged to keep its own financial instruments in a specific account, segregated from its participants' ones.</p>	Investors CSD shall open Intermediaries account in order to allow for cross-system settlement.	The distinction between issuers and intermediaries accounts allows the CSD to perform reconciliation in its own books thus protecting the integrity of each issues recorded in the CSD. The "omnibus client segregation" of intermediaries accounts allows the distinction between intermediaries proprietary assets and assets of their clients thus allowing intermediaries to perform reconciliation in their own books and protection of participants/clients securities. The segregation principle in fact has to be fulfilled also in the intermediaries books where their own assets have to be recorded separately from assets pertaining to each of their clients.	Segregation of Client/Legal Entity Assets, especially where they are members of Borsa Italiana and Fixed Income Platforms such as MTS	Limited use of account segregation is made at Monte Titoli but it is permitted.
LT	Yes	CSDL	Yes	Proprietary accounts of account operators must be segregated from their clients' accounts on CSD level	Current legislation does not govern foreign CSDs account setup	In case account operator engages into trading on its own books, it should be clear on CSD level that clients' assets are not used for trading. Also, it gives clarity in case of account operator insolvency	No current requirement we are aware of	No current requirement we are aware of
LU	No	CBL	Yes	Issuer accounts: an account for each issuer whose financial instruments are recorded in book-entry form in CSDs own book. Each issue will be recorded separately, with all the information provided by the issuer needed to identify the characteristics of the issue, the type of financial instrument, the ISIN code, the quantity issued, the total value of the issue, the unit value and any related rights.	As custodian of securities, CBL can deposit customers securities with a sub-custodian (art. 17 Law of 5 August 2001 on circulation of securities as amended) but must, in case of sub-deposit, segregate customers securities from its own securities. (id. art. 17). No need to replicate in rules.	Investor protection	Segregation of Client/Legal Entity Assets, especially where turnaround activity is performed to prevent one Client/Legal Entity using another's position. Segregation also required where Client/Legal Entity is a member of a trading platforms such as Eurex Exchange and CCP has PoA to instruct trades over the account. Some segregate client assets from firm assets by maintaining segregated accounts at each CSD, ICSD and sub custodian. No specific requirements to segregate, sub custodians can utilise client omnibus accounts.	Some maintain segregated accounts for client and firm assets and also maintain additional segregated accounts at this CSD for Operational purposes.
LV	Yes	LCD	Yes	Financial instruments accounting of LCD participants (banks and investment brokerage companies) and its correspondent accounts the LCD groups separately: (a) for financial instruments held and owned by the clients of LCD participants, and (b) for financial instruments owned by an LCD participant. The segregation of securities is compulsory	Neither Latvian legislation, nor LCD regulations impose any requirements to an investor CSD to replicate these rules. For cross-system settlement LCD opens a CSD omnibus account.	Customers' assets must be segregated from participant's own assets according to the Law on the Financial Instruments Market.	No current requirement we are aware of	No current requirement we are aware of

ME	No	CDA	Yes	<p>According to Article 7 of Part III of the CDA, the CDA account types are:</p> <p>Individual (proprietary) accounts - for the beneficial owner; each individual account has several positions from which one is position registered with Participant (client position) over which the participant is carried out clearing and settlement of stock exchange transactions</p> <p>The joint account is opened for a number of persons who are joint owners. (For joint account owners of the shares specified account. Only one co-owner who is also the account manager has the right to dispose of and transactions in securities which have a joint account, with the written consent of the other co-owners; also has position registered with Participant in the purpose of clearing and settlement)</p> <p>Custody account in the name of and omnibus custody account with no position / sub-accounts and shall be used in the Clearing and Settlement; Custodian Participant who opened account shall act as the nominal owner in accordance with the agreement with the rightful owners and is responsible for leading analytics ownership of an omnibus account. This is omnibus holding model: in CDA is an omnibus account for each local custodian client, in local custodian is an omnibus account for each global custodian client and finally, global custodian is responsible for segregated accounts by client.</p> <p>Summary depository account for closed-end investment fund for maintenance and clearing and settlement of securities owned by the fund</p> <p>Account under the foreign CSD ("Loro") is opened in the system of the Agency as a kind of nominal accounts, under the conditions specified by a special agreement.</p>	<p>There is no need to replicate these rules for account segregation, because CDA has provided the <i>Account(s) under the foreign CSD ("Loro")</i> over which would be conducted the cross-settlement process (in accordance with the agreement signed by the parties which assume that the foreign - investor CSD would be responsible for own analytics).</p>	<p>Main reasons for the described segregation rules are following legal and regulatory provisions: Law on Securities ("Off. Gazette of Montenegro", no. 59/00 of 27.12.2000, 10/01 dated 28.02.2001, 43/05 of 21.07.2005, 28/06 of 03.05.2006, 53 / 09 dated 07.08.2009, 73/10 of 10.12.2010, 40/11 dated 08.08.2011, 06/13 of 31.01.2013) Article 82 Participant is obligated to segregate the assets of the Client and held in a separate account or separate accounts (in the name of client), which are specifically for this purpose open with authorized institutions. The funds in the client account belong exclusively to the client and can only be used for payments under the client instructions. These assets are not included in the assets of the Participant, or the liquidation or bankruptcy estate, and cannot be used for the settlement to the client. The Participant who, in the name and for the account of the client, holds or controls the securities cannot pass them, lend or as deposit for the loan or advance, except with the written consent of the client. The Participant is obligated, in the Central Depository Agency, to establish a special account for securities in which the client holds his securities for the purpose of conducting transactions. Article 93 Securities and funds of the members of the Central Depository Agency not part of its assets, or bankruptcy or liquidation estate and may not be subject to a court order against the agency. Rules for the Custody Operations ("Off. Gazette of Montenegro", no. 57/07 of 28.09.2007)</p>	Not Supported	Not Supported
MK	No	CSD AD Skopje	Yes	<p>Both nominee and final beneficiary registration are accepted. The Securities Law, prescribes opening of ownership accounts i.e. beneficial owner level is required. Still there is a possibility for opening other types of accounts, among which omnibus accounts. Omnibus account can be opened only by Participant of CSD or custodian bank.</p>	<p>Not applicable at the moment for the Macedonian CSD. There are no cross-border activities and the CSD is not part of T2S.</p>	Same as E	Not Supported	Not Supported
MT	Yes	MSE	Yes	<p>Moreover the CSD: It is possible for CSD to open own proprietary accounts as well as client account and sub-accounts as necessary or as requested. Where a CSD in Malta assumes control of assets belonging to a customer it is required by law to maintain proper and adequate records of and accounts of all customers' assets held under control. The records and accounts shall identify the customers to whom such assets belong and shall clearly indicate that the assets of every customer are separate and distinct from the assets belonging to the subject person and from other customers' assets held by the subject person. The records and accounts shall, upon due notice being given to the CSD, indicate where any pledge or other right over assets held under the CSD's control has been given by the customers to any third party and where any order by any Court has been made in connection with such assets The above requirements only apply to CSDs authorised in Malta and thus investor CSD holding an account within MSE-CSD will not be subject to the said requirements and need not cater for account segregation. The main reason and rationale of the Maltese requirements is to ensure that the CSD in control of customers' assets holds proper records of customers's assets which remain a separate and distinct patrimony from that of the CSD itself and the customers continues to enjoy beneficial economic ownership in respect of such assets.</p>	<p>These requirements only apply to CSDs authorised in Malta and thus Investor CSDs holding accounts within the MSE-CSD are not subject to the requirements described and need not cater for account segregation.</p>	Please see our reply regarding Rules.	No current requirement we are aware of	No current requirement we are aware of
NL	Yes	Euroclear Nederland	No	n/a			Rare but we do have one instance where a Client/Legal Entity requested a seg account to ensure their trades were sent to the CSD immediately for matching with no risk of co-mingling with other parties assets	All assets held in sub custodian's client account at Euroclear Netherlands.

NO	No	VPS	Yes, there are requirements regarding registration of equity securities on CSD accounts. For other instruments such as debt securities, derivatives etc. there are no requirements.	<p>The Norwegian Public Limited Companies act requires that shares in Norwegian Public Limited Companies are registered in a CSD and the CSDs "books" is seen as the companies shareholder register. If a Norwegian limited company chooses to register its shares in a CSD the latter also applies.</p> <p>The same acts states that shares of a Norwegian Public Limited Company or Limited Company registered in a CSD is kept on segregated end-investor accounts, if the shares belongs to other than a foreign shareholders. A foreign shareholder is a company registered in a foreign country, unless the company's head office is in the kingdom of Norway, and a foreign national who is not resident in this kingdom.</p> <p>The Norwegian Securities Register Act states that CSDs shall offer both individual accounts and nominee accounts. Nominee accounts shall be marked as such. The Nominee may not keep its own instruments on the same accounts as its customers and the nominee need to be authorized by the Norwegian FSA.</p>	<p>The Norwegian Public Limited Companies act and Limited Companies Act contains a possibility for the Norwegian Ministry of Finance to decide, in a regulation (secondary law), that another securities register (Investor-CSD) may establish a partial register which is incorporated in the register of shareholders in the Issuer-CSD on behalf of a shareholder, including Norwegian shareholders. This possibility is limited to with authorization to operate in Norway. The investor-CSD will have to offer individual end investor accounts and the same rules as mentioned above will apply (Norwegian investors on end-investors account in the Investor-CSD). It is also stated that the rule in the Norwegian Public Limited Companies act and Limited Companies Act stating that the shareholder register is public will apply to the register in the Investor-CSD.</p>	<p>The rationale behind the rules is mainly:</p> <ul style="list-style-type: none"> - The rules make ownership, ownership structures and power relations in Norwegian Limited Companies, especially Public limited companies, is transparent to the public, and this is seen as advantage. - The rules increase the companies' insight when it comes to their actual owners and impairs its ability to be in dialogue with their owners. - The rules contributes to an effective tax control. - The rules in seen as an advantage for the government's ability to reveal illegal insider trading conditions etc. 	<p>Segregation of Client/Legal Entity Assets, especially where they are members of Oslo Bors. Direct holding market, each Norwegian entity or person will have their individual account for equity trading. Not allowed by law to be in an omnibus account. No specific requirements to segregate, sub custodians can utilise client omnibus accounts at Euroclear Netherlands. No specific requirements to segregate, sub custodians can utilise client omnibus accounts at VPS.</p>	All assets held in omnibus accounts at VPS.
PL	No	KDPW					Sub custodians can operate nominee accounts at KDPW, prior to 2011 beneficial owner segregation was required.	Beneficial owner segregation is still prevalent for BofAML at KDPW due to limited advantages of the nominee structure.
PT	Yes	Interbolsa	YES	<p>The Portuguese Law establishes the following segregation rules:</p> <p>(i) the need of the financial intermediaries to distinguish between securities held by each financial intermediary acting as registering entity and as a holder;</p> <p>(ii) the need of the financial intermediaries to open "direct holding accounts" where the securities belong to collective investment undertakings and/or pension funds.</p> <p>Nevertheless, all the accounts opened in the centralized system managed by IB are treated as omnibus accounts. All the services and operations provided to these accounts are the same independently how the account owner (i.e. financial intermediary) is using them.</p>	<p>Regarding the second segregation rule described (D): In a domestic scenario, the financial intermediary has to follow the local rules and market practices which means that, in this context, it has to follow the local segregation rules by placing securities in different accounts if they are own or customer holding and by placing funds' or pension funds' holding in separate accounts.</p> <p>This obligation only exists if the collective investment undertakings and pension funds are clients of that financial intermediary (Investor CSD).</p> <p>If the client of the financial intermediary (or of the Investor CSD) is another financial intermediary, Interbolsa's participant does not have to segregate because the end investor is not its client.</p> <p>In a cross border scenario, there is no need to open different accounts for funds or pension funds as this is impractical or impossible for the custodian bank or the investor CSDs that hold securities at Interbolsa for the link. Actually, in this situation the custodian bank or the investor CSD does not know, and it's not obliged to know, that the end investor is a fund or a pension fund. In its books/systems the clients are other intermediaries or the participants in the investor CSD. So the segregation rules are not applicable.</p>	<p>The main reason is the possibility for the regulator to monitorize this kind of accounts.</p>	<p>No specific requirements to segregate, sub custodians can utilise client omnibus accounts at Interbolsa.</p>	All assets held in sub custodian's client account at Interbolsa.
RO	Yes	Depozitarul Central	Yes	There is a regulatory obligation to segregate proprietary assets from client assets at the CSD level. A CSD participant could maintains all the securities that it holds on behalf of all its clients in a single ("omnibus") securities account at the CSD level. At the participant level segregation is required at the clients level (individual accounts opened in the participant's system).	Non discriminatory rules between participants and investor CSDs	Clients assets protection	Segregation at Beneficial owner Level. Nominee concept is recognised, sub custodians can utilise omnibus accounts at CSD.	All assets held in sub custodian's client account at CSD.
RS	No	CR HoV	Yes	Use of proprietary member's accounts and clients accounts	N/A	Provisions of the Law on the Capital Market	No current requirement we are aware of.	No current requirement we are aware of
RU	No	NSD	Yes	<p>According to the legislation market participants should segregate their own assets from the assets of their clients, so NSD offers our clients two main types of accounts: owner accounts and nominee (including foreign nominee) accounts. NSD also opens other types of accounts (asset manager's accounts, issuer's accounts etc.), however they are not used for segregation of assets, but rather for identifying specific market participants with special legal treatment.</p> <p>NSD does not have any rules for its clients on how to segregate clients' assets on their nominee accounts. Custodians may keep the assets of all their clients on one omnibus nominee account, open segregated nominee account for each client or use combination of these two methods. NSD treats omnibus nominee accounts and segregated nominee account equally and doesn't distinguish them from each other.</p>	<p>There are no requirements (except for the legal requirement to segregate own and clients' assets) to replicate account structure of NSD down the chain. However market practice is to open omnibus/segregated accounts the same way as NSD does.</p>	<p>The current account structure (except for the legal requirement to segregate own and clients' assets which was defined right from the start of securities market development) was developed according to requirements, set by market participants (including global custodians and foreign investors).</p>	<p>Segregation at Beneficial owner Level. Segregation has traditionally been possible but difficult to implement legally. Foreign nominee holder omnibus accounts are now available but not practical. Most sub custodians operate omnibus accounts per client at NSD.</p>	All assets held in omnibus account at NSD.

SE		Euroclear Sweden	Yes	<p>Chapter 8 Section 34 of the Securities Market Act states that a securities institution shall segregate a client's financial instruments from the institution's assets unless the client has expressly consented otherwise. Furthermore, the Swedish FSA has issued detailed regulations regarding segregation of clients' assets (Chapter 10 of the FFFS 2007:16).</p> <p>There are also rules on the account holders' rights in the Financial Instruments Account Act, Chapter 6 Section 1 e.g. of the Act states that the person registered on the VPC-account (direct holding account) has the right to the financial instruments on the account. The same is stated for nominees in Chapter 3 Section 10 of the same Act.</p> <p>There are also rules on segregation in the ES's General Terms and Conditions - Account Operations and Clearing. Section 1.3 states that the registration of an acquisition on a VPC account provides protection in real right vis-à-vis the assignor's creditor or a third party. Furthermore, in Section 4.3 It is stated that a nominee shall maintain registers in an organised manner in respect of the securities that are managed on the client's behalf and shall possess routines which ensure that the client's securities are not co-mingled with the nominee's own holdings. The nominee's internal registers of owners and rights holders to nominee-registered securities shall contain such information as is required in order for such persons to be able to exercise their rights in relation to the issuer of the securities and third parties</p>	A VPC-account (an account with ES) is opened in the name of either the holder or a nominee. An account operator may be authorised to make registrations on behalf of ES in a VPC-account. If the account is opened in the name of the end-client, the securities are automatically separated from the account operator's assets.	Consumer protection	In the Swedish market it is possible to safekeep securities on a direct account at the CSD or open up a safekeeping account with a Custodian. The direct account will be opened up in the private individual's name and will then be segregated towards other persons/companies holding in securities. Individuals with access to inside information are required to have a segregated account at the CSD. No specific requirements to segregate, sub custodians can utilise client omnibus accounts at Euroclear Sweden.	Sub accounts are referred to as Direct accounts in the Swedish market. Direct Accounts at the CSD is very common on the Swedish market. There are two different types of direct accounts, VP-accounts and Service-accounts. The Service account has a more advanced service linked to the account compared to a VP-Account. Direct accounts can be used by both private individuals and companies. There are more than 3 million direct accounts existing on Euroclear Sweden's platform. There is no fee to open up and maintain a direct account. All assets held in sub custodian's client account at Euroclear Sweden.
SI	Yes	KDD	Yes	CSD members should separate their own assets (using separate house accounts) from their clients' assets (clients' accounts).	Should Investor CSD have a status of KDD member, he should respect segregation requirement (as stated by Markets in Financial Instruments Act - Art. 254). There is no such requirement for member's clients level and further levels in chain to final investor (if applicable).	Segregation of KDD member's assets from their clients' assets is compulsory by law (Markets in Financial Instruments Act - Art. 254).	Omnibus accounts per client are available at KDD.	All assets held in omnibus account at KDD.
SK	Yes	CDCP SR		Slovak legislation supports both direct and indirect holding systems for domestic and foreign securities holders. Therefore security holder may open a beneficial owner's account directly with the CSD or with a member of the CSD in which case the member holds an omnibus account with CDCP. It is also allowed to open a nominee account with the CSD and this option is available to domestic as well as to foreign entities that are members or non-members of the CSD. Therefore it is up to the entity which account type it wants to open with CSD. What is mandatory according to legislation is the requirement to segregate custodian's own portfolio from securities held on behalf of its clients. Sub-accounts are not defined by Slovak legislation.	Investor CSDs prefer to open a nominee account with CDCP and pursuant to Slovak legislation data on securities owner is kept in the system of foreign account holder that is ruled by legislation of the country where the foreign legal entity (for whom the nominee account has been opened) has its seat i.e. the account structure in the books of foreign custodian is ruled by the foreign law. If securities are held in an omnibus account, CDCP does not have the obligation to disclose the beneficial owners therefore Investor CSD does not have to provide such information to CDCP.	The law does not specify the reason for segregation, but it is mainly for the reason of investors' protection.		All assets held in omnibus account at CDCP.
TR	No	MKK		<p>MKK is established and governed under * The Turkish Capital Market Law (CML) - Articles on Dematerialization of Capital Market Instruments (Art. 13, 80 and 81), * The Regulation Concerning Incorporation, Operation and Supervision of the Central Registry Agency, * The Communiqué about Terms and Conditions Governing Book-entry Recording of Dematerialized Capital Market Instruments and * the relevant decrees of the Capital Market Law.</p> <p>The CML Article 13 indicates that dematerialized financial instruments must be recorded with respect to issuers, intermediary institutions and owners of rights. In the Central Dematerialization System (CDS) of MKK, participants are obliged to open segregated accounts of their own and for their clients. Clients can have more than one account in the CDS. The legislation and MKK's rules require investors to open accounts in the CDS via participants and have registry IDs. Therefore, investors can not open accounts directly in the CDS system. Account holder (investor) bears the ownership as the beneficial right owner. (please refer to the attached file for the details of the account structure at MKK)</p> <p>With the new CML came into effect as of 2012 end, it is now also possible for foreign CSDs and ICSDs to open omnibus accounts at MKK's system.</p>	There is no obligation for Investor CSD's to replicate MKK's rules and regulations concerning accounts segregation. It is possible for investor CSDs to open either beneficial owner based or omnibus accounts at MKK, without putting any limitation on how to maintain the mirror records in their system. However, Capital Markets Board (CMB) Of Turkey (the supervision and regulation authority of Turkish capital markets) can ask investor CSDs to share beneficial owner information for the investors present in the omnibus accounts in case of an investigation or suspicion of a fraudulent activity. In that case, investor CSDs shall be required to disclose relevant information on beneficial owners.	Segregation of securities is executed on segregated account basis which prevents any confusion among the accounts. The main reasons between segregation of accounts is 1)to mitigate the risks associated with other services. 2) to ring fence the obligations of other clients in case of a default of a CCP/CSD member 3) to protect investor rights /assets, as stipulated in "Guarantees, investor assets and utilization principles" entitled article 46 (6) of the Law, "Cash and capital market instruments of investors under any form that are maintained at investment firms may not be attached even for public receivables, pledged without the prior consent of investors, included in the bankruptcy estate and be subject to cautionary injunctions due to debts of investment firms and the same applies for the assets of investment firms due to the debts of investors."	Segregation at Beneficial owner Level is required by law. Foreign (I)CSDs are allowed to open omnibus accounts at MKK.	No current requirement we are aware of
TR	No	Takasbank	Yes	Turkish regulation requires segregation of accounts. Capital Market Law Article 13 indicates that dematerialized financial instruments must be recorded with respect to issuers, intermediary institutions and owners of rights. Furthermore, according to "Guarantees, investor assets and utilization principles" entitled article 46 (5) of 6362 numbered Capital Market Law, "Cash and capital market instruments of investors under any form that are maintained at investment firms shall be monitored separately from the assets of investment firms. The assets in question shall not be used by deposited institutions without the express consent of investors for purposes other than that for which they were deposited or in a way that would provide a benefit to themselves or to third persons." Takasbank is the CSD for private pension funds at beneficial owner basis. According to "Segregation of the fund assets" entitled article 53 (1) of the Law, "The assets of the fund are segregated from the assets of the portfolio management company and the institution that would carry out the portfolio depository service."	Turkey capital markets operates in segregated account structure except for foreign CSDs. Within the context of CCP functions, according to Turkish legislation, Takasbank has segregated account structure with no nominee concept; thus customer assets are under custody at separate accounts. According to "Central Counterparty" entitled article 78 (7)"In principle, guarantees taken by the institution that is to provide central counterparty services and the assets of account holders shall be monitored separately from the assets of this institution. The institution providing central counterparty services shall not use these guarantees or assets for purposes other than that they were deposited for with the exception of transactions with regard to the execution of clearing. The institution that is to provide central counterparty services shall take necessary measures in order to comply with this paragraph."	Segregation of securities is executed on segregated account basis which prevents any confusion among the accounts. The main reasons between segregation of accounts is 1)to mitigate the risks associated with other services. 2) to ring fence the obligations of other clients in case of a default of a CCP/CSD/financial market participants 3) to protect investor rights /assets, as stipulated in "Guarantees, investor assets and utilization principles" entitled article 46 (6) of the Law, "Cash and capital market instruments of investors under any form that are maintained at investment firms may not be attached even for public receivables, pledged without the prior consent of investors, included in the bankruptcy estate and be subject to cautionary injunctions due to debts of investment firms and the same applies for the assets of investment firms due to the debts of investors."	Segregation at Beneficial owner Level Beneficial owner account segregation is required.	Beneficial owner account segregation is required.

UA	No	Settlement Center JSC					Segregation at Beneficial owner Level Omnibus accounts per client are available.	All assets held in omnibus account.
UA	No	NDU					Segregation at Beneficial owner Level	No current requirement we are aware of
UK	No	Euroclear UK & IE					<p>Segregation required where a client/legal entity has UK and/or Irish Intermediary Relief. Also we get requests from clients to have their own Participant ID separate from anyone else and sponsored accounts in client's own name.</p> <p>Some segregate client assets from firm assets by maintaining segregated accounts at each CSD, ICSD and sub custodian.</p> <p>Extensive use of EUI's segregated account facilities since Crest's launch in 1996 and hold a number of omnibus accounts.</p> <p>No specific requirements to segregate, sub custodians can utilise client omnibus accounts at Euroclear</p>	<p>Segregation of Client/Legal Entity Assets, especially where turnaround activity is performed to prevent one Client/Legal Entity using another's position. Segregation also required where Client/Legal Entity is a member of a trading platforms such as LSE SETs and CCP has PoA to instruct trades over the account.</p> <p>Some maintain segregated accounts for client and firm assets.</p> <p>Limited use is made of sub-accounts, segregate at full account level.</p> <p>Limited use of account segregation is made at EUI.</p>