

17 March 2011

<p style="text-align: center;">Joint report by Banque de France, De Nederlandsche Bank and National Bank of Belgium on the observance of the ESCB-CESR Recommendations for Securities Settlement Systems by the ESES CSDs/SSSs</p>

Preliminary remark

This assessment of the ESES securities settlement systems (SSSs), i.e. of the Euroclear France, Euroclear Netherlands and Euroclear Belgium SSSs, has been conducted jointly by Banque de France, De Nederlandsche Bank and National Bank of Belgium. Nonetheless, the opinion on the compliance of each ESES SSS with the ESCB-CESR recommendations is that of the central bank that oversees that SSS, in accordance with its oversight competency.

1. INTRODUCTION

1.1 General

The Euroclear Settlement of Euronext-zone Securities (ESES) system was launched on January 19, 2009. This platform integrates the settlement activity of the Euroclear securities settlement systems (SSS) of Belgium, France and the Netherlands. The ESES system settles transactions executed on the Paris, Amsterdam and Brussels Euronext stock exchange cash markets besides bilaterally concluded over-the-counter (OTC) trades. The transactions are settled in central bank money, on cash accounts legally held with the National Bank of Belgium, the Banque de France and De Nederlandsche Bank, and that are operated respectively by Euroclear Belgium, Euroclear France and Euroclear Nederland.

The Euroclear Belgium, Euroclear France and Euroclear Netherlands SSSs are operated respectively by the following Central Securities Depositories (CSD): Euroclear Belgium (EBE, C.I.K. SA/NV), Euroclear France (EF) and Euroclear Nederland (ENL, Necigef BV). All three operators are subsidiaries of Euroclear SA/NV (ESA), the Euroclear group holding company. The operators have outsourced the IT platform operations to ESA. ESA also delivers common services, such as risk management, internal audit, legal and human resources services to its subsidiaries, including the ESES CSDs. The three ESES CSDs and SSSs share a common IT platform, harmonised settlement and custody services, and apply a harmonised pricing model.

This integrated ESES solution requires strong coordination mechanisms between the CSDs. For this purpose, the ESES CSDs have streamlined the governance since March 2009. Basically, the board and management structure in each CSD has been retained, but the membership composition of the boards and management committees has become identical across the three CSDs.

1.2 Assessment

In the last quarter of 2007, Banque de France, De Nederlandsche Bank and National Bank of Belgium performed an assessment of the set-up of ESES against CPSS-IOSCO Recommendations for Securities Settlement Systems. As a follow-up to the preliminary oversight opinion provided to the ESES CSDs in November 2007, and following the endorsement of the ESCB-CESR Recommendations for Securities Settlement in 2009, a full assessment of the ESES SSSs' compliance with the ESCB-CESR recommendations was considered appropriate by the competent Belgian, Dutch and French authorities. Due to the unique position of ESES, which is a platform shared by three separate legal entities, the Belgian, Dutch and French central banks ("the overseers") performed the assessment on a co-operative basis.

1.3 Scope of the assessment

The assessment covers the ESES SSSs and CSDs for Belgium, France and the Netherlands. It aims at assessing ESES and therefore does not constitute a direct assessment of ESA. However, as ESA is the parent company of the ESES CSDs and their service provider, ESA is partially in scope of the assessment. ESA is also the parent company of the CSDs in Finland, Sweden, UK & Ireland and of the ICSD Euroclear Bank. These (I)CSDs and their respective securities settlement system are outside the scope of this assessment.

1.4 Regulatory structure and practices

EF is subject to the regulation and oversight of the French competent authorities, ENL of the Dutch authorities and EBE of the Belgian authorities. The Belgian authorities are the Commissie voor het Bank-, Financie- en Assurantiewezen / Commission Bancaire, Financière et des Assurances (CBFA)¹ and the National Bank of Belgium (NBB). For France, the authorities are Autorité des Marchés Financiers (AMF) and Banque de France (BdF). The authorities for the Netherlands are the Autoriteit Financiële Markten (AFM) and De Nederlandsche Bank (DNB). Euroclear Nederland is also subject to supervision by the Minister of Finance, which supervision is partly mandated to the AFM. Only the National Central Banks have participated to this assessment.

The competent Belgian, Dutch and French authorities (central banks and securities regulators) have signed a Memorandum of Understanding (MoU) in October 2009 – updating the one of 2005 – that sets out principles for the co-ordination and their respective responsibilities for regulating and overseeing ESA. This MoU was also signed by the other central banks and securities regulators which regulate and oversee Euroclear entities in the UK, Sweden, and Finland.

¹ Since October 2010, the Comité voor systeemrisico's en systeemrelevante financiële instellingen (CSRSFI) / Comité des risques et établissements financiers systémiques (CREFS) is responsible for prudential supervision on systemically important financial institutions (incl. Euroclear Belgium).