About ECSDA

ECSDA represents 41 central securities depositories (CSDs) across 37 European countries. The association provides a forum for CSDs to exchange views and take forward projects of mutual interest. It also aims to promote a constructive dialogue between the CSD community, European public authorities and all other stakeholders looking to achieve an optimal regulatory framework for clearing and settlement.

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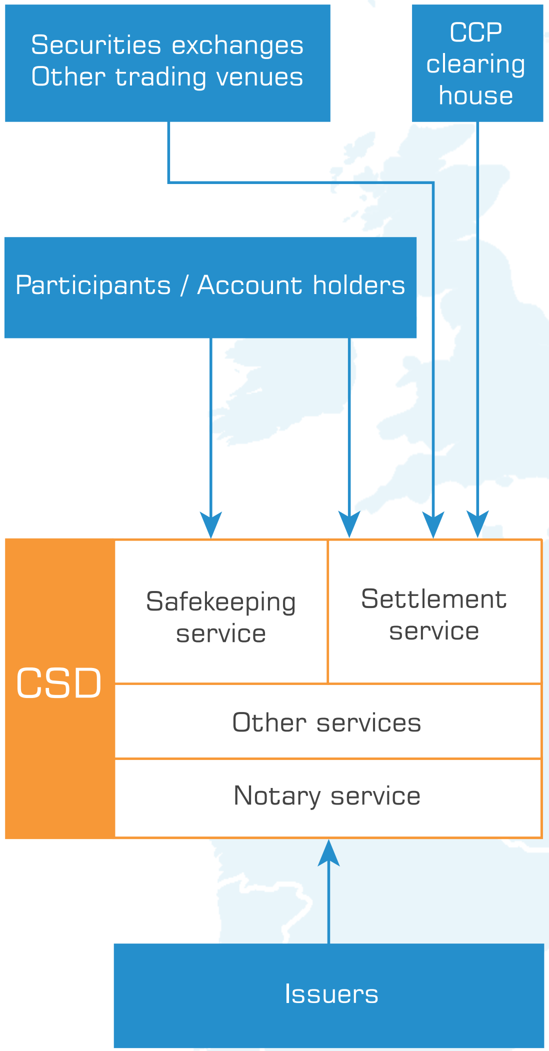
ECSDA

European Central Securities Depositories Association

Representing the CSD industry across Europe

CSDs in the securities processing chain



The role of CSDs as market infrastructures

A Central Securities Depository (CSD) is an entity which provides a central point for depositing financial instruments (securities) such as bonds and shares. CSDs' clients are financial institutions (custodian banks and brokers), rather than individual investors.

CSDs typically perform three main functions:

■ Issuance

CSDs constitute the first entry point for newly issued securities. Following the creation of new securities by issuers, they record the initial deposit. They typically also act as guardians of the integrity of the issue, making sure that at any point in time the number of securities initially created equals the total number of securities in circulation.

■ Settlement

CSDs operate technical platforms allowing for the settlement of securities transactions. In practice they reduce risk for the buyer and the seller of securities by offering simultaneous "delivery versus payment" (DvP), so that the cash is only paid to the seller once the securities are delivered to the buyer.

■ Safekeeping

CSDs also provide securities accounts to their participants and manage the rights and obligations linked to securities holdings. For example, they process dividend and interest payments based on the information received from the issuer.

Promoting harmonisation

Historically, CSD cooperation developed out of a need to facilitate cross-border securities transactions. Since its early days, ECSDA has worked to promote common communication standards within Europe and the establishment of links between CSDs.

Differences in national law, taxes, and market practices tend to render cross-border transactions less efficient and more costly than domestic ones. CSDs, via ECSDA, continue to play a leading role in promoting harmonisation, for example by participating in the design and implementation of European market standards in the field of matching, settlement, and corporate actions.

■■■ and safer markets

Like other financial market infrastructures, CSDs were established to reduce systemic risk and improve market transparency. They act as a central point of reference in the market and their systems are designed to ensure a high degree of security and operational reliability.

CSDs have proven highly resilient during recent periods of market stress. They have processed unprecedented transaction volumes smoothly while handling the bankruptcy of major market participants. They have a low risk profile and are strictly supervised by national, European and global regulators.