



How can EU clearing infrastructures and post-trade processing become more efficient? What role can intermediaries play?

Central counterparty clearing houses (CCPs) are essential infrastructures for efficient and safe financial markets. Thanks to the Markets in Financial Instruments Directive (MiFID), Europe has been very innovative in the clearing space. New pan-European CCPs have introduced price competition, and discussions on interoperability are picking up momentum.

There are two principles which should guide future progress:

1. CCPs should optimise costs by concentrating on their core business of managing flows, risks and margins with efficient collateral management. They should also ensure settlement at central securities depository (CSD) level in central bank money.
2. CCPs should increase safety and not create additional risk. Regulators must therefore ensure CCPs do not compete on risk. Using interoperability to compete for market share and critical mass creates new risks that have not yet been properly addressed. For example, should CCPs be exempt from each others' default fund? How and what collateral should be transferred between CCPs?

Intermediaries have an essential role to play in promoting efficiency in the EU post-trade arena. We are also major users of infrastructures and it is incumbent upon us to assist in forming their strategies and ensuring they operate efficiently. Users need to participate in relevant committees to ensure competent governance and management. Collective pressure is however necessary to be successful, and sometimes the support of public authorities is needed. TARGET-2 Securities is a key example of users' contribution in shaping an efficient EU post-trade landscape.

Intermediaries allow a broad community of financial institutions and institutional investors to access the world's capital markets. They cope with all the complexities and differences across financial markets. Our scale allows clients to transform fixed costs into variable costs. Our focus on promoting efficiency is important.

Eurofi is a European think tank dedicated to financial services, with the aim of building a fluid, efficient and secure EU single capital market. The newsletter was issued during the Eurofi's financial forum that took place in Gothenburg 29 September – 1 October 2010. Entitled What priorities for the incoming European authorities in light of the financial crisis? It was organised in association with the Swedish EU Presidency.

Jacques-Philippe Marson, chief executive of BNP Paribas Securities Services, was also a panellist on two of the forum's sessions: securities infrastructures, and regulation relating to harmonised investment funds and hedge funds.