

Restrictions on Locations of Clearing and Settlement in the European Government Bond Markets¹

I. Primary Market C&S Restrictions

All the Debt Management Offices (DMOs) at the exception of Ireland require the settlement of primary market transactions in the local settlement system *i.e.* the relevant domestic Central Securities Depository (CSD).

II. Secondary Market C&S Restrictions

1. Austria

- Trading²

The Austrian DMO is allowing several Platforms (BGC Partners, ICAP/BrokerTec and MTS Austria) to operate on its market since last summer and is in the process of agreeing its market rules.

- Post-Trading

The Austrian Federal Financing Agency does not require its Primary Dealers to settle the transactions on a specific CSD.

The Austrian Government debt traded through MTS Austria or ICAP/BrokerTec is cleared in LCH Clearnet Limited which then feeds settlement instructions into Euroclear Bank and Clearstream Banking Luxembourg. This is an option on MTS and mandatory on BrokerTec.

On BGC Partners the settlement may take place through Euroclear Bank or OeKB, the domestic CSD. BGC however does not have link with LCH Clearnet.

¹ This covers the following European Government Bond markets (15): Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Portugal, Slovenia, Spain, Sweden, the Netherlands and the United Kingdom. Furthermore, this appendice only covers inter-dealer cash electronic trading and not the repo nor the voice markets. In the case of voice trades, counterparties have the option of using LCH.Clearnet (via ETCMS). However, voice trades are normally done on name give up settled via the choice of (I)CSDs agreed either between the counterparties or with the broker as the case may be. Whilst there are no identifiable restrictions for voice interdealer trading, it has not therefore been added to the excel spreadsheet but it is worth noting that the total volume traded in European Government bonds is post-crisis likely higher than electronic volumes although no authoritative data is currently available. Finally the LCH.Clearnet facility (via ETCMS) was primarily set up for repo trades and is mainly used by the dealers on this market.

² Trading requirement upon the Primary Dealers should be understood as follows throughout the paper: trading on specific Platform(s) with respect of fulfilling their market making commitments and counting their volumes.

2. Belgium

- Trading

The Belgium DMO recognises three (3) Platforms on its market: BGC Partners³, ICAP/Brokertec⁴ and MTS Belgium⁵.

- Post-Trading

The Belgian Debt Agency does not require its Primary Dealers to settle the transactions on a specific CSD.

The Belgian Government debt traded through MTS Belgium or ICAP/Brokertec is cleared in LCH Clearnet which then feeds settlement instructions into the National Bank of Belgium (NBB) only. This is an option on MTS Belgium but mandatory on Brokertec. On BGC Partners the settlement may take place through Euroclear Bank or NBB, the domestic CSD. BGC however does not have link with LCH Clearnet.

3. Denmark

- Trading

The Danish DMO only allows one (1) Platform to operate on its market: MTS Denmark⁶. This follows a consultation (and a vote) of its Primary Dealers by the Danish DMO last year who decided to currently have only one platform operating on the Danish market as implied by the structure, the size and the nature of the Danish market itself.

- Post-Trading

The issuer does not impose restrictions on the settlement side for Crones or € denominated securities.

MTS Denmark, for Crones securities, sends settlement instructions to VP Securities, Euroclear Bank Brussels or to Clearstream Luxembourg depending on the choice of the user.

For €denominated securities, settlement is carried out by Clearstream Banking Luxembourg and Euroclear Bank Brussels. MTS Denmark however does not have link with a CCP on the Danish market.

³ For all the markets on which BGC Partners operates please see its [website](#).

⁴ For all the markets on which ICAP/Brokertec operates please see its [website](#).

⁵ More information: [MTS Belgium website](#).

⁶ Source: [Danmarks Nationalbank](#).

4. Finland

- Trading

The Finnish DMO is in the process of agreeing its market rules to allow more than one Platform to operate on its market⁷. Currently one (1) Platform operates on its market: MTS Finland.

- Post-Trading

The Finnish DMO does not require its Primary Dealers to settle their transactions through a specific CSD.

The settlement system on MTS Finland is conducted by Euroclear Bank and Clearstream Banking Luxembourg. LCH Clearent SA is also available as a central counterparty on MTS Finland.

5. France

- Trading

The *Agence France Trésor* (AFT) recognises two (2) Platforms on its market: MTS France⁸ and ICAP/Brokertec⁹.

- Post-Trading

The *Agence France Trésor* does not require its Primary Dealers to settle the transactions on a specific CSD.

The *Association des Marchés de Taux en Euros* (AMTE) who is in charge of agreeing the market rules together with the *Spécialistes en Valeurs du Trésor* (SVTs)¹⁰ states in the title 7 ‘the Conditions for Eligibility of the Platforms’ of its market rules under article 7.1 al 12, Admission Procedure, that ‘the Platform has an Euroclear account’. It is therefore not mentioned whether this account has to be Euroclear France or not. Nonetheless, *de facto*, the recognised platforms operating on the French market both provide settlement facility through Euroclear France (and not Euroclear Bank).

⁷ The Finnish DMO, following its Primary Dealers’ meeting last month, decided to move to a more open competitive multiplatform environment in the second half of 2009 recognizing BGC Partners, Eurex Bonds, ICAP/Brokertec and MTS Ireland as eligible Platforms on its market. This is for now subject to finalizing reporting and other relevant matters.

⁸ More information: [MTS France website](#).

⁹ For all the markets on which ICAP/Brokertec operates please see its [website](#).

¹⁰ The *Spécialistes en Valeurs du Trésor* are the Primary Dealers selected by the AFT to operate on the French market.

The two (2) recognised Trading Platforms both use LCH Clearnet SA which indeed only feeds settlement information to the Euroclear France. Participants may use LCH Clearnet on MTS France and do have to use it when choose to quote on Brokertec.

6. Germany

- Trading

There are three (3) Platforms operating on the German Government Bond market: Eurex Bonds; ICAP/Brokertec and MTS Deutschland¹¹.

- Post-Trading

The German Finance Agency does not require the members of its Bund Issues Auction Group to settle the transactions on a specific CSD.

In Germany, LCH Clearnet SA is available as a central counterparty on ICAP/Brokertec where participants have to use it and MTS Deutschland for which it's an option offered to the participants. On Eurex Bonds however the participants may use Eurex Clearing as a CCP and Clearstream Frankfurt, Clearstream Luxembourg or Euroclear Bank for the settlement of the trades.

ICAP/Brokertec and MTS Deutschland both as well offer settlement facilities on the domestic CSD, Clearstream Frankfurt, and the two (2) ICSDs, Clearstream Luxembourg and Euroclear Bank.

7. Greece

- Trading

The Greek DMO recognises two (2) Platforms on its market: HDAT¹² and MTS Greece.

- Post-Trading

The Public Debt Management Agency (PDMA) does require its Primary Dealers to settle their transactions through its domestic CSD *i.e.* Bank of Greece¹³.

There is no central counterparty facility available on HDAT or MTS Greece.

¹¹ Please visit [Eurex Bonds](#); [ICAP](#) and [MTS Deutschland](#) websites for more information.

¹² More information: [Bank of Greece website](#).

¹³ Please see Michael Michalopoulos response to the EPDA letter of 3 April 2008 which implicitly recognises the requirement of the Greek bonds to be settled through BoG: "The choice of only one settlement system for all the trading platforms has proved to be an adequate solution to [...] for the time being, although other possible solutions could be applied and we are open to any suggestions by market participants". We, the EPDA, however put in as 'unknown' in the mapping table as we were not able to refer to any official / legal source (it is not, for instance, mentioned in the Primary Dealers' contract).

8. Ireland

- Trading¹⁴

The National Treasury Management Agency (NTMA) currently allows two (2) Platforms to operate on its market: BGC Partners and MTS Ireland.

- Post-Trading

The Irish DMO does not require its Primary Dealers to settle the transactions on a specific CSD.

In Ireland, LCH Clearnet limited is available for MTS trades. LCH Clearnet SA feeds settlement information to Euroclear Bank and Clearstream Banking Luxembourg. On BGC Partners the settlement may take place through Euroclear Bank. BGC however does not have link with LCH Clearnet.

9. Italy

- Trading

The Italian Treasury allows one (1) Platform to operate on its market: MTS Italy¹⁵.

- Post-Trading

The Italian Treasury *de jure* does not require its Primary Dealers to settle their transactions through a specific CSD.

MTS Italy imposes the settlement to take place through Express II (*i.e.* Monte Titoli system) and reciprocally Monte Titoli only accepts matched buy/sell transactions submitted from an Italian regulated market *i.e.* MTS Italy.

In Italy, LCH Clearnet SA and CC&G are jointly available for MTS trades¹⁶ and therefore feeds settlement information to the local CSD only *i.e.* Monte Titoli.

¹⁴ Please see [the NTMA website](#) for more information.

¹⁵ MTS Italy is the only platform that has requested and obtained from the Italian Treasury the status of wholesale market for Government bonds as per articles 63 (2) and 66 of CLFI (Consolidated Law on Financial Intermediation; [Legislative Decree no. 58 of 24th February 1998](#)). MTS is therefore the only wholesale market for Treasury bonds *de facto* but not *de jure* as any management company which fulfils the requirements can, upon request, be qualified as a regulated market. However, if any trading platform may apply to be a regulated market in Italy, we have put this down as a restriction as it requires MTFs to become a regulated market in Italy to be recognised by the Treasury. This is an additional burden and therefore qualifies as a restriction. Currently, MTS Italy is thus the only trading system that operates as a regulated market in Italy and only links to Monte Titoli for settlement facility.

¹⁶ For Italian Government bonds and will be soon available for other securities (http://www.mtsspa.it/index_dynamic.html?http://www.mtsspa.it/content/about/settle.php).

10. Portugal

- Trading

The Portuguese DMO currently allows one (1) Platform to operate on its market: MTS Portugal¹⁷.

- Post-Trading

There is no specific requirement of the Portuguese DMO with regard to where the Government bonds have to be settled (*i.e.* no requirement to settle through the domestic CSD, *Interbolsa*).

In Portugal, LCH Clearnet limited is available for MTS repo market trades. LCH Clearnet SA feeds settlement information to Euroclear Bank and Clearstream Banking Luxembourg.

11. Slovenia

- Trading

The Slovenian DMO currently allows one (1) Platform to operate on its market: MTS Slovenia. This decision follows a vote from the Primary Dealers earlier this year who decided that the market was too small to allow more platforms to operate.

- Post-Trading

The Slovenian DMO does not have specific requirement with regard to where its Primary Dealers should settle their trades.

Settlement of trades in MTS Slovenia is performed by Euroclear Bank Brussels and Clearstream Banking Luxembourg. However there is no central counterparty available in Slovenia.

12. Spain

- Trading

The Spanish DMO allows two (2) Platforms to operate on its market: Senaf and MTS Spain¹⁸.

¹⁷ The Portuguese DMO intends to allow several platforms to operate on its market. In order to do so they needed a change in their financial law and this was done earlier this year. There are no further update with regard to the timeline so we put it as 'Y/N' in the excel spreadsheet with an orange background meaning that it's not yet open but not fully restricted either.

¹⁸ Please see [Senaf](#) and [MTS Spain](#) websites for more information. Moreover, further to a consultation with its Primary Dealers regarding the competition between electronic platforms in February and in accordance with the wishes of the majority, the Spanish Treasury decided to stick to its current model *i.e.* MTS Spain and Senaf being the only platforms allowed to operate on its market. The Debt Management Office confirmed to the EPDA that the Treasury considers this matter closed for the rest of this year so no further consultation will take place before 2010.

- Post-Trading

The Spanish DMO does request that the settlement of trades takes place through the CADE system which is part of the domestic CSD *i.e.* Iberclear¹⁹.

In Spain, there is no central counterparty available on MTS Spain and, as per the DMO's request, the settlement takes place through the domestic CSD, Iberclear. The CCP available on Senaf, Meffclear, feeds settlement information directly to the local CSD, Iberclear, for the same reasons (*i.e.* DMO's request).

13. Sweden

- Trading

The MTS system is available on the Swedish market. Moreover, the Swedish DMO requires Primary Dealers to maintain a secondary market on NASDAQ OMX Fixed Income segment.

- Post-Trading

The Swedish National Debt Office (SNDO) does not require its Primary Dealers to settle their transactions through a specific CSD.

There is no central counterparty available in Sweden (although there are ongoing discussions to put one in place) and the settlement of the trades take place through the domestic CSD, VPC.

14. The Netherlands

- Trading

The Dutch State Treasury Agency (DSTA) allows four (4) Platforms to operate on its market: BGC Partners; Eurex Bonds; ICAP/Brokertec and MTS Amsterdam²⁰.

- Post-Trading

The DSTA does not require its Primary Dealers to settle their transactions through a specific CSD.

¹⁹ For more information, please visit the [Spanish Treasury website](#). In its Primary Dealers' resolution, the Spanish DMO states that the settlement process has to be done through Iberclear so long that Iberclear does not establish links with any of the ICSDs: "*En tanto en cuanto la Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores (Iberclear) no haya establecido vínculos con otros sistemas de liquidación que aseguren la liquidación eficaz y económica de las operaciones, a juicio de los supervisores del Mercado de Deuda Pública en Anotaciones, según prevé el artículo 44 quinquies de la Ley 24/1988, de 28 de julio, del Mercado de valores, los sistemas deberán liquidar las operaciones que realicen los Creadores de Mercado entre sí en Iberclear*".

²⁰ Please see [BGC Partners](#); [Eurex Bonds website](#); [ICAP website](#) and [MTS Amsterdam](#) websites.

On BGC Partners the settlement may take place through Euroclear Bank and Euroclear Netherlands. BGC however does not have link with LCH Clearnet.

On Eurex Bonds the participants may use Eurex Clearing as a CCP and Clearstream Frankfurt, Clearstream Luxembourg or Euroclear Bank for the settlement of the trades.

On ICAP/Brokertec the Dutch debt is cleared in LCH Clearnet which then feeds settlement instructions into Euroclear Bank and Clearstream Banking Luxembourg (through link with LCH Clearnet).

Finally, LCH Clearnet is available for MTS Amsterdam trades. LCH Clearnet then feeds settlement information to Euroclear Bank and Clearstream Luxembourg.

15. United Kingdom

- Trading

The UK DMO allows four (4) Platforms to operate on its Gilt market: BGC Partners; Dowgate; ICAP/Brokertec and Tullett Prebon²¹.

- Post-Trading

In the Primary market, the UK DMO, in its [“A Guide to the Roles of the DMO and Primary Dealers in the UK Government Bond Market”](#) stipulates that “All Primary Dealer firms are expected to match the DMO’s settlement instructions in CREST, and to meet their commitments on the day and in good time”²².

In the UK, LCH Clearnet is available as a central counterparty on ICAP/Brokertec but however not on BGC Partners, Dowgate or Tullett Prebon. The settlement information is sent to the following (DCSDs depending on the Platform:

- BGC Partners offers settlement facilities on Euroclear Bank and on the domestic CSD, CrestCo; and
- Dowgate, ICAP/Brokertec and Tullett Prebon offer settlement facilities on CrestCo only.

Note – Trading Platforms imposing place of settlement:

Generally Trading Platforms impose a settlement location for trades on their Platform. The reasons behind this may be initiated by (i) the issuer; (ii) the Platforms’ commercial interest; or (iii) the participants themselves. This imposition restricts an Investor CSD from processing Trading Platform flows through the normal operation of an omnibus account. An investor CSD must receive an instruction before it is released to a domestic market if it is to be able to provision check the instruction at a customer level and to retain control of provisioning for both internal trades and external trades. Tactical workarounds can be put in place but they impose direct costs, operational costs, and reduced overall settlement efficiency.

²¹ Please see [BGC Partners](#); [ICAP website](#); [Dowgate](#) and [Tullett Prebon](#) websites for more information.

²² In the excel spreadsheet we put down a post-trading restriction *de jure* since the settlement of the trades, for the Primary Dealers, have to be done through CrestCo and this despite BGC Partners offering access to Euroclear Bank.

Annex

This annex overviews the feedback provided by both International Central Securities Depositories (ICSDs): Clearstream Luxembourg and Euroclear Bank.

I. Primary Market Comments

It was noted that some allow the use of an agent whilst others require the primary dealer to hold a direct account at the CSD.