

The Role of CSDs after the Financial Crisis

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1. Reflection on Lehman Shock

2. Features of Financial Crisis

(1) Markets

Banking Sector (Sub-Prime Loans)

→ Securities Markets (Leveraged Derivative Products)

→ Major Banks' Participation to Markets

→ Banking Crisis

(2) Risk

Leverage

→ High Risk / High Return

→ Exposure Widely Dispersed

(3) Infection

Spread Rapidly and Globally

3. Causes of Financial Crisis

(1) Failure in Risk Management of Individual Market Players

- Tighter Regulations (G-SIFIs)
- Avoid Taxpayer Burden, “Too Big To Fail”

(2) Failure in Risk Management of Overall Market → Macroprudence

- Global Market Surveillance System (G20 - FSB)
- Enhance Transparency, Prevent Spread of Bankruptcy Risk
→Mandatory Use of CCP in Derivative Trading, Creation of TR

4. Challenges for CSDs

- CSD10 in 2009 : “What’s Next?”
- Types of Market Infrastructure : Exchange, CCP, CSD
- Regulations : EU, CPSS-IOSCO
- Challenges for CSDs : Risk Management, Cost Reduction
+ Contribution to Ensure the Health of Markets
- Introduction of CPSS-IOSCO’s New Principles for Financial Market Infrastructures

5. Activities of WFC (the World Forum of CSDs)

- Process of Establishment
Interim Meeting → CCG (CSD Contact Group) → WFC (CSD11 in 2011)
- Activities
Comments to CPSS-IOSCO’s PFMI, AM and DF, Recovery and Resolution
- Working Group
Single Disclosure Project

6. Role of CSDs

(1) Risk Management, Cost Reduction

- Shortening of Settlement Cycle, DVP, STP, CA, Adoption of International Standards (ISO20022)

(2) Contribution to Enhance Market Surveillance, Transparency

- CSDs: Final Step in the Settlement Process
 - Market Data Come Together in CSDs
 - Assets for Overall Market

(3) Immobilization, Dematerialization

- Better Environment for Data Gathering
- Increase Market Efficiency, Improve Risk Management

7. CSD12 (in May 2013)

- St. Petersburg, Hosted by NSD (AECSD)

Thank you very much for your attention.

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