

ECB PRESS RELEASE

22 October 2008 - Evolution of the custody arrangement for international debt securities and their eligibility in Eurosystem credit operations

The Governing Council of the European Central Bank (ECB) has assessed new custody arrangements for international debt securities and their eligibility in Eurosystem credit operations. Following a recommendation by the Eurosystem, the two International Central Securities Depositories (ICSDs) – Euroclear Bank (Belgium) and Clearstream Banking S.A. (Luxembourg) – have designed, in cooperation with other market participants, new custody arrangements for international debt securities. Of these arrangements, the New Global Note structure for international debt securities issued in bearer form was introduced as early as 30 June 2006. Following on from this first step, new arrangements for the custody of other categories of international debt securities are now being developed.

For international debt securities in global registered form, the ICSDs, in cooperation with other market participants, have designed a new holding structure that aims, in particular, to create a direct relationship through dedicated agreements between the ICSDs and the issuers. The features for safekeeping the registered certificates and the enhanced reconciliation procedures have replicated those already in place for the New Global Note scheme, which was assessed as eligible in Eurosystem credit operations on 13 June 2006. The combined effects of these changes should increase the level of protection against custody risk.

The Governing Council of the ECB has assessed this arrangement and found it to be compliant with the Eurosystem's "Standards for the use of EU securities settlement systems in ESCB credit operations", subject to the conclusion of the necessary legal and contractual arrangements.

The new arrangement for international debt securities in global registered form will be offered by the ICSDs by 30 June 2010. Securities of this type issued after 30 September 2010 will only be eligible as collateral in Eurosystem credit operations if the new holding structure is used. International debt securities in global registered form issued before or on that date will be "grandfathered", i.e. they will continue to remain eligible until maturity.

To ease the transition, the ICSDs intend to inform market participants of the steps necessary for the implementation of this new scheme by means of brochures and dedicated web pages by the third quarter of 2009.

In the case of international debt securities in individual note form, the Governing Council of the ECB has decided that, because of their diminishing importance, these assets will be withdrawn from the list of eligible assets for Eurosystem credit operations. A grandfathering period ending on 30 September 2010 has been established, whereby securities of this type issued before or on that date will continue to be eligible for use as collateral until their maturity.

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