



**ASSOGESTIONI**

associazione del risparmio gestito

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**ASSOGESTIONI CONTRIBUTION TO THE COMMISSION'S CONSULTATION ON  
POSSIBLE INITIATIVES TO ENHANCE THE RESILIENCE OF OTC DERIVATIVE  
MARKETS**

Dear Mr Wright,

Assogestioni welcomes the opportunity to contribute to the debate on measures to improve the efficiency, safety and soundness of derivatives market and promote financial stability. As representative of investors, our association favours improved transparency and efficiency in a market segment that has gained a key role in the functioning of global markets.

We share the overall approach of the Commission proposal and the drive towards increased standardisation, development of central data repository and an enhanced role for CCP in the OTC market. At the same time we also appreciate the understanding by the Commission of the need to preserve flexibility and the attention toward the cost impact of the suggested measures. While the benefits of standardization of contracts and shifting of transaction volume to a centralized platform appear to outweigh the costs, it is essential to allow the option of bilateral trading between market participant when the needs of the parties in term of risk hedging cannot be suitably met by a standardized contract.

Assogestioni also appreciates the Commission attempt to achieve its policy objectives via business incentives and promotion of self regulation rather than exclusively by regulatory means.



As regards the specific issues raised by the consultation paper, please find our comments below:

#### **PROMOTING FURTHER STANDARDIZATION**

- **What would be a valid reason not to use electronic means as a tool for contracts standardisation?**

The move towards electronic means would represent a useful step towards contract standardisation, increased transparency and lower operation risk. However the use of electronic means to settle transaction and the standardization of legal terms does not, and should not, in itself mean the suppression of product diversity required to address specific risks.

It should also be considered that, as increased reliance on electronic tools would expand the market for electronic processing services, it is essential to ensure that fair and open competition is maintained within that market.

- **Should contracts standardisation be measured by the level of process automation?**

Although the level of process automation could give at least a partial indication of the level of standardization, it should be taken into account that different types of contract lend themselves to different degree of standardisation.

- **Should non-standardised contracts face higher capital charges for operational risk?**

Allowing companies to freely hedge their risks without having to incur in higher capital charges should better ensure the stabilisation of markets.

- **What other incentives toward standardisation could be used, especially for non-credit institutions?**

The use of CCPs and standardized contract would be in itself advantageous for investors who could avoid the lengthy and costly negotiation processes of agreeing a contract on a counterparty by counterparty basis.

#### **STRENGTHENING BILATERAL COLLATERAL MANAGEMENT FOR NON-CCP ELIGIBLE OTC DERIVATIVES**

- **How could the coverage of collateralised credit exposures be improved?**

Although centralization of clearing should remain the primary objective of the Commission initiative, the strengthening of bilateral collateral management should be pursued via the promotion of credit exposure coverage and more timely evaluation mark to market.

#### **CENTRAL DATA REPOSITORIES**

- **Are there market segments for which a central data repository is not necessary or desirable?**

Central data repository appear an effective tool to improve market transparency and efficiency of all OTC market segments.

- **Which regulatory requirements should central data repositories be subject to?**



Being the repository of a large and centralised set of market information would put Creps in a position that would require public supervision to prevent anticompetitive behaviour and use of information.

**- What information should be disclosed to the public?**

In view of the sensitivity of information on derivatives contract, public should have access only to aggregate data while regulator should be granted full access to all information.

**MOVE CLEARING OF STANDARDIZED OTC DERIVATIVES TO CCPS**

**- Do you agree that the eligibility of contracts should be left to CCPs? Which governance arrangements might be necessary for this decision to be left to the CCPs' risk committees?**

The assessment of eligibility of contracts should be left to CCP. However in order to prevent that risk management be hijacked by commercial objectives, appropriate governance should be imposed. In particular commercial and risk management functions should be kept separate and have distinct line of reporting.

**- What additional benefits should the CCP provide to secure a broader use of its services?**

To fulfil their potential CCP must offer benefits both to brokers and investors alike. To this aim CCP clearing arrangements should offer certainty of outcome and of collateral arrangements in the event of counterpart default and should envisage the possibility to look through the clearing member to the underlying clients.

**- Should bilateral clearing of CCP-eligible CDS be penalised and, if so, to what extent? Is there a need to extend regulatory incentives to clear through a CCP to other derivatives products?**

Reasons for not using the CCP should be identified and classified so to apply penalization only if appropriate and of the appropriate level.

**- How could European legislation help ensuring safety, soundness and a level playing field between CCPs?**

A European located CCP with suitable governance and transparency rules and rigorous supervision would help ensuring safety, soundness and fair competition between CCPs.

**INCREASE TRANSPARENCY OF PRICES, TRANSACTIONS AND POSITIONS**

**- Should MiFID-type pre- and post-trade transparency rules be extended to non equities products? Are there other means to ensure transparency?**

Any change to pre and post trade transparency would affect market behaviour and therefore requires a carefully and in-depth assessment.

**MOVE TRADING TO MORE PUBLIC TRADING VENUES**

**- How can further trade flow be channelled through transparent and efficient trading venues? What would be the appropriate level of transparency (price, transaction, position) for the different derivatives markets?**



A shift towards public trading venue appears to be appropriate for normal size and standard OTC derivatives while larger deals requiring higher level of confidentiality are likely to continue to be traded away from such venues. As standardization and the usage of CCP gains ground, transfer of trade to more transparent venues is likely to follow.

Assogestioni remains to the European Commission disposal to further discuss the issues above mentioned and to provide any clarification it may be required.

Yours sincerely

Fabio Galli  
Director General