



Securities Industry Association

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February 14, 2006

Via Electronic Mail to Andrew.Douglas@swift.com

Andrew Douglas
SWIFT
The Corn Exchange
55 Mark Lane
London, EC3R 7NE United Kingdom

Re: Elimination of Giovannini Barrier 1: Draft Protocol Recommendation

Dear Mr. Douglas:

The Securities Industry Association (“SIA”)¹, through its Cross-Border Subcommittee², appreciates the opportunity to comment on the Draft Protocol Recommendation for the removal of Giovannini Barrier 1.

The Cross-Border Subcommittee (subcommittee) addresses operational and regulatory trends, and proposals impacting the processing of securities transactions where one party involves a U.S. entity or client and the contra party involves an international element.

The subcommittee has carefully reviewed the document, as we also previously reviewed the original two Giovannini reports and SWIFT’s initial proposal document. We thank you for meeting with us about the SWIFT proposal last November as well.

¹ The Securities Industry Association brings together the shared interests of more than 600 securities firms to meet common goals. SIA member firms (including investment banks, broker-dealers, and mutual fund companies) are active in all U.S. and international markets and in all phases of corporate and public finance. Further information about the SIA membership, committees and initiatives are available on its website, www.sia.com.

² The Cross-Border Subcommittee is comprised of a subsection of representatives from SIA's Operations Committee. The Cross-Border Subcommittee is primarily a U.S.-based group of global and regional securities firms and banks. Several of our members join us regularly from Europe, in person or by conference call, and we also have U.S.-based representatives of non-U.S. entities. Our perspective, therefore, tends to be on the growth of global cross-border securities transactions.

We believe that the prospect of such a protocol on a regional basis in Europe is a promising initiative, and applaud you for taking on this harmonization challenge across the 26 EU markets. This proposed protocol seems likely to improve upon the current, fragmented infrastructure in that region. It seeks to address the main concerns of the Giovannini Group: that the EU financial market so far cannot be considered to be an integrated entity, because it remains a juxtaposition of markets. As the second report states, *“A financial market so fragmented not only does not perform its functions effectively, but also fails to attract investments from overseas.”*

The subcommittee intuitively believes that a common protocol within Europe should create cross-border efficiencies that are not in place today. We also recognize that if reduced infrastructure costs can be achieved in those 26 markets, these should eventually translate into lower clearing, settlement and asset servicing fees, which would be attractive for all market participants, even for non-European parties whose cross-border trades would not be covered by the protocol.

So, while European users must judge for themselves, we find the proposal encouraging. We do, however, expect that Europeans would need the promised quantitative cost-benefit and standards/messaging gap analyses to comprehend the full impact and judge the economic viability of the proposal. Since SWIFT will only release these pan-European market findings at the same time as the protocol is finalized in March 2006, we think it would be reasonable to anticipate some further refinements to the protocol and timeframes based on those findings.

In terms of your second question: “Will I support the implementation of this protocol within the identified timeframes?” we feel that this would be more appropriately directed to the European cross-border market participants and infrastructures who would be directly impacted by the proposal.

From an implementation standpoint, our general comments are that it would be useful in the finalized protocol to clarify how ISO 15022 and ISO 20022 would be expected to coexist. Further, the implementation timeframe, proposed to begin within two years for European infrastructure organizations, including Omgeo, may not be realistic without strong, concurrent industry demand and support.

Finally, as the subcommittee understands this initiative to be aimed at creating, in effect, a new domestic European protocol, we would suggest keeping in mind that what is driving the Giovannini process and this protocol is in fact European integration. It is difficult to predict how relevant this cross-border protocol would be for and among more autonomous markets outside the EU, if its expansion were proposed at a later stage. Any further globalization of this protocol would require a much enlarged industry consultation, including a global gap and cost-benefit analysis involving business and technology experts within global firms and infrastructures, and this subcommittee would want to actively participate in shaping and defining that subsequent model. Having said this, we will watch this proposal’s progress in the European markets with interest.

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In conclusion, the subcommittee is pleased to provide our response to this initiative and we look forward to continuing to work with SWIFT on any future efforts that warrant our inclusion. If you have any questions or would like to discuss any of these issues further, please contact the undersigned at 201-413-2577, or Richard Bommer, Director of Operations at 212-618-0529.

Respectfully submitted,

Margit Mason
Chairperson
SIA Cross-Border Subcommittee of the
Operations Committee

cc: Ira D. Hammerman, SIA Senior Vice President and General Counsel