



**Securities Industry Association**

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April 24, 2003

Mr. John G. Walsh  
Executive Director, G-30  
1990 M Street NW, Suite 450  
Washington, DC 20036

Re: The Group of Thirty Report on Global Clearing and Settlement

Dear Mr. Walsh:

The Operations Committee, the Straight Through Processing (“STP”) Committee, and the Cross-Border Subcommittee<sup>1</sup> of the Securities Industry Association (“SIA”)<sup>2</sup> are pleased to have the opportunity to provide the Group of Thirty (“G-30”) with comments on *Global Clearing and Settlement: A Plan of Action* (“the Report”).

We commend the G-30 for their efforts in formulating a comprehensive global framework for concerned parties in the private and public sectors to consider. We believe that the G-30 Report correctly focuses attention on important issues that will help facilitate more efficient cross-border trading, and that the Report will be a useful tool to help coordinate existing initiatives. We also believe that the G-30 is well positioned to help marshal and encourage public sector support in specific areas of the Report where such support may be warranted.

SIA has been engaged in a long-term project to facilitate straight through processing in the clearance and settlement of U.S. securities.<sup>3</sup> As such, we strongly advocate and are in

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<sup>1</sup> The Cross-Border Subcommittee is comprised of a subsection of representatives from SIA’s Operations Committee.

<sup>2</sup> The Securities Industry Association, established in 1972 through the merger of the Association of Stock Exchange Firms and the Investment Banker's Association, brings together the shared interests of more than 600 securities firms to accomplish common goals. SIA member-firms (including investment banks, broker-dealers, and mutual fund companies) are active in all U.S. and foreign markets and in all phases of corporate and public finance. According to the Bureau of Labor Statistics, the U.S. securities industry employs more than 700,000 individuals. Industry personnel manage the accounts of nearly 93-million investors directly and indirectly through corporate, thrift, and pension plans. In 2002, the industry generated \$214 billion in U.S. revenue and \$285 billion in global revenues. (More information about SIA is available on its home page: [www.sia.com](http://www.sia.com).)

<sup>3</sup> SIA defines STP as the seamless integration of systems and processes to automate the trade process from end-to-end – trade execution, confirmation and settlement – without the need for manual intervention or the

broad agreement with the end goals identified in the Report for a strengthened interoperable global network, risk mitigation and improved corporate governance in global clearing and settlement. SIA offers our ongoing support and assistance to the G-30 in achieving these goals.

We believe in particular that the harmonization of messaging standards, communication protocols, and reference data standards (G-30 recommendations 2 and 3) constitutes the linchpin of effective cross-border communication, and, as such, the implementation of those recommendations should be prioritized.

We would like to take this opportunity now to highlight our efforts as they pertain to some of the recommendations in the Report, and to identify those recommendations that we feel may benefit from public sector support.

### **Section I: Building a strengthened, interoperable global network**

Before addressing specific recommendations, we would like to thank the G-30 for including in your Report so many of the issues that our members raised in a meeting with you on August 30, 2001. These issues revolve around the fact that regulatory, market, and systems practices are not standardized, resulting in unnecessarily high costs of cross-border transactions. The August 2001 meeting was one in which you requested input from these member-firms about salient cross-border issues that affected them.

#### *Recommendation 1: Eliminate Paper and Automate Communication, Data Capture and Enrichment*

The dematerialization of physical certificates is one of the cornerstones of the SIA STP initiative. Dematerialization can be achieved while retaining all the functionality of physical certificates, including: independence of ownership, safety and security, collateralization, and shareholder communication and voting rights. Moreover, the SIA Physical Securities STP Subcommittee has identified significant cost savings to be realized through dematerialization that are related to the processing and safekeeping of physical securities. Our members have reported that in down markets, for example, occurrences of fraudulent paper in the form of counterfeit certificates increase, and that these certificates sometimes makes their way partially through the clearing and settlement system before they are discovered, resulting in downstream costs. These fraudulent papers also create expenses related to increased labor for investigations.

SIA is currently working with the New York Stock Exchange on the concept of an issuer converting, as of a certain date, to book-entry only registration of new purchases. Throughout 2003, SIA plans to continue to talk to issuers, targeting securities firms first, followed by key technology firms, with the goal of effectively communicating the merits of dematerialization.

Our goal is for the securities industry to lead in this effort by example, and we believe that this G-30 recommendation helps to provide further support for this effort. We also strongly support the point made in the Report that it is possible through education to overcome negative perceptions of dematerialization held by some retail investors. Our SIA STP Communications Subcommittee has established a new working group to draft industry and marketing materials on the benefits of dematerialization.

Although dematerialization is a matter of individual firm practice and will likely vary market by market, we believe that general recognition and acceptance of the merits of book-entry registration by public sector officials would be very useful, and we believe that the G-30 can provide significant help in this regard.

As for specific recommendations on how to proceed, we believe that it may be helpful to attempt to curtail the use of paper wherever possible without violating any existing regulations. Regulatory relief that allows for reports or other required communication in electronic format as opposed to paper may also aid dematerialization. One approach, if such regulatory relief is granted, could be to focus on the development of XML documents in a standard format that can be used and manipulated in an automated manner. We also believe that increased electronic communications among firms could involve some sort of electronic matching or “hub” solution.

*Recommendation 2: Harmonize Messaging Standards and Communication Protocols*

*Recommendation 3: Develop and Implement Reference Data Standards*

We wholeheartedly support the G-30 recommendations related to the adoption of common standards and protocols, specifically ISO 15022, XML, and the adaptation of XML to relate to specific types of business communications like market data. The three main issues surrounding global processing are indeed common reference data standards, messaging standards, and business practice standards. The SIA STP Institutional Oversight/Code of Practice Subcommittee has developed a draft code of practice relating to these three issues.

We would like to call attention to and commend the enormous progress made in this area due to the efforts of different organizations and working groups such as the International Securities Services Association (ISSA), The Financial Information Services Division ([FISD](#)) of the Software and Information Industry Association ([SIIA](#)), the Financial Information Forum (FIF), and the International Securities Association for Institutional Trade Communication-International Operations Association (ISITC-IOA), among others.

In fact, many of the principles and the direction that the report endorses have been at the heart of the mission and goals of ISITC since its inception in 1991. ISITC also wholly endorses and supports the objective identified in recommendation 2 and is committed to assisting the G-30, other industry organizations and their member-firms to this end.

Through the work of various STP committees, SIA has long seen messaging interoperability as crucial to achieving higher levels of Straight Through Processing. Open and consistent standards and IP-based protocols between entities in the securities industry can achieve full realization of this goal.

Like the G-30, SIA is therefore supportive of securities industry messaging standards. The specific initiatives most relevant to our members' clearing, settlement, and asset servicing businesses, include:

- ANSI's Accredited Standards Committee ASC X9, the U.S. securities industry standards body and U.S.-based ISO member/representative. X9 is involved in ISO's worldwide messaging and reference data standards initiatives in the securities business, including, but not limited to settlement and clearance.
- ISO 15022, as now implemented by Swift network participants and soon to be fully implemented by many SIA members, DTCC and Omgeo.
- ISO/TC68/SC4/WG10, the working group in charge of defining the new XML edition of ISO 15022. This includes the efforts to converge XML standards with groups like ISO 15022 and the U.S. National Numbering Agency.
- ISITC and the Securities Market Practice Group (SMPG), which are developing Codes of Practice based upon ISO 15022 in the areas of Trade Initiation & Confirmation, Settlements, Reconciliation and Corporate Actions.

An additional goal of SIA is to utilize our education and training tools, seminars, conferences and sub-committees to communicate and promote the importance of open, standardized messages and IP-based protocols to our member firms.

There was an additional area of concern discussed in the April 2001 meeting with you that relates to standards, which is the issue of multi-listed securities. Our members reported that with regard to multiple listings, there are currently no standards that address where trades should clear and settle (e.g., in the country of domicile, trading or where the settlement liquidity is). The lack of standards and unique securities identifiers for multi-listed securities and the lack of synchronization between the global clearing and settlement systems results in increased risk, lack of straight through processing, costly inventory management and increased fail rates.

There is confusion about how to satisfy customer segregation requirements in terms of investor protection. Costs are very high with respect to multiple listings across markets because processes related to these listings are, in some cases, manual. Specifically, these costs are a function of what our members refer to as a "multiple box issue," where trading arbitrage gains can be more than offset by difficulties in the settlement and asset servicing cycle. To monitor these growing problems and comply with regulatory requirements, members have had to resort to special coding, non-standard processing streams and exception reporting, all at high cost.

Synchronization and links between Central Securities Depositories (CSDs) have improved this process and the industry should strive to develop links between all global CSDs. All instruments that are traded should have an accurate and unique identifier that is well maintained, precise, available, and satisfy the full lifecycle of a trade, from decision making to execution, through settlement, reporting, valuation and position keeping. International industry organizations should focus on harmonizing the use of ISIN and using other standardized fields such as Market or MIC code, settlement or “PSET” code, for transactions involving multi-listed securities. A joint effort to examine these issues has recently begun between the Cross-Border Subcommittee and ISITC-IOA. Given the cross-border nature of these multiple box issues, the G-30’s interest would be welcome.

We believe that the process of acceptance and adoption of common standards and protocols is underway. We would also note that, however, when recommending specific time frames for implementation, we believe that it is extremely important to take into consideration the fact that many firms are in the position of having to undertake the large, complex, and costly project of reengineering legacy systems in order to take full advantage of the benefits of common standards and protocols.

*Recommendation 4: Synchronize Timing Between Different Clearing and Settlement Systems and Associated Payment and Foreign-Exchange Systems*

We agree with the G-30’s assessment that payment and currency-exchange settlement is not always synchronized with securities settlement, and that such payment and settlement systems should be more closely linked. We would like to note, however, that the ability to link these systems is potentially complicated by the fact that approximately two-thirds of currency trades are not related to securities transactions.<sup>4</sup> Therefore, if this recommendation is to be implemented, clearing organizations must begin to explore the costs and benefits of offering multi-currency functionality alongside securities settlement.

*Recommendation 5: Automate and Standardize Institutional Trade Matching*

We strongly agree with the G-30 estimation that automated and standardized institutional trade matching is fundamentally important to cross-border trading. Moreover, we believe that successful implementation of G-30 recommendation #2 may, to some extent, be a prerequisite to the successful implementation of matching.

Throughout the rest of 2003, there will be a significant push in the U.S. domestic matching effort. The SIA STP Business Practice and Matching Implementation Subcommittee is working with Omgeo LLC to compile a user specification document for domestic matching, to be released in May 2003. Moreover, the SEC has approved Omgeo’s Central Trade Match (CTM) system, which is already currently available for cross-border business. We would also draw attention to the fact that DTCC has implemented a Real Time Trade Matching (RTTM) system for fixed income products.

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<sup>4</sup> For more information, please see [http://www.sia.com/stp/pdf/Foreign\\_Exchange\\_White\\_Paper\\_v6.0.pdf](http://www.sia.com/stp/pdf/Foreign_Exchange_White_Paper_v6.0.pdf).

One additional area of concern that was brought up by our members in the April 2001 meeting with you is the issue of international mutual funds. Our members noted that there is a lack of an international centralized and standardized transaction processing system for them, despite the fact that interest in these funds has been growing steadily over the past five years.

We believe that matching is one area in which public sector acceptance and support spearheaded by the G-30 would be most useful, primarily because some buy-side market participants have been reluctant to work actively toward that goal.

*Recommendation 6: Expand the Use of Central Counterparties*

SIA agrees with the G-30 that competition between multiple clearing organizations along with the lack of a central counterparty results in inefficiencies. We feel strongly that centralizing a CCP facility at least within each region would improve the efficiency and lower costs of cross-border clearance and settlement. Our members report that in some markets there exist high costs of trade-for-trade settlement through agent banks, (where net settlement through a CCP would be more efficient), a great lack of uniformity of market practices, and in some cases, multiple central counterparties with different capital requirements. Therefore, we believe that consolidation or seamless interfacing among CCPs should be prioritized and encouraged.

*Recommendation 7: Permit Securities Lending and Borrowing to Expedite Settlement*

We support public sector action in those countries that do not currently permit securities lending to rectify that situation, as such lending performs an important role in the global marketplace, and we believe that the joint CPSS/IOSCO committee of central bank and securities regulators could be a useful resource in this regard.

We have found that one element of U.S. stock lending in particular has largely been conducted manually between firms: stock loan recalls. One important part of the STP project is the automation of that process, in which DTCC will play a key role by operating a stock loan recall “hub” that will support communications between users of different vendor systems. The delivery of the Automated Recalls Management System (“ARMS”) is slated for the second quarter of 2003.

*Recommendation 8: Automate and Standardize Asset Servicing Processes*

SIA agrees with the G-30 that the standardization of asset servicing processes is crucial to efficient cross-border clearing and settlement. We further believe that any solution that automates or standardizes these processes should facilitate interoperability, or the ability of members using different vendors to communicate seamlessly with one another. An electronic hub, as discussed above, is one example of such a solution. Our members report that both corporate actions and tax reclaim processes and documentation need to

be standardized and harmonized, as they both represent significant operational issues for firms.

The Corporate Actions process continues to be one of the most challenging and least standardized processes in the securities industry worldwide. It is one of the most risk intensive of all Operations areas, and can affect anywhere from hundreds to hundreds of thousands of clients simultaneously. For this reason, the SIA STP Corporate Actions Subcommittee is designing a hub similar in structure to the stock loan recall hub, called the Corporate Actions Announcements and Liability Notifications Hub, to automate and streamline corporate actions procedures. This hub is scheduled for delivery in the first quarter of 2004.

## **Section II: Mitigating Risk**

### *Recommendation 9: Ensure the Financial Integrity of Providers of Clearing and Settlement Services*

SIA agrees that the financial integrity of providers of clearing and settlement services, including those that self-clear, should be assured. Strong internal governance is always crucial, but even more so in these times of unprecedented volatility. We note that user or member-governance is one model that has been used very successfully.<sup>5</sup>

We also encourage transparency in accounting, but agree with the G-30 that public entities should coordinate with one another to ensure that their required disclosures do not overlap with one another and create an undue regulatory burden on the firms.

### *Recommendation 10: Reinforce the Risk Management Practices of Users of Clearing and Settlement Service Providers*

SIA supports the continuing efforts of all market participants involved in every aspect of the trade cycle to hone their risk management procedures. Moreover, in the last decade there has been innovation and improvement in risk management techniques and systems. We see risk management as a key priority for clearing and settlement service providers but would expect that their Boards and regulators would have the greatest responsibility to protect the interests of users. We would also caution that public sector officials looking to bolster risk management procedures for different financial organizations with regulation should keep in mind that best practices for effective risk management will vary widely depending on the specific nature of the organization and its operations.

Documents such as “Sound Practices for the Management and Supervision of Operational Risk,” however, released in February 2003 by the Bank of International Settlements as it relates to the Basel II Capital Accord can be useful to management and Boards in particular as a general benchmark in operational risk management processes.

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<sup>5</sup> See, for example, [www.optionsclearing.com/default.jsp](http://www.optionsclearing.com/default.jsp), or [www.dtcc.com](http://www.dtcc.com).

*Recommendation 11: Ensure Final, Simultaneous Transfer and Availability of Assets*

We strongly endorse the recommendation that settlement systems provide effective DvP with full transparency regarding finality of transfer. We also agree that the optimum arrangement will depend on the factors noted in the Report, “including available technology and communication infrastructure, the number and value of transactions, the systemic importance of the market to the world financial system, and the business and operational models of other market participants and related payments systems.”

However, the Report also states that real-time settlement systems “can offer the greatest certainty by providing simultaneous and immediate transfer for securities and cash.” The Report goes on to state that systems that “offer real time transfers of securities followed by net cash payments at the end of each working day (or intraday) offer a lower level of certainty...” We feel that these statements come close to stating that there is a single “best” method of effecting settlement, irrespective of individual market circumstance. As you know, there have been enormous strides that national and global markets have made to provide certainty, finality and transparency in securities settlements that are also adapted to individual market circumstances. Certainty in securities settlement is a product of secure operations, market stability and enforceable legal arrangements. Without these basic features, a simultaneous exchange of securities and cash may provide conceptual finality, but not necessarily certainty of result.

Because it may be impractical for a single approach to be the most efficient for all markets and types of transactions, including cross-border settlements as one example, market participants should be able to interpret this recommendation as liberally as risk-managed tools will allow. We believe that the recommendation must be seen as encompassing a wide range of intermediate financing, risk-management and liquidity-enhancing tools as interim equivalents to real-time settlement, among them multilateral netting; securities lending, triparty, and repurchase agreements; foreign exchange transactions; and credit and collateralization. Many of these tools are already referenced in the G-30’s other recommendations.

*Recommendation 12: Ensure Effective Business Continuity Planning and Disaster Recovery Planning*

We agree with the G-30 that widespread coordination is key to any business continuity planning (BCP) and disaster recovery efforts. Regarding efforts within a national market, the U.S. securities industry has made great progress in the areas of business continuity planning and disaster recovery following the events of September 11<sup>th</sup>. In 2002, there was an enormous amount of information-sharing related to business continuity planning among financial services organizations. The SIA BCP Committee, for example, is comprised of more than sixty member-firm, exchange, and utility representatives. Moreover, on March 4<sup>th</sup> of 2003, 23 financial services trade associations, financial institution utilities and exchanges announced the legal formation of a council created to help protect America's financial infrastructure, called the Financial Services Coordinating Council, LLC.

Coordination between public and private sectors is especially crucial for effective protection of the financial markets. A white paper, *Sound Practices to Strengthen the Resilience of the U.S. Financial System*, was jointly issued in draft August 2002 and finalized in April 2003 by the Board of Governors of the Federal Reserve System, the Comptroller of the Currency, the Securities and Exchange Commission, and the New York State Banking Department with their preliminary conclusions on factors affecting the resilience of the financial markets in the event of another large-scale disruption in financial markets' operations. The Bond Market Association (BMA) and SIA responded to the white paper with a joint comment letter.<sup>6</sup> The associations recommended that the specifics of risk-management decisions should be left to individual firms, due to the fact that BCP and disaster recovery is by its nature not compatible with a "one-size-fits-all" approach.

In September 2002, the SIA BCP Committee also released a set of Best Practices Guidelines for firms' use in their own planning efforts.<sup>7</sup> These guidelines address three main categories of activities: **1) Business Continuity Program**, **2) Recovery Strategies**, and **3) Recovery Resources**. In May 2002, the Committee released a "Lessons Learned" document, a collection of individual observations of people responsible for ensuring business continuity at their firms.<sup>8</sup> This document records fourteen categories of observations, including transportation, technology, testing, strategy, people, scenario, plan, life/safety, interdependencies, insurance, communications, awareness, and assembly/command center.

The SIA BCP Committee also oversees industry testing, which is used to ensure that all financial services industry participants will be able to simultaneously activate work area recovery and data center recovery plans from alternate or backup sites. Testing also serves to maximize the confidence within the industry, within regulatory agencies, and on the part of the public in the fact that the industry can quickly recover from a widespread outage with minimal disruption to the financial markets. This type of testing is, however, neither used to test individual firms' recovery times, nor is it a replacement for firms conducting internal tests of their own business continuity plans and strategies.

With regard to cross-border efforts, we note that the International Securities Services Association (ISSA) conducted a BCP working session at their 2002 Symposium. Participants concluded that each national market should create a "market stability group" that will come up with its own business continuity framework. They note that a similar process could be implemented at the international level, and where relevant (e.g. Europe) at the regional level.<sup>9</sup> ISSA also recommends, among other things, focusing on the

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<sup>6</sup> To view the white paper and the comment letter, please see [www.sec.gov/rules/concept/34-46432.htm](http://www.sec.gov/rules/concept/34-46432.htm) and [http://www.sia.com/2002\\_comment\\_letters/pdf/WhitePaperFinal.pdf](http://www.sia.com/2002_comment_letters/pdf/WhitePaperFinal.pdf) respectively.

<sup>7</sup> To view these SIA Best Practices in full, please see [www.sia.com/business\\_continuity/pdf/bestpractices.pdf](http://www.sia.com/business_continuity/pdf/bestpractices.pdf).

<sup>8</sup> This document is also available on SIA's website, [www.sia.com](http://www.sia.com), under "Key Issues - Business Continuity."

<sup>9</sup> See [www.issanet.org](http://www.issanet.org) for ISSA Symposium Reports that address BCP issues.

resiliency of crucial technology vendors in the financial system and on the maintenance of one's BCP plans so that they stay current.

*Recommendation 13: Address the Possibility of Failure of a Systematically Important Institution*

We agree with the G-30 that the possibility of failure of a "systematically important" institution should be addressed. We believe that one of the first steps is for each nation to identify its own key organizations. In the white paper released by U.S. federal authorities, for example, there is a distinction made between "core" industry participants and "significant" industry participants.

The U.S. federal authorities define systemic risk as the risk that the failure of one participant in a transfer system or financial market to meet its required obligations will cause other participants to be unable to meet their obligations when due, causing significant liquidity or credit problems and threatening the stability of financial markets. The organizations that could present such systemic risk should they be unable to recover and resume critical activities include core clearing and settlement organizations.

The agencies define core clearing and settlement organizations as market utilities that provide critical clearing and settlement services for financial markets and large value payment system operators. Core clearing and settlement organizations also consist of firms that provide similar critical clearing and settlement services for critical financial markets in sufficient volume or value to present systemic risk in their sudden absence, and for whom there are no viable immediate substitutes. Firms that play significant roles in critical financial markets are defined as those that participate in sufficient volume or value such that their failure to perform critical activities by the end of the business day could present systemic risk.

The agencies define critical markets as those markets that provide the means for banks, securities firms, and other financial institutions to adjust their key cash and securities positions and those of their customers in order to manage significant liquidity, market, and other risks to their organizations. Critical markets also provide support for the provision of a wide range of financial services to businesses and consumers.

*Recommendation 14: Strengthen Assessment of Enforceability of Contract*

*Recommendation 15: Advance Legal Certainty Over Rights to Securities, Cash or Collateral*

*Recommendation 16: Recognize and Support Improved Valuation Methodologies and Closeout Netting Arrangements*

We agree with the G-30 focus on legal certainty and contracts as fundamental to the safety and soundness of global clearing and settlement. While these are clearly issues that depend on the effectiveness of the public sector and judiciary in question and will manifest themselves differently in different markets, we believe that the Hague

Convention has made progress toward multilateral solutions and may be utilized as a resource.

Along with G-30, SIA is pleased that the text of the Hague Convention has now been finalized. It is designed, in the case of pledges of securities held through indirect holding systems such as depositories, to allow one to determine with far greater certainty than is currently possible, which country's law must be complied with when one seeks to perfect a pledge. The focus in the Convention is on the law of the "primary relevant intermediary." As signed by the delegates on December 13, 2002, the Hague Convention reflects the three significant points that the SIA Operations Committee raised in a comment letter.<sup>10</sup> We sent that letter to encourage the Hague Conference to determine a "solution" that would lead to as little cost and as little risk for the industry as possible.

For the Hague Convention, the next step is for it to be adopted by all countries (including the U.S.). In the U.S., for example, we will seek to have our Senate recommend to President Bush that he sign the Convention, and then will seek to have him or his delegate sign the Convention as soon as possible. All nations, whether or not they are members of the Hague Conference, will be allowed to sign the treaty. We think it will be beneficial to all industry members for their nations to join in signing it.

Yet some issues relating to insolvency protection in bankruptcy remain uncertain and beyond the rulemaking capabilities of clearing entities -- for cross-border settlements and collateral. While central counterparties and settlement entities' arrangements with their domestic participants are usually very secure, there could be significant permutations of country-by-country issues concerning net settlement and collateral, especially when a foreign parent entity's branch or subsidiary participates in another country's domestic system. Protection from foreign bankruptcy cannot be assumed among other countries, including the U.S. We would encourage the G-30 to pursue this issue as a continuing part of its Legal Certainty agenda.

### **Section III: Improving Governance**

*Recommendation 17: Ensure Appointment of Appropriately Experienced and Senior Board Members*

*Recommendation 18: Promote Fair Access to Securities Clearing and Settlement Networks and Services*

*Recommendation 19: Ensure Equitable and Effective Attention to Stakeholder Interests*

*Recommendation 20: Encourage Consistent Regulation and Oversight of Securities Clearing and Settlement Service Providers*

SIA wholeheartedly supports the G-30 recommendations in this section. We would like to highlight in particular recommendation 18, fair access to securities clearing and settlement networks and services. Our members report that there exist numerous obstacles that prevent remote and/or direct access to CSDs in other markets. Moreover,

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<sup>10</sup> See [http://www.sia.com/2002\\_comment\\_letters/](http://www.sia.com/2002_comment_letters/) under "Hague Conference."

they report that in some markets there appears to be a lack of agreement around what CSD functions should be provided by a utility and what services are value-added. We would only note in conclusion that with regard to the governance recommendations, it is often the case that there is adequate regulation in place that address governance issues, and that effort may be more usefully directed toward more effective enforcement of those regulations.

We would like to thank your distinguished members for their work on the Report and for raising the profile of the issues related to global clearing and settlement in general. We appreciate the opportunity to provide you with some of the details of our work on the various issues that you address in the Report, and we hope to engage in continuing dialogue and coordinated efforts with the G-30 and other concerned organizations.

Sincerely,

Donald D. Kittell  
*Executive Vice President, SIA*

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Ernest A. Pittarelli  
*Chair, SIA Operations Committee*

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