

Selective Compliance

Some practices and models recommended by two major international securities standards groups are followed more than others. A survey of central depositories reveals.

Four of the eight procedures recommended by the Group of 30 to reduce clearance and settlement risk are followed by more than 70 percent of roughly 70 depositories surveyed. The four are: trade comparison for direct participants, delivery versus payment, same-day funds and ISIN numbering. Less than half the respondents said they follow the recommendations for trade comparison for indirect participants and securities lending and borrowing.

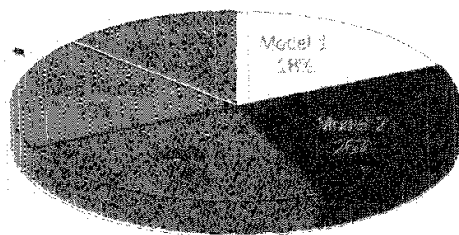
The survey by Thomas Murray Ltd., a London-based consultancy, also showed that the most common of the settlement processes developed by the Bank for International Settlements among the depositories is Model 2, the gross simultaneous settlement of securities followed by net settlement of funds. Among depositories using Model 2 are Germany's Deutscher Kassenverein, Mexico's Indeval and the Canadian Depository for Securities.

The second most common process, Model 3, used by the U.S. Depository Trust Co., Australia's Chess and Italy's Monte Titoli, is the simultaneous net settlement of securities and fund transfers. Model 1, the gross simultaneous settlement of securities and funds transfer, is used by the U.K.'s Crest and Switzerland's Segal.

Some depositories use "mixed models," operating more than one process. For example, Austria's central depository uses Model 1 for over-the-counter trades and Model 3 for exchange-listed securities. The "other" category in the survey refers to depositories, such as Japan's Jasdec, that mostly follow their own processes. ■

—Chris Kentours

Percentage of 72 respondents that follow process models developed by the Bank for International Settlements



Percentage of depositories that comply or plan to comply with each of the Group of 30 recommendations to reduce clearance and settlement risk

