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## LuxCSD: a new Central Securities Depository for Luxembourg

Luxembourg's central Bank, the Banque centrale du Luxembourg and Clearstream, the Luxembourg-based ICSD today launched LuxCSD, a new central securities depository service for Luxembourg and beyond.

LuxCSD will allow for settlement of securities transactions in central bank money reducing risk for financial market participants

With live operations planned to start in the first half of 2011, LuxCSD aims to prepare Luxembourg's financial market infrastructure for the launch of Target2 Securities (T2S), the settlement system that the European Central Bank wants to introduce in 2014.

LuxCSD will provide issuing and central settlement and custody services for securities of all types, including investment funds. It will be incorporated in Luxembourg and will initially be owned jointly by Clearstream and the BCL. The capital of LuxCSD will be open to prospective customers and to other members of Luxembourg's financial infrastructure

LuxCSD will be operated by Clearstream and regulated in the category of non-bank Financial Sector Professionals (*Professionnel du secteur financier* or PSF). It will supply:

- Primary deposit services for issuers of debt and other securities
- Distribution of investment fund units which LuxCSD will hold through the community of transfer agents in Luxembourg and elsewhere
- Secondary settlement of securities and funds deposited in LuxCSD and on a planned settlement link to Clearstream's ICSD, Clearstream Banking Luxembourg
- Delivery versus payment (DvP) settlement against participant cash accounts held with the Eurosystem<sup>1</sup> via an ancillary systems interface to the Target payments system to be provided by the BCL
- Custody and asset servicing with service levels modelled on those offered by Clearstream's ICSD
- Reporting and on line connectivity in ISO 15022 via Clearstream's Creation On-Line suite of products.

Luxembourg is a leading centre for the issuance and distribution of investment funds with EUR 1.8 trillion of net assets. It is also the pre-eminent centre for cross border collateral securing monetary policy operations with 38% of all cross-border collateral being pledged to the Eurosystem via Clearstream Banking Luxembourg and the BCL<sup>2</sup>. Until now, the open and international character of Luxembourg's financial centre has been best served by commercial bank money settlement, with the cash side of DVP distributions and settlements taking place over accounts in the ICSD. Clearstream and the BCL believe that the development of T2S coupled with other significant market and regulatory initiatives make the case for introducing central bank money settlement in Luxembourg. T2S will bring a single integrated process across Europe for DVP settlement in Euro cash. LuxCSD's offering in central bank money settlement will thus add an important complement to the financial centre going forward.

Yves Mersch, President of the BCL, said "LuxCSD will permit Luxembourg market participants to benefit from securities transactions settlement in central bank money. This will permit a reduction of risk and is

<sup>1</sup> The ECB and the national central banks of all euro area countries.

<sup>2</sup> Source; ECB

welcome. LuxCSD will also allow Luxembourg market participants to connect to TARGET2 Securities, a very important Eurosystem project aiming at the reduction of market fragmentation in the European securities settlement landscape.”

Jeffrey Tessler, CEO of Clearstream International said that “LuxCSD is a CSD in the new mould. It will offer custodians and distributors across Europe excellent custody and added value services built on top of a highly efficient settlement process with access to a large range of counterparties. We believe that LuxCSD will form a core element of Luxembourg’s proposition for years to come”.

#### Contacts

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