

THE ASSOCIATION OF GLOBAL CUSTODIANS

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26 November 2008

Via Electronic Transmission

European Central Bank
Secretariat Division
Kaiserstrasse 29
D-60311 Frankfurt am Main
Germany

**Re: Initial Public Consultation, 1 September 2008, on the
Eurosystem Single Interface**

Dear Sirs:

We write on behalf of the Association of Global Custodians ("Association") to convey the Association's views regarding the European Central Bank's ("ECB") proposal for the Eurosystem Single Interface ("ESI") as described in the ECB's Initial Public Consultation paper, dated 1 September 2008. Association member banks are major parties to very high volumes and values of payments relating to cross-border investment activity of institutional investors, including in European markets. The Association therefore supports the overall objective of a single, synergistic Eurosystem interface that would integrate efficient and reliable cash transactions, securities settlement payments, and collateral management; and we concur with the general statements of the Five High-level Principles (Communications Channels, Functional Scope and Consolidated Overview) set out in the consultation paper.

General Comment. At this initial stage, we address primarily the issues relating to communications channel development and implementation. We understand the ECB's interest in enabling development of multiple access channels, provided such development efforts ensure efficient connectivity to all the integrated functions without increasing costs to non-users. We underscore, however, that Association members today use SWIFT for a major portion of their current communications, including T2 communications and much of the current inter-bank communications that support the business of global custodians. Given that business reality, members will necessarily have those existing dependencies in view when leveraging the ESI; and we strongly

THE ASSOCIATION OF GLOBAL CUSTODIANS

European Central Bank

26 November 2008

Page 2

encourage the ECB to ensure that SWIFT serves as the ESI's primary communications channel.

In addition, the Association supports the concept expressed in Principle 5 of a consolidated overview capability across the three components of the ESI – cash, securities and collateral positions. We agree that careful analysis will be necessary to fully model the costs, benefits and service levels that are implicit in this overview capability. Association members would welcome the opportunity for further dialogue on this element -- or other ESI details -- as your analysis and planning go forward.

Supplemental Comments

- ☐ We encourage the development of a lean technical design without the addition of new layers between bank applications and ECB system platforms.
- ☐ ESI development should ensure that existing banking architecture (such as what has been already developed for T2) does not become redundant with the development of new interfaces; investment costs already incurred should not be sacrificed.
- ☐ Communication channels should follow internationally-recognized standards.
- ☐ Communication channels should be supported by strong business contingency planning; range of access functionality for a Eurosystem service that is available through a dedicated channel must be linked with appropriate levels of risk management to ensure that all services remain operable.
- ☐ Communication channels must be sufficiently secure to promote user access confidence; user privacy and confidentiality requirements are essential.
- ☐ As noted above, Association members favor a model that employs a single communications provider. For that role, SWIFT is recommended because of its demonstrated reliability and broad-based usage and dependencies. Banks continue to make significant investments in SWIFT connections and standards development and, given that, should not be required to invest in alternate communication channels.
- ☐ Any development of an alternate communication channel should be based on a demonstrated business case. In addition, alternate channels should be optional, and non-users should not have to bear related operating costs.

THE ASSOCIATION OF GLOBAL CUSTODIANS

European Central Bank

26 November 2008

Page 3

- ☐ Value-added network services beyond basic communication services should undergo effective cost/benefit analyses, should demonstrate user need, and must not affect the efficiency or reliability of core interface functionalities.
- ☐ Consolidated data views/formats should be carefully designed so that users have an effective means to track transactions through the three operational component services (cash, securities and collateral).
- ☐ Retrieval of data reporting should be in formats that are compatible (e.g., SWIFT) with the internal systems of users.

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The Association appreciates the opportunity to submit our members' views on this initiative at this initial stage; and we look forward to further dialogue with the ECB on this matter. If you have questions, please contact the undersigned at 312.861.2620.

Sincerely yours,



Dan W. Schneider
Baker & McKenzie LLP
Counsel to the Association