

**Market consultation on a potential Eurosystem initiative regarding a European mechanism for the issuance and initial distribution of debt securities in the European Union**

The NL market's reaction to the ECB's consultation 28 May 2019

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DACSI is the principal trade association in The Netherlands for the securities industry. Our aim is to promote and improve the smooth functioning of "securities post-trade": we strive for an efficient and effective infrastructure for the securities and derivatives markets. We do so by coordinating between providers and users of the securities infrastructure and by advocating the Dutch interests with relevant institutions, including the domestic and European legislators and supervisors.

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The European Central Bank (ECB) has invited market participants to provide views on all matters described in its consultation of 28 May and in particular on the specific questions at the end of each section.

Although our members include users and providers of securities infrastructure, several of them also acting as agent in the primary issuance process, the pivotal role in expressing our views in this consultation is that of **custodian**. Members' views from other perspectives – e.g. that of CSD or agent – will be expressed via their respective associations.

As requested, we provide our feedback by e-mail to [EDDI.Initiative@ecb.europa.eu](mailto:EDDI.Initiative@ecb.europa.eu).

***We agree with the publication of any related personal data included in the comments on the internet.  
We declare that we have obtained consent for the publication of such personal data from the involved persons.***

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## 1. Introduction

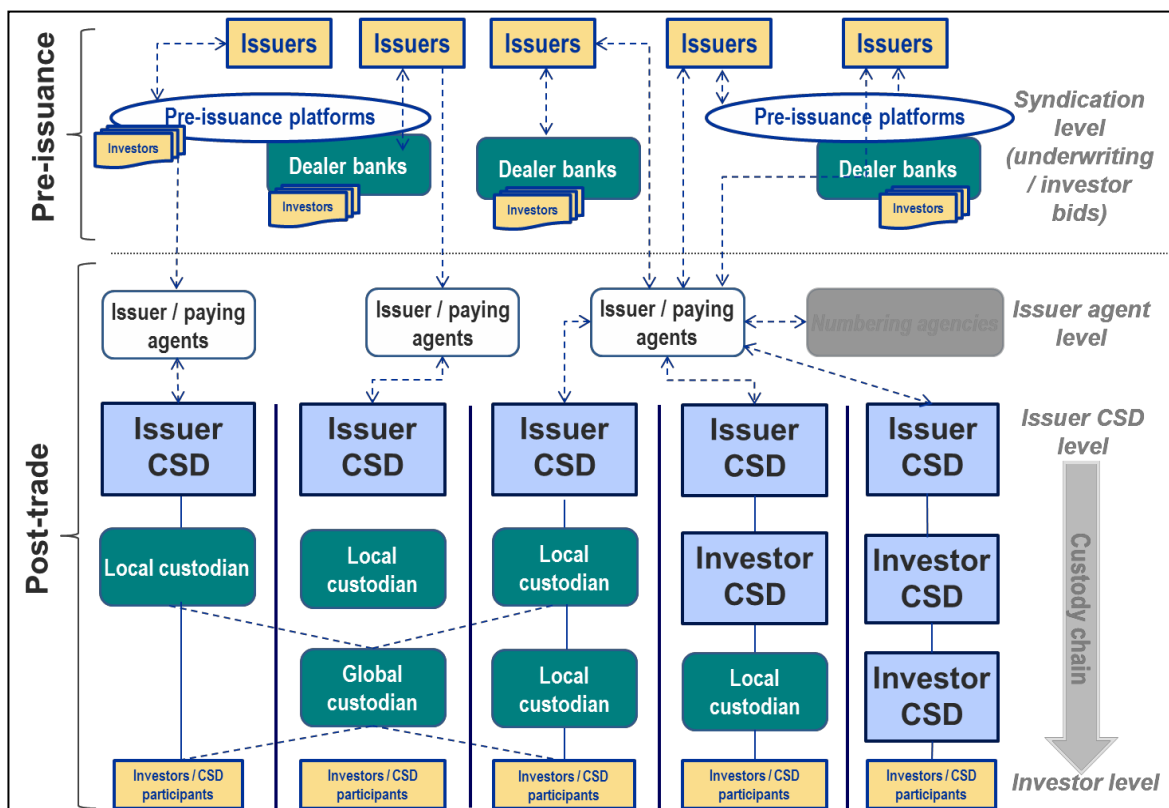
In a truly integrated financial market, the issuance, trading, clearing and settlement of a financial instrument should neither be affected by the location of the instrument itself, nor by the location of the counterparties involved in a transaction in the instrument. This is a fundamental characteristic of a single financial market.

While several developments have taken place in the European Union (EU) in the area of financial market infrastructures regarding securities settlement, e.g. the CSD Regulation and TARGET2-Securities (T2S), there has not been similar progress at the issuance level towards fostering harmonisation and integration in Europe. At the current stage, there is no pan-European, neutral and harmonised channel for the issuance and initial distribution of debt securities that covers the EU as a single “domestic” market. Instead, unlike the situation in other currency areas, issuers with a European perspective have to use a multiplicity of channels and procedures, either domestic or international, which are neither harmonised nor covering the EU and its investors as a single market.

The Eurosystem is therefore exploring the possibility to support a harmonised issuance and distribution of euro debt instruments in the EU. In order to analyse the underlying issue itself, as well as the potential business case for such a service, this Eurosystem market consultation invites responses from a wide audience of stakeholders, including issuers and investors.

## 2. Current debt securities distribution ecosystem

The issuance process for debt securities in Europe consists of two main sequential phases: pre-issuance and post-trade. The following paragraphs provide a high-level stylised description of these phases.



1.1.1 Chart 1: Schematic overview of the securities distribution ecosystem

**Pre-issuance** includes the preparation of issuance, choosing the modalities of the price discovery process (syndication, auctioning or private placement) and reaching agreement between the issuer and investors (mostly

via dealer banks and the collection of bids) on the economic terms of the securities. In the pre-issuance phase, dealer banks and agents play a key role. They provide advice and market intelligence to issuers, underwrite the securities issuance, communicate with investors and collect their orders and take responsibility for certain elements of regulatory compliance (prospectuses, know-your-customer requirements, etc.).

To support the pre-issuance activities, issuers either rely on proprietary tools provided by the dealer banks or they can use the technical facilities of a pre-issuance platform provided by a third party.

Investors, i.e. capital providers, on the other hand rely mostly on the dealer bank service for interacting with the issuers.

**Post-trade** processes take place after the pre-issuance phase and include the actual issuance of the debt security in central securities depositories (CSDs) and its delivery to investors via custodians and other intermediaries through multiple distribution channels. In the post-trade domain, issuers are usually represented by agent banks, which manage securities and cash accounts, arrange the issuance procedure and ensure collection and distribution of cash proceeds (e.g. interest payments) to the investors during the lifespan of a security. Investors, i.e. individuals or legal entities holding the final investor balances, rely on a number of different channels or models for holding such balances. This can happen via global or local custodians or CSDs, or a combination thereof.

**Question 1:**

- **Please provide your views on the description of the European ecosystem for the issuance of debt instruments, in particular as regards whether you deem other actors, elements or processes relevant to complete the picture.**

We think that this text and chart together provide a good and complete overview of the current ecosystem for the primary issuance of not only debt instruments, but of securities in general.

As trade association DACSI focuses on securities infrastructure and post-trade activities; therefore, we will not comment on the particularities of pre-issuance activities and processes – and of the perceived adequacy of existing tools -, but concentrate on the actual issuance (first delivery and payment) and on what the paper describes as “post-trade”. It is to be noted that the latter includes the settlement of secondary market transactions and asset servicing.

### **3. Issue at stake**

From the perspective of a European or third-country entity interested in issuing debt in euro within a truly European market, the aforementioned securities distribution ecosystem might present a number of challenges. First, although large issuers can already reach a wide range of European and international investors, there is no pan-European issuance mechanism, and in particular one operating in central bank money, offering issuers the possibility to efficiently reach all European investors on an equal basis, and thereby fostering a single and deep European capital market. Second, in the existing, largely national, securities distribution channels, the location of issuance might put local actors in a preferential position compared with other investors and market actors in Europe. In today’s practices, an issuer might choose primarily its own domestic market and CSD or rely on the services of an international CSD which serves its primarily international participants by settling in commercial bank money.

As shown in Chart 1, there are a variety of channels available in the market today to facilitate investor access. However, these solutions are neither neutral, nor pan-European by construction, i.e. they are based on a hierarchical model and they maintain a privilege for the initial issuance location and its participants. The position of the investors within the holding chain, including their location, may have an influence on the efficiency of and the costs associated with access to a given security. As a consequence, there may be an impact on the level playing field and hence on

the equal access to European debt securities by investors. Thus, the number of intermediaries and the cost of holding the assets are determined by the location of the investor vis-à-vis the initial issuance location. Compared with other currency areas, e.g. the US, Japan or China where truly domestic issuance distribution channels exist, there seems to be a structural gap in the EU.

In the area of pre-issuance, European issuers and investors currently face a multiplicity of non- interoperable issuance platforms and proprietary procedures with a very low level of automation and digitalisation. This is due to the lack of **standardisation and harmonisation** between the different private initiatives, as well as the low level of automation of existing private initiatives. This lack of efficiency is recognised in an article in the third quarter 2018 Quarterly Report of the International Capital Market Association (ICMA), which states the current challenges and opportunities, from the perspectives of the investors, issuers and syndicates. In addition, the report: (i) calls for the development of standards and further harmonisation in the primary bond markets’ pre-issuance processes; and (ii) states that *“a scalable infrastructure utility, based on open source standards allowing for connectivity to multiple technology providers across asset classes, is strongly preferred to a monopolistic, commercial infrastructure”*.

The European Post Trade Forum (EPTF) also notes in its report that: *“the actual issuance and holding procedures, as well as the type of services offered by different entities in the issuance process to issuers, vary considerably from country to country, depending on issuer preference, market practice and regulation”*. The existing ecosystem results in considerable heterogeneity and complexity for market actors, including the end-investors. Some issuers have even argued that it entails inefficient and costly procedures that result in less favourable conditions for issuers which wish to reach a pan-European investor base. The EPTF report recognises that this heterogeneity is the result of different national legal regimes in the EU in the area of securities and other financial law, which are outside the remit of the Eurosystem, but is also due to other barriers, including operational and technical standards, market conventions, etc. Furthermore, the current environment of structural fragmentation may not be conducive to a deep and liquid single European market for debt instruments.

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|---|
| <p><b>Question 2a:</b></p> <ul style="list-style-type: none"> <li>• <b>Do you think that there is a structural issue in the current debt issuance and distribution in the EU, seen from the perspective of a single capital market? If so, what is your view regarding the underlying causes of this structural issue?</b></li> </ul>   |
| <p>Yes, indeed we think so.</p> <p>The CSDR provides an issuer the freedom to use the Issuer CSD of his choice. However, the current legislative landscape forces the issuer to choose for a particular Issuer CSD - and hence for the associated jurisdiction – for each individual issuance. Conceptually, this limits the potential investor base and creates fragmentation in the (secondary) market if the issuer chooses different jurisdictions for different issuances.</p> <p>With regard to the magnitude and reach: we trust that a structural and quantitative analysis will be performed before fundamental steps are taken.</p> |
| <p><b>Question 2b:</b></p> <ul style="list-style-type: none"> <li>• <b>Do you face problems or see problems for issuers when reaching out to a pan-European or international investor base? If so, please specify.</b></li> </ul>   |
| <p>See answer 2a</p>  |
| <p><b>Question 2c:</b></p> <ul style="list-style-type: none"> <li>• <b>What are the main considerations for issuers and/or their agents/dealers when choosing a place of issuance and a service provider?</b></li> </ul>  |
| <p>See answer 2a</p>  |

**Question 2d:**

- **What is your view on the statement that there is a need to improve competition and level playing field conditions regarding the access of banks, investors and CSDs to debt securities?**

We indeed see a need for improvement of competition conditions, in particular competition amongst CSDs. Today, the issuer's choice for a particular Issuer CSD is driven by legislative and regulatory considerations, and the investor is connected to that CSD through his custodian (and sometimes a chain of custodians).

Market efficiency can be improved if the issuer can make use of a neutral platform, where the investor and his custodian can choose an Investor CSD based on the service/price propositions of CSDs.

**Question 2e:**

- **Would the improvement in the neutrality, harmonisation and pan-European reach support and develop further the issuance of debt in euro?**

Sure; in particular the harmonisation forces will stimulate the further development.

## 4. Possible actions to address the issue at stake

In order to address the above structural challenges, different actions could be considered.

### 4.1 Harmonisation

It is widely acknowledged that harmonisation is an enabler of, if not a prerequisite for, market integration. Despite the remaining gaps, post-trade harmonisation has progressed substantially in the last decade, also thanks to the close collaboration between private entities and public authorities. In addition to the regulatory harmonisation (e.g. MiFID II, EMIR and the CSD Regulation), it is widely acknowledged that the single most influential initiative has been the T2S harmonisation agenda which is mostly attributable to the successful catalyst role of the Eurosystem in this area. The T2S harmonisation agenda focused on areas of core relevance for T2S (e.g. related to messages, accounts or corporate actions), but did not address any areas of pre-issuance.

As reflected in the previous section, in the area of pre-issuance, the harmonisation efforts have not progressed equally despite efforts made by primary market practitioners. As targeted harmonisation areas, market actors usually refer, among other things, to those standards and market conventions relating to a standardised order book, the consistent usage of terminology in term sheets, rounding conventions, the corporate action information flow, timelines and processes, etc. Pursuing further the pre-issuance harmonisation agenda, in a coordinated and structured way, across the EU could tackle many of these topics.

**Question 3a:**

- **Do you think that there is a need for further harmonisation and standardisation in the area of debt securities issuance?**

Yes indeed. This need is not exclusive for debt issuance, but exists for the primary issuance of securities in general. On the other hand, the need may be felt differently with regard to small local issuers, compared to those with a global investor base.

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| <p><b>Question 3b:</b></p> <ul style="list-style-type: none"> <li>• <b>Should the work on harmonisation/standardisation cover the full transaction chain, i.e. from pre-issuance to post-trade?</b></li> </ul>   |
| <p>Yes, it should cover the entire chain, and we emphasise that:</p> <ul style="list-style-type: none"> <li>- “pre-issuance” includes preparation, book building, price setting;</li> <li>- “post-trade” starts with the settlement of the issuance (first delivery and payment), and includes: <ul style="list-style-type: none"> <li>▪ settlement of secondary market transactions,</li> <li>▪ asset servicing.</li> </ul> </li> </ul>   |
| <p><b>Question 3c:</b></p> <ul style="list-style-type: none"> <li>• <b>What are your views regarding the pre-issuance harmonisation items/topics? Which processes should be looked at?</b></li> </ul>  |
| <p>As trade association DACSI focusing on securities infrastructure and post-trade activities we have no comments.</p>   |
| <p><b>Question 3d:</b></p> <ul style="list-style-type: none"> <li>• <b>What would you consider the best way forward, for example in terms of methodology and governance, for fostering harmonisation in this area?</b></li> </ul>  |
| <p>n/a (see answer 3c)</p>   |
| <p><b>Question 3e:</b></p> <ul style="list-style-type: none"> <li>• <b>Is there a need to reinforce and/or support with EU regulation any harmonisation efforts in the area of pre-issuance?</b></li> </ul>  |
| <p>Direct support of harmonisation efforts by means of regulation has not proved effective in other fields. Indirect EU support is more promising: creating and/or stimulating institutional and market circumstances that ask for convergence, not only of local practices, but of national rules as well. This can be quite effective where the drivers for convergence are not restricted to compliance considerations, but are economic as well.</p> <p>We expect that harmonisation/standardisation efforts may well go hand-in-hand with a particular level of centralisation.</p>   |
| <p><b>Question 3f:</b></p> <ul style="list-style-type: none"> <li>• <b>Do you see any other efforts that could help resolve the current market fragmentation?</b></li> </ul>   |
| <p>The EPTF report shows that a large part of the identified / redefined barriers is related to national versus European legislation differences. Few initiatives have been taken to address these barriers. We expect positive effects from the full implementation of the CSDR, but it is too early to observe material improvements. In general, progress since the Giovannini reports on legislative fields is disappointing. We think that any initiative to put (economic) pressure on (national) legislators to strive for convergence have to be embraced.</p> <p>We acknowledge that on the short term – and perhaps even on the mid-term – jurisdictional differences will not (completely) disappear, but we believe there is potential to create a structure that:</p> <ol style="list-style-type: none"> <li>reduces the actual differences applicable to individual issuances;</li> <li>creates maximal incentives for convergence between jurisdictions on mid-term.</li> </ol> |



## 4.2 Provision of a European market infrastructure service

In addition to harmonisation, the perceived lack of neutrality and pan-European reach could potentially be addressed by the establishment of a European market infrastructure service, which would be offered on a level playing field basis.

The objective of such a service would be to enable euro debt issuers to access the whole EU market as if it was a single domestic market, both in terms of a single issuance process and a streamlined, commoditised service layer. The service could be based on a multilateral governance arrangement, encompassing all interested stakeholders, e.g. issuers, banks, CSDs and potentially investors.

The provision of such a service does not need to be an alternative to the harmonisation work considered above. On the contrary, the delivery of a European service and the work on the pre-issuance harmonisation agenda could reinforce and support each other.

### Question 4a:

- **Do you think that the establishment of a European market infrastructure service could potentially address the lack of neutrality and pan-European reach in the current debt securities market? If not, what other solution would you propose?**

Yes, we see potential for such an approach.

A far reaching consolidation of CSDs – reaching much further than the establishment of inter-CSD links – could be (or could have been?) an adequate alternative.

### Question 4b:

- **Do you think that this service, as described above, exists today in the EU? If not, should it be offered by a private entity or a public entity, and why?**

Evidently, such a central service does not exist today.

It is not necessary that such service is offered by a public entity. The status of the provider is not crucial for the effectiveness of the service.

From a post-trade perspective however, securities settlement in Europe is already serviced on a public platform (T2S); when asset servicing is centralised, it is logical to organise that close to the settlement platform.

### Question 4c:

- **Is there a need to combine both approaches, i.e. a Europe-wide harmonisation initiative and the provision of a European market infrastructure service, and why?**

Conceptually, there is no such need. Harmonisation as such can be achieved without a central infrastructure, but a central infrastructure is not possible without harmonisation. We have strong expectations from such central infrastructure as catalyst for harmonisation, both inside and outside the infrastructure itself.

**Question 4d:**

- **Do you see a need for the Eurosystem to support those actions? If so, how?**

See also answer 4b. We do not exclude there can be alternatives,

If the Eurosystem as public entity is tasked to develop this initiative/infrastructure, the following should be paid attention to:

- adequate organisation of user governance;
- fair structuring of cost recovery model (balance between those who decide and those who use);
- adequate structuring of liabilities and other conditions.

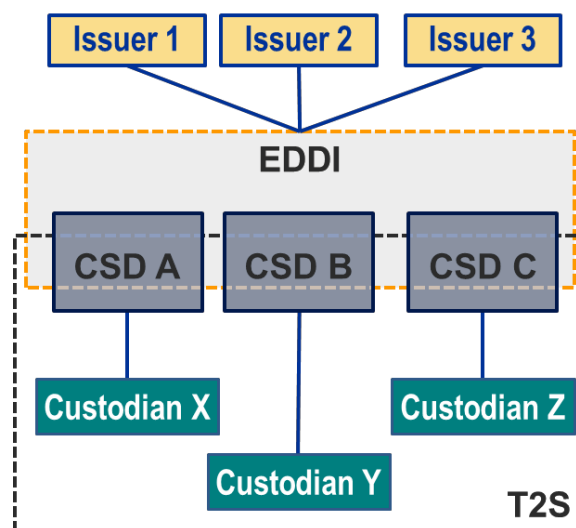
## 5. EDDI: high-level description of the scope

If the Eurosystem were to take a role in establishing a European service for the issuance and initial distribution of debt securities in the EU, the initiative would need to cover both ends of the transaction chain. Connecting the pre-issuance and the post-trade domains would foster a seamless standardised link between the two.

In addition, by covering both ends of the transaction chain, and based on the ECB’s catalyst role, this service, with the working title “European Distribution of Debt Instruments (EDDI)”, could potentially strengthen the momentum towards the establishment of a European debt instrument technical standard.<sup>1</sup>

As shown in Chart 2, EDDI could be envisaged as a centralised service interlinking issuers and CSDs to facilitate the pre-issuance and initial distribution of debt securities in the EU.

**Chart 2: A high-level model of EDDI**



EDDI would have two business components and would be based on a modular approach, i.e. leaving full freedom to its users as to which (if any) they want to use (see Charts 3 and 4).

**The pre-issuance component** would be a technical toolkit available for issuers (or their issuer agents and/or dealer banks upon authorisation) offering them functionalities which support the definition and communication of an

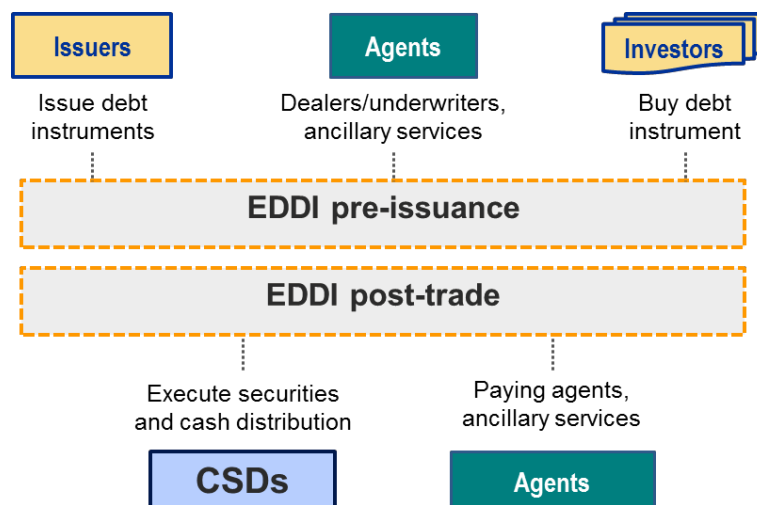
<sup>1</sup> The establishment of a European debt instrument technical standard could cover certain technical and operational rules and procedures and business conventions which could facilitate a harmonised and standardised issuance of debt in euro central bank money.

upcoming debt issue, the creation of the order book, the collection of orders from investors and the allocation of the debt instrument issuance to these orders.<sup>2</sup>

**The post-trade component** would receive the final allocation from the pre-issuance component (and potentially from private pre-issuance tools). On that basis it would facilitate the creation and the centralised distribution of the EDDI-issued debt instruments via the EDDI-participating CSDs. The issuance and initial distribution function could be provided by EDDI only in close collaboration with the CSDs connected to EDDI. This function would also include the notary service (i.e. ensuring the integrity of the global amount issued) and support the relevant corporate actions (e.g. information flows, interest payments) throughout the life cycle of the securities. The EDDI post-trade component would rely on T2S in order to provide the necessary real-time realignment between CSDs in order to enable secondary market cross-CSD transactions across the EU. EDDI's objective is not to replace existing commercial arrangements, but rather to support the participants in the pre-issuance and initial distribution end-to-end process with standardised interactions and information flows.

To achieve a high degree of synergies with existing market infrastructures, EDDI could be developed within the framework of the existing TARGET Services. This implies, inter alia, that EDDI would rely, via the EDDI-participating CSDs, on the state-of-the-art T2S settlement functionalities, e.g. real-time central bank money settlement or the central liquidity management functionalities (auto-collateralisation) commonly shared, or under development, across the TARGET Services.

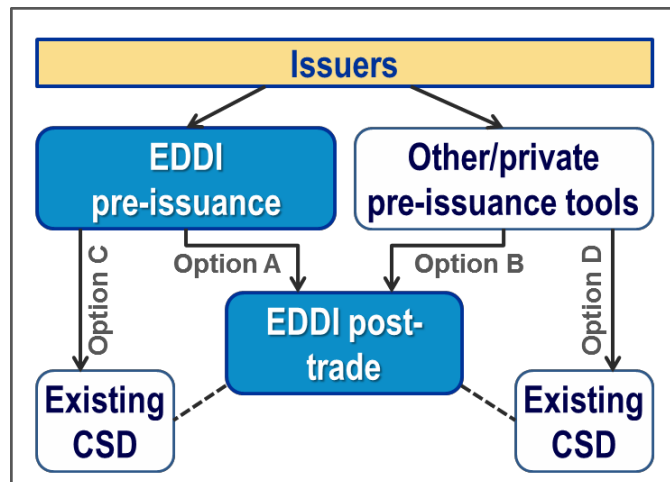
**Chart 3: Overview of the roles performed in EDDI pre-issuance and post-trade**



EDDI would follow a modular approach, thus allowing users of the service to voluntarily adapt their usage of EDDI to best suit their issuance models and business needs. In practical terms, this translates into four possibilities available to the relevant stakeholders: (a) full use of both EDDI components, i.e. pre-issuance and post-trade; (b) use of only the post-trade EDDI component; (c) use of only the EDDI pre-issuance component; or (d) not using the EDDI service at all.

<sup>2</sup> Although the primary focus of EDDI is high-quality euro debt securities issued by issuers with a European funding perspective, the EDDI pre-issuance model would be able to handle any currency denominations

Chart 4: EDDI as an optional end-to-end service for the securities market



**Question 5a:**

- **What is your view regarding the inclusion of the pre-issuance and post-trade functions in a potential EDDI initiative?**

The settlement of securities and of cash are already organised centrally (T2S, T2); it would make sense to organise the post-trade functions in EDDI in their proximity.

**Question 5b:**

- **What is your view regarding the concept of the optional and voluntary usage of the two EDDI components for all relevant EDDI stakeholders/users?**

For EDDI **pre-issuance**: optionality is necessary, local specificities of issuer, issuance or others can imply that a local issuance without EDDI is more attractive, and for smaller local issuers the added value of EDDI is not always evident, giving them no strong advantages to “issue European”.

For EDDI **post-trade**: we anticipate that it starts step-by-step, and hence optionally; gradually, it will develop into a “must have” for the majority of issuers and/or the majority of CSDs, but we see no need to make usage mandatory.

**Question 5c:**

- **What do you think are the relevant debt issuers that could benefit from, or would be interested in, issuing via EDDI and why?**

We envisage that the first users of EDDI will be “supra-nationals” and large non-EU issuers, but we do not see any reason to deny access for other issuers who want to make use of it.

**Question 5d:**

- **Should access to EDDI be restricted to certain classes of issuers? If so, why?**

We do not see any reason for EDDI to restrict access to a subset of issuers. In order to ensure a level playing field, EDDI should instead be open to all issuers and securities. The restriction to a limited set of issuers would, in fact, lead to the maintenance of a second infrastructure, complicating the over-all landscape and resulting in an over-all less efficient primary market pre-issuance process, and would also create unlevel conditions for issuers competing for investor capital.

**Question 5e:**

- **How would the benefits of EDDI change if access to EDDI were restricted to certain classes of issuers, e.g. public or supranational, sub-sovereign and agency (SSA) issuers?**

EDDI should not be developed for such a restricted scope of issuers. That would not be worth the effort and the initial costs.

The concept of EDDI will be most advantageous when rolled out over all issuer types and instruments.

**Question 5f:**

- **Should access to EDDI be restricted to certain CSDs?**

No. Every CSD (in the EU / in the T2S zone?/ perhaps even from outside) should be granted access. However, connecting CSDs should meet particular requirements, set by EDDI and aiming at harmonisation, not only of the primary market / pre-issuance processes, but also of post-trade particularities.

We expect such requirements to incentivise the convergence of local legislations. Earlier initiatives for harmonised European legislation, e.g. European Securities Legislation, need(ed) simultaneous changes in all EU legislations – a process that turns out to be complex and time-consuming. However, by stepwise connections to EDDI, these convergence steps can be made country-by-country. Full and simultaneous harmonisation in all jurisdictions will not be necessary. Countries can choose to conserve their specificities, facilitating existing or new local requirements and opportunities.

We acknowledge that such development would change the playing field for (smaller) local CSDs who decide not to connect to EDDI post-trade at all (NB: using EDDI post-trade does not necessarily exclude conventional issuances); their potential volume and income may decrease.

**Question 5g:**

- **In your view, which criteria should an EDDI service meet in order to be attractive for your institution?**

The initiative as described is a good next step. However, it is not to be viewed as an objective per se. Its value lies in the potential for further development: any security, any type of corporate actions, any issuer, ....

## 6. EDDI's potential impact on the market

As presented above, EDDI could be a central European service covering the pre-issuance and initial distribution process, to be offered by the Eurosystem to the market. Since this would be a totally new service, currently not available in the market, it would have some influence on how the different stakeholders are currently organised.

- **Market-wide interaction would be facilitated.** With the EDDI service, the Eurosystem would provide issuers and the relevant market actors (e.g. issuer agents, investors, CSDs) with a central, standardised and neutral platform in order to facilitate their interaction. Apart from the immediate standardisation gains due to a single centralised system, such interaction could facilitate, in the medium to long run, the definition and endorsement of and compliance with harmonisation standards, in particular in the area of pre-issuance. The EDDI harmonisation agenda, and in particular the potential establishment of a European debt instrument technical standard, would be expected to have a positive impact also when the issuance and distribution are processed outside EDDI.<sup>3</sup>

<sup>3</sup> This could be achieved via a long-term conversion of certain national conventions towards the EDDI European debt instrument technical standard.

- **Disintermediation is not an objective of EDDI.** Existing intermediaries, including issuer agents, dealer banks and custodians, would be able to use any combination of the two EDDI components and their own proprietary procedures depending on the issuer’s choice of pre-issuance and post- trade solutions. Existing or new private pre-issuance platforms could link up with the EDDI post-trade component (subject to establishing technical access to EDDI’s standardised interface). At the same time, the EDDI pre-issuance component could be used to support post-trade services outside EDDI (i.e. by feeding into a single issuer CSD outside EDDI).
- **EDDI could influence the business models of CSDs.** As mentioned above, the EDDI issuance and initial distribution service could only be delivered in close collaboration with the CSDs. For the securities issued via EDDI, the business model of the EDDI-participating CSDs would no longer be determined by their ranking in the custody chain, i.e. whether they act as “issuer” or “investor” CSD for a specific security. Instead, the differentiation between the CSDs would be based on the service and prices they would offered to the market participants. As a consequence, these CSDs will, for securities issued via EDDI, forgo the exclusivity over the primary deposit which has so far been established by the location of issuance. On the other hand, any EDDI-participating CSDs would be in a position to benefit from access to new securities issued via EDDI, which would be made equally available to all EDDI-participating CSDs on a level playing field, i.e. with no location exclusivity attached to the issuance and distribution process.
- **Issuers would have full choice in deciding how they want to use the EDDI service.** EDDI would offer eligible issuers a choice that they do not have today, namely the possibility to issue European securities without having to select a specific location of issuance. Combined with an EDDI-related harmonisation agenda, EDDI could increase, for both European and international institutions, the efficiency and attractiveness of the issuance of debt denominated in euro. As a consequence, EDDI could potentially increase the liquidity of the assets issued through its service, and thus provide benefits for issuers with highly rated debt instruments in achieving a truly pan-European reach when collecting funds. However, as EDDI would be an optional service offered to debt issuers with a European perspective and would not be able to cover all issuers and securities, some issuers would continue using the existing issuance and distribution channels and some securities would continue to be issued outside EDDI. Such choices would reflect their specific fund-raising interests and/or their wider market strategies, as well as the scope of EDDI. As shown in Chart 4, EDDI would be based on a modular approach providing its users with optionality regarding the usage of its service components. In any case, issuers of all sizes, also outside EDDI, should in principle benefit from the positive externalities of the EDDI harmonisation agenda.
- **Investors could benefit from a standardised communication channel.** Compared with a multiplicity of non-automated communication channels and interfaces, institutional investors could benefit from a single communication channel for all instruments issued through EDDI in their interactions with issuers and their agents in the context of EDDI. As mentioned above, EDDI’s objective is not to replace existing commercial arrangements, but rather to support the participants in the pre-issuance and initial distribution end-to-end process with standardised interactions and information flows. Investors could optimise their interactions within the custody chain. On the custody side, investors/custodians would be able to choose their CSDs on the basis of the level of the service and its cost. There would no longer be a need to connect to a multiplicity of European issuer CSDs for the securities issued in EDDI. This could offer investors/custodians the opportunity to streamline and optimise the custody of their holdings.

**Question 6a:**

- **What are your views on the expected impact of EDDI on the market in general and on your institution in particular?**

EDDI would stimulate the Investor CSD model, more competition between CSDs, and the consolidation of CSDs. These are all objectives of T2S, which seemed difficult to materialise.

For custodians, we envisage substantial efficiency gains by using Investor CSDs and cutting separate connections to CSDs and/or relationships with local custodians.

The EDDI concept has the potential to develop further into a European CSD. Of course, this would imply substantial formal and economic changes, and any decision in this regard has to be considered carefully. However, such possibility is an advantage of the initiative.

If EDDI would be turned into a European CSD, we envisage its role will be restricted to that of Issuer CSD. Other functions than the notary function can remain with incumbent CSDs. The more complex (profitable?) services remain with them, and more chances arise for cross-border / foreign / European service provision.

Overall, this full-scope idea of EDDI fits in our long term vision for the securities infrastructure.

**Question 6b:**

- **Which other elements do you consider relevant regarding the potential impact of EDDI, beyond what is described above?**

The creation of a single point of issuance may help improving the CMU. Similarly, from a users' perspective, EDDI could create more competition.

Nevertheless, if EDDI is going to be created, it should be ensured, for reasons of efficiency, EDDI is sufficiently aligned with other existing ECB initiatives and projects, such as T2S/T2.

As mentioned before: the scope of EDDI in terms of issuers and instruments can be small in the developmental phase, but conceptually it should be as broad as possible: any issuer or security. If restricted to particular issuers or instrument types, it would not be possible to make use of its benefits (CSD connections and custody relationships to be maintained) and EDDI would merely add to complexity and fragmentation.

Obviously, we, as DACSI, would like to contribute to discussions on the next developmental phases. In our opinion, this further development is interdependent with that of T2S/T2 and ECMS.