

SECURITIES CLEARING AND SETTLEMENT IN SERBIA ACCORDING TO RECOMMENDATIONS OF ECB-CESR¹

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Abstract

The aim of this paper is to, through analysis of the clearing and settlement system within the securities market and operating of the Central Securities Depository and Clearing House-a joint-stock company, Belgrade (ser. Centralni registar, depo i kliring hartija od vrednosti a.d. Beograd, hereinafter referred to as CSD), determine by comparison, the extent to which established rules and processes are harmonized with the EU regulations. Harmonization of the legal framework based on which the CSDs function, is one of the primary goals in the segment of business regulation at financial markets that the European Union pursues within its organizations. In this respect, in May 2009 The Governing Council of the European Central Bank (ECB) and The Committee of European Securities Regulators (CESR) issued an official document entitled Recommendations for Securities Settlement Systems (Ref. CESR/09-446) containing recommendations which seek to improve competitiveness, safety and soundness of pan-European post trading arrangements, that should ultimately lead to greater confidence in securities markets and better investor protection by reducing systemic risk. Following completion of the comparative analysis of law regulations, business techniques, data protection and all the relevant parameters in work of the CSD, it was established that there is a very high degree of harmonization with the corresponding recommendations from the CESR/09-446 document, and thus, when it comes to this segment, we can conclude that the Republic of Serbia may very swiftly, and without major additional harmonization, become a part of the integral EU financial market.

Key words: Securities, Clearing, Settlement, Regulation, European Union

Introduction

Unlike many EU countries, which continually function according to the principles of the free financial market, the Republic of Serbia had its financial market renewed only twenty years ago. Due to a considerable delay in development, it slowly endeavors to join global and European standards, aware of the fact that they have already become an integral part of financial systems of those countries. Moreover, it has become evident that there are also important morals to be drawn from the global crisis of confidence: *regulatory approach beats deregulation.*

The harmonization of law regulations regarding the securities trading represents one of the major challenges not only for the Republic of Serbia, but for all the countries of the South Eastern Europe as

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well. This is precisely the reason why the work on consolidation of legal frameworks, which serve as a basis for the functioning of CSDs, constitutes one of the primary goals the European Union pursues within its organizations. In this respect, in May 2009 The Governing Council of the European Central Bank (ECB) and The Committee of European Securities Regulators (CESR) issued an official document entitled Recommendations for Securities Settlement Systems in European Union (Ref. CESR/09-446)⁴ containing nineteen recommendations with the aim of improving competitiveness, safety and soundness of pan-European post trading arrangements, that should ultimately lead to greater confidence in securities markets and better investor protection by reducing systemic risk.

Our regulatory organs have an important task ahead of them - harmonization of the existent and adoption of new law regulations that correspond to the above-mentioned principles and standards. The Republic of Serbia has a certain privilege, since “it gets a codified set of best practices the developed European countries have to offer in the area of financial market regulation, from one single address. The adopted solutions are not only the role models that may be of use to us in the process of drafting new regulations, but represent as well a binding source of law, especially after the entry into force of the Stabilization and Association Agreement.”⁵

If we take on the challenge and create a proactive approach of a regulator, as well as of market operator, and thereafter ensure a solid legal framework providing equally for powers, obligations and assents, along with the introduction of modern technical and technological solutions for mutual monitoring of participants, the unattainable goal may become reality in our financial market as well.

Within the scope of such a broad issue, the authors in this paper have focused on clearing and settlement harmonization as one of the key processes within the market activities.

1. Central Securities Depository and Clearing House Belgrade

Central Securities Depository and Clearing House (CSD) is the only institution in Republic of Serbia in the area of clearing and settlement until now and started its operations on November 19, 2001 at which time CSD's basic activity was the issuing of the FFC (Federal Foreign Currency) Bonds, the so-called blocked foreign currency savings.⁶

CSD was founded as an organizational part of the National bank of Serbia (NBS) and after the adoption of the Law on Securities and Other Financial Instruments⁷, transformation was carried out and as of December 10, 2003, CSD continued its work as an independent institution.

Today, CSD is a joint-stockcompany carrying out the activities relating to unique records of legal holders securities and other financial instruments, and to the rights arising from such securities, and/or instruments, third parties' rights to securities and other financial instruments and of such third parties,

⁴ The full title of the document is Recommendations for Securities Settlement Systems and Recommendation for Central counterparties in the European Union, and consists of two completely separate groups of recommendations. In this paper, authors have concentrated on analyzing the harmonization of the settlement systems, whereas harmonization of CCP will be the subject of the research papers to come.

⁵ Zavišić, A. (2009): Towards a single EU financial market (U susret jedinstvenom finansijskom tržištu Evropske unije), *Banking, Association of Serbian Banks*, vol. 1-2.

⁶ For purpose of a settlement of the public debt of the Federal Republic of Yugoslavia, which was turned into the public debts of the Republic of Serbia and the Republic of Montenegro, the state has, in compliance with the provisions of the Law on the Settlement of the public debt of the Federal Republic of Yugoslavia arising from the citizens' foreign exchange savings, been issuing bonds denominated in Euros. The bonds referred to above were issued as zero-coupon bonds for each successive year, in dematerialized form, and registered with the National Bank of Yugoslavia - the Clearing and Settlement Bureau - the Central Registry, Depository and Clearing of Securities. The State pledged to issue registered bonds that are transferable and payable either in Euros or dinars - according to a holder's request. (www.nbs.yu/.../20/laws/settl_public_debt_fry_savings_2_00236.pdf)

⁷ Law on Securities and Other Financial Instruments (“Official Gazette of FRY“, No. 65/2002 and “RS Official Gazette“, No. 57/2003)

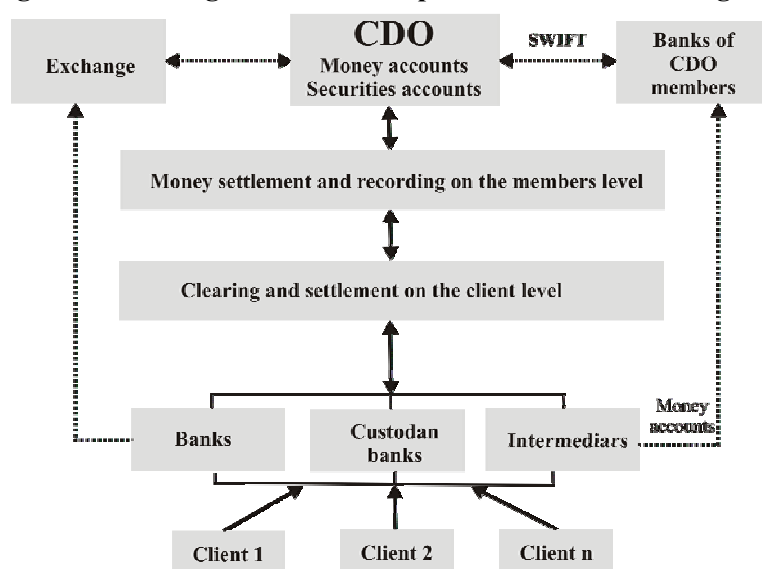
as well as the activities of clearing and settlement of cash payables and receivables arising from transactions in securities. CSD also performs other activities in accordance with the Law governing the securities and other financial instruments market, the Law governing the take-over of joint-stock companies, the Company Law, the Banking Law, the Law governing the operation of investment and pension funds, the Law governing the matter of privatization.⁸

Operations of the CSD include: maintaining the register of securities; maintaining the records of the securities in accounts of their respective issuers; maintaining the records of securities as well as of other accounts of CSD members and their clients; entry of third parties' rights to securities; keeping of materialized securities; maintaining cash accounts of CSD members; accounting for materialized securities in dematerialized form; performing the clearing and settlement of obligations and claims with securities and money on the basis of contracted deals in securities, and establishing the balance, obligations and claims of CSD members and their clients after the settlement of mutual obligations and claims within the term envisaged by CSD's Rules of Operation; performing the clearing and settlement of foreign securities traded in the Republic of Serbia; transferring the securities to the accounts of CSD members and legal holders of such securities; establishing and assigning the unique identification number of securities and other financial instruments; maintaining the list of codes of securities and other financial instruments; performing the activities in connection with corporate operations; calculating the tax payable on assignment of absolute rights to securities in accordance with the law governing the property tax issues; cooperation with international organizations dealing with registration, clearing and settlement of securities and money under the deals in securities; other operations in connection to securities. The following securities accounts are opened and maintained with CSD:

- (1) Securities accounts of CSD members;
- (2) Deposited securities accounts;
- (3) Issue accounts.

Members of the CSD may include: the Republic of Serbia, the National Bank of Serbia, broker-dealer companies, authorized banks, custody banks, banks, stock exchange and foreign legal entities performing the clearing and settlement of securities.⁹

Figure 1. Clearing and settlement process in CSD a.d. Beograd



Source: Dugalić, V., Štimac, M. (2006), *Osnove berzanskog poslovanja*, 2nd ed., Stubovi kulture, p. 85

⁸ Operating rules of Central Securities Depository and Clearing House (www.crhov.rs/.../english/operating_rules/operating_rules.pdf)

⁹ Statute of Central Securities Depository and Clearing House (www.crhov.rs/pravnaregulativa/english/Statute.pdf)

Apart from performing registry-related services, the CSD is also a clearing house offering safe settlement of the concluded securities trade to all its members and their clients. Protection of all the investors investing their assets in securities is the main reason why CSD sees this business segment as an incentive for the introduction of latest international solutions in its daily work.

After the conclusion of transactions on the Stock Exchange, the CSD receives the transaction agreement based on which clearing and settling of the payables and receivables in securities and in cash is carried out. Clearing and settlement of the money side of transactions is carried out on the member level, on a net basis, whereas clearing and settlement of cash payables and receivables is carried out on the client level, on a gross basis. This is done so as to ensure that clearing members do not have to mobilize large sums of money in order to settle transactions in securities. Rather, the netting of all financial obligations and receivables for all the transactions (denominated in the same currency) settled on the same day is carried out on a clearing member level. The processes taking place within this system can be represented graphically as shown in the figure 1.

According to the Report for 2008¹⁰, the state of CSD can be showed in numbers:

- Registered over 255 issuers in the database of the Central Securities Depository (hereinafter: CSD);
- Posted over 665 issues in CSD database;
- Entered over 76 thousand new clients in CSD database;
- As at 31 December 2008, total number of shareholders was over 925 thousand;
- Total value of the securities registered with CSD exceeded the amount of EUR 26,6 billion;
- The value of the transactions realized on the Stock Exchange was worth more than EUR 870 million;
- The value of the transactions realized over-the-counter exceeded the value of EUR 796 million;
- The value of the transactions settled with treasury bills and notes was in primary sale over EUR 101 million, and over EUR 265 million in secondary sale;'
- FOREX savings bonds of the Republic of Serbia for 2008 were paid when due in the amount of more than EUR 225 million;
- Removed from books 141 issuers due to the change in their legal form;
- Issued over 320 new, and renewed more than 600 smart cards to CSD service users.

As previously stated in the preface of this paper, the mode and manner of clearing and settlement activities in the Republic of Serbia market carried out within the CSD will be explained in detail through an analysis of harmonization with Recommendations for Securities Settlement Systems – ECB-CESR Document.

2. Process of harmonization in EU

The European Union has been endeavoring to form an integrated European financial market through maximum harmonization, that is, by establishing a centralized system of regulatory control that would be applied in every EU member state. Harmonization of regulations at the EU level is a precondition for the proper functioning of the internal market and when a country receives the status of a candidate, it must harmonize its laws and regulations with those of the EU, so as to be able to engage fully in the internal market once it becomes a full EU member.

Contemporary processes of globalization and internationalization of financial market, followed by large fluctuation in money and capital that knows no state borders, along with national restrictions, made the EU member states harmonize their law regulations in the field of global financial trading to supranational level, in conformity with the directives of the EU.

¹⁰ Report for 2008, www.crhov.rs/rezultatiposlovanja/REZIME_POSTIGNUTIH_REZULTATA_I_IZVRSENIH_POSLOVA_za_2008_januar_decembar_eng.pdf (p. 2)

Primary legislation consists of all the founding agreements of the EU (*Treaties*), which at present act as the EU Constitution, whereas the secondary legislation consists of:

- (1) **Regulations** – fully applicable in all member states, with a binding effect, and adopted by the Council and the Commission;
- (2) **Directives** – binding for all member states in the spirit of the aim intended to be achieved with them, but the member states decide themselves on the manner and resources for transposing them into their national legislation, adopted by the Council or the Commission;
- (3) **Decisions** – binding only for the ones addressed, since these are individual acts relating to a particular country, legal subject, individual, etc.
- (4) **Recommendations and opinions** – not binding, but rather instruments for routing practice (conducts/address), are very important since they constitute a group of benchmarks in a certain area.

Creating a single financial services market is one of the main objectives of the EU, and to that effect, all the key segments of the system are covered by corresponding legal documentation, in accordance with the abovementioned levels of commitment. Clearing and settlement systems fall under a different scope.

Historically, countries (coinciding with currency area) developed their own “domestic” infrastructure for securities trading, clearing and settlement. For the Eurosystem, integration of the infrastructure means access for all users or providers. For instance, clearing and settlement costs and risks for traders in both national and other euro area/EU securities markets should be the same for the (final) investor.

Efficient and safe securities clearing and settlement systems are essential for integrated capital markets. The Eurosystem supports this process because it promotes the sound execution of monetary policy, the smooth functioning of payment system and the preservation of financial stability, and ultimately, increases economic growth potential.

The Eurosystem supports the integration process by: (1) contributing to the removal of obstacles to integration (by cooperating with both the private sector and public authorities); (2) setting standards for securities settlement systems – as users – for Eurosystem credit operations; (3) promoting the cross-border use of collateral; (4) enhancing the integration of the regulatory and oversight framework; and (5) promoting financial market integration, for example by evaluating opportunities to provide efficient settlement services for securities transactions in central bank money (TARGET2-Securities¹¹).¹²

In 2001 the Governing Council of the European Central Bank (ECB) and the Committee of European Securities Regulators (CESR) agreed to work together in the field of securities clearing and settlement. In particular, they agreed to set up a Working Group composed of representatives of the ECB, the national central banks (NCBs) of the European Union (EU) and the securities commissions which are members of CESR. The preparations of this work was to a large extent based upon work conducted by the Committee on Payment and Settlement Systems (CPSS) of the central banks of the Group of Ten countries and the Technical Committee of the International Organization of Securities Commissions (IOSCO), notably their reports: Recommendations for Securities Settlement Systems (RSSS, November 2001), Assessment methodology for RSSSs (November 2002), and Recommendations for Central Counterparties (RCCPs, November 2004).

¹¹ TARGET2 Securities is a project of the Eurosystem launched in 2006 aimed at creating a single IT platform for the settlement of securities in euro central bank money. The settlement platform would be operated by the European Central Bank (ECB) with the objective of reducing the cost of cross-border securities settlement within the euro area.

¹² ECB (2007), *Payment and securities settlement systems in the European Union: euro area countries*, p. 61

Most of the stakeholders in this area were of the opinion that finalization of the work by ESCB-CESR would be of *added value and complementary to other public and private sector initiatives in maintaining and improving safety and soundness in clearing and settlement.*

Group agreed to deepen and adapt to the European context some of the CPSS-IOSCO Recommendations with the following set of objectives: (a) to increase confidence in the EU markets by providing clear and effective Recommendations; (b) to foster the protection of investors and, in particular, retail investors; (c) to promote and sustain the integration, competitiveness and, where needed, harmonization of European securities markets by encouraging efficient structures and market-led responses to developments; (d) to ensure the efficient functioning of securities markets and the cost-effective clearing and settlement of their transactions; (e) to further limit and manage systemic risk and to enhance the safety, soundness and efficiency of CSDs and CCPs operations and (f) to provide a single set of Recommendations for CCPs, CSDs and other relevant securities service providers in the EU, applied in a consistent manner without the imposition of undue costs.¹³

The document¹⁴ consists of nineteen recommendations about:

- (1) Legal framework,
- (2) Trade confirmation and settlement matching,
- (3) Settlement cycles and operating times,
- (4) Central counterparties (CCPS),
- (5) Securities lending,
- (6) Central securities depositories (CSDS),
- (7) Delivery versus Payment (DVP),
- (8) Timing of settlement finality,
- (9) CSD risk controls to address participants failures to settle,
- (10) Cash settlement assets,
- (11) Operational risk,
- (12) Protection of customers' securities,
- (13) Governance,
- (14) Access,
- (15) Efficiency,
- (16) Communication procedures, messaging standards and straight-through processing (STP),
- (17) Transparency,
- (18) Regulation, supervision and oversight, and
- (19) Risks in cross-system links or interoperable systems.

3. Harmonization of the CSD with the ECB-CESR Recommendations

If we follow the recommendations of the EU in order as they appear in the Document CESR/09-446, and analyze the current situation in the CSD¹⁵, we shall be able to determine the level of compliance of clearing and settlement system in the Republic of Serbia with systems functioning within the EU.¹⁶

Laws, regulations and procedures related to the Securities Settlement system are clearly defined, public and well-founded for all the users. The basic document on which the work of CSD relies upon are the *Operating Rules of the CSD*,¹⁷ along with the Law on the share fund, Law on foreign exchange

¹³ ECB-CESR (2009): Recommendations for Securities Settlement Systems, Ref. CESR/09-446

¹⁴ The document can be downloaded on URL: www.cesr-eu.org/popup2.php?id=5775

¹⁵ It is clear that the analysis of CDS is enough, because it is the only institution in Serbia that exist in this field.

¹⁶ We should point out that the certain related recommendations have been abridged by authors of this paper with the aim to describe the overall level of harmonization more clearly.

¹⁷ Operating Rules of the Central Securities Depository and Clearing House, RS Official Gazette, No. 113/2006, 24/2008, 38/2008 and 17/2009, and this document can be downloaded on URL: http://www.crhov.rs/pravnaregulativa/english/operating_rules/operating_rules.pdf.

operations, Law on the market of securities and other financial instruments¹⁸, and Law on privatization. By far the most important in this sphere of business is the Law on the market of securities and other financial instruments, already being partially surpassed and the new draft version of the Law on Securities has been compiled and it should be included in the procedure of adoption. The new Law should enable overcoming of many deficiencies of the previous one being applied since 2006.¹⁹

The settlement procedures consist of the rolling settlement (T+3) which is based on multilateral netting. Matched trades are reported to the CSD and Clearing house of Serbia by the Belgrade Stock exchange at the end of each trading day via electronic messaging. The CSD executes the multilateral netting and reports positions to participants on the same day T+0. In order to execute transactions, securities sellers must provide sufficient securities balances on their securities settlement account by T+3 in the case of Stock exchange transactions. Securities buyers must have sufficient funds on their cash account with the CSD of Serbia by T+3.²⁰

The settlement cycle for OTC trades - Republic of Serbia Treasury bills, repo transactions and bonds of the Republic of Serbia: T+0 for OTC trades, the settlement instructions are submitted directly by the participants to the CSD of Serbia. The CSD executes the matching of trades and checks securities and cash balances. The CSD of Serbia settles the trade on the same day (T+0) and sends electronic messages to all interested participants.²¹ The settlement of transactions is possible both in domestic currency and in EUR which represents a comparative advantage of the CSD over the similar institutions within the region.

Recommendations suggest a possibility of securities lending without limitation and with the least amount of risk, *and although the securities lending in the Republic of Serbia market is both legal and possible, it is not encountered in practice.* The main reason for this is the impossibility of short selling. Furthermore, the procedure is extremely complicated and controls are rigorous. The only form of borrowing that can be realized is that of under bilateral arrangements on the OTC (Over the Counter Market).

In CSD are recorded all securities issued in the territory of the Republic of Serbia: RS bonds, NBS treasury bills, RS Treasury bills, bonds of legal entities, and shares, *and thus the condition requiring to have in place a unique register for all securities issued in the local territory is met.* From the day of its inception and organization, *the securities in CSD have been issued in electronic form only, thus allowing for the application of all the contemporary methods in the clearing and settlement process with no additional costs whatsoever. The securities are assigned single identification markers: the CFI code and the ISIN number.* Accounting system has been clearly set up, in accordance with international standards, and in the process the rights of participants and issuers have been met to their fullest.

With regard to risk, the CSD established a Guarantee Fund for all its participants. All CSD members, except the Republic of Serbia and the National Bank of Serbia, pay assets into the CSD Guarantee Fund in order to have the assets provided for the meeting of obligations should CSD not timely ensure the securities or money for the concluded transactions with securities. The amount of assets paid into the CSD Guarantee Fund is EUR 40.000. They are paid to CSD account with the National Bank of Serbia, according to CSD payment instructions as set forth in CSD User's Instruction. CSD cannot invest or place on term deposit the assets paid into the Guarantee Fund, but may only keep them as a demand deposit with the National Bank

¹⁸ Law on the market of securities and other financial instruments ("RS Official Gazette", No.47/2006)

¹⁹ A public discussion on this law was held on July 3, 2009, in Belgrade Chamber of Commerce premises, where Ministry of Finance, Securities Commission of the Republic of Serbia, Belgrade Stock Exchange and Free Market Center representatives, along with the representatives of the financial services sector, presented their position.

²⁰ The settlement can be performing in shorter period, for instance T+0, but CSD will do that only if client insist on that. In practice, these situations are extremely rare, and they can be found when the both side of transaction are known in the beginning or in the situations of block transactions of big packets. The additional demand of CSD is to complete whole documentations before 3 p.m, so CSD can perform all process during the next day.

²¹ www.promoney.rs/maj/Centralni%20registar.pdf

of Serbia. CSD keeps the assets paid in the Guarantee Fund in the currency in which a member made the payment. Apart from the Guarantee Fund assets, CSD member gives bills of exchange as collateral for timely settlement of the securities and money, for the concluded transactions with securities.²² Still, even with all the precautionary and risk protection measures taken, the real risk is estimated to be higher than the collateral.

Recommendation no. 7 addresses the ways of delivery and payment and suggests that the technical, legal and contractual framework should be based on Delivery Versus Payment (DVP) principle.

CSD transfers the securities from one account to another with simultaneous payment (DVP principle) on the basis of the securities transfer order and cash payments orders received through CSD members (securities and money depositories of the contracting parties in a transaction), within the term indicated in the orders, and in accordance with the Rules of CSD Term Schedule. A market organizer submits to CSD an electronic file with the data relating to the concluded securities transactions (contract notes). On the basis of the received contract notes CSD forwards electronic messages to CSD members maintaining securities and cash accounts of the sellers and buyers. CSD members confirm the messages by sending electronic messages to CSD. So, we can conclude, to that effect, on the basis of the application and the documents supplied, CSD forms electronic messages that are forwarded by it to the parties participating in the transaction, CSD members maintaining the securities accounts of buyers and sellers - issuers. CSD members confirm the messages, while *CSD clears the securities and money and does the settlement according to the DVP principle, in accordance with the Rules of CSD Term Schedule.*²³

In terms of operational risks, the CSD monitors and defines the possible situations that may cause problems within the system to arise. The electronic system is well set and modern methods of data protection, as well as backup procedures, are applied. During the course of last year, EMC Documentum platforms²⁴ for the electronic archiving of documents and business process automation, as well as the purchase and testing of new telecommunication and server equipment for DR (Disaster Recovery) location²⁵, were implemented. System users have different access levels and, according to the level given, are allowed to use the corresponding privileges within the system. As far as system halts are concerned, occasionally encountered in practice are halts announced in advance, but so far these were limited solely to situations where something was being changed or updated within the system. Since the day the CSD started its operations no significant halts or failures of the system have been recorded. In accordance with that, rules and procedures are relatively rarely reviewed, once a year the most.

Recommendation no. 12 addresses safety and protection of securities. *In the case of CSD, this form of protection comes down to the protection of electronic data because book-entry procedure is applied to all the securities kept by the CSD.* The law recognizes dematerialized form of securities because the entire system, legal, operational and technical, was built simultaneously. The biggest problem that could be encountered in this segment is forgery of user accounts, but that risk is being partially overcome by the use of SMART cards for system access. It is necessary to point out that the question of security has been placed rather high on priority list of CSD, and to that extent, the rules have been very clearly set and much attention has been given to division of users into different levels.

Managing bodies of the CSD are: the Meeting and the Managing Board. The Government through authorized representatives exercises the authorities of the CSD Meeting. The Managing Board has a

²² Operating Rules of the CSD, www.crhov.rs/pravnaregulativa/english/operating_rules/operating_rules.pdf

²³ www.crhov.co.yu/pravnaregulativa/english/Term_Schedule.pdf

²⁴ EMC Documentum is a leading enterprise content management technology platform that helps enterprises to streamline the capture, processing, and distribution of business information including documents, records, e-mails, web content, images, reports, and digital assets. It can also automate entire business processes in accordance with business rules.

²⁵ Replication of data to an off-site location, which overcomes the need to restore the data (only the systems then need to be restored or synced).

president, deputy president and three members. The term of office of the Managing Board members is four years; provided, however, that the same persons may be reelected and/or reappointed. Regarding ownership, *the law states that at least 51% of the CSD shares must be owned by the Republic of Serbia and, at the present time, they are entirely owned by it. Through management analysis the impression is given of the CSD being harmonized with recommendations and experience of the countries with developed financial market, in this segment as well.*

Recommendation no. 15 addresses the efficiency of clearing and settlement system itself. To this effect, *CSD has cost control, as well as developed procedures, that enable harmonization of price levels with operational costs. All the fees that the CSD charges for its services are transparent and publicly accessible²⁶.* CSD revises its services so as to improve the quality, but there are no interactive communication procedures with system users; instead, complaints can be filed *ad hoc*.

Participants are given the possibility of clearing and settlement in accordance with international communication procedures, as well as those standards that are in compliance with recommendations regarding message safety, thus, we can conclude a high degree of harmonization with recommendation no. 16.

In terms of transparency, a high degree of harmonization with recommendations of the EU had also been achieved as all the important information concerning the operations of the CSD were made available at the web presentation (*www.crhov.rs*), both in English and Serbian.

In addition to that, CSD has a high degree of transparency in terms of regulation, supervision and oversight as well. Still, the accountability of regulatory bodies is not clearly defined, thus allowing for the possibility of overlapping of responsibilities with the Republic of Serbia Securities Commission, but that should be taken care of with the adoption of the new Law.

The last directive addresses the question of operational links of CSDs to other systems, and in case of the CSD, this primarily refers to its link with the Belgrade Stock Exchange. There is a clearly defined protocol on electronic data exchange in this segment, including the application of latest achievements of modern technology that ensures speed and safety.

Conclusion

Considering the fact that the CSD in Serbia is a relatively young institution, it had an opportunity to use experiences and best practice of the most developed world and European financial markets and institutions and apply the best solutions in the process of construction of clearing and settlement system. Completion of the comparative analysis of law regulations, business techniques, data protection and all the relevant parameters in work of the CSD, showed a very high degree of harmonization with the corresponding recommendations from the CESR/09-446 document, and thus, when it comes to this segment, we can conclude that the Republic of Serbia may very swiftly, and without major additional harmonization, become a part of the integral EU financial market.

The key problem arising in this area is insufficiently developed securities market in the Republic of Serbia, thus, the situation can very plastically be compared to “perfectly constructed traffic arteries with no cars on them.”

²⁶ Tariff Rates Rules, www.crhov.rs/pravnaregulativa/english/tariff_rates_rules/tariff_rates_rules.pdf

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