

Although I normally feel obligated to begin any presentation with a brief primer on the obscure organization known as the Group of Thirty, old hands at clearing and settlement might constitute the rare breed that does not need it. After all, the Group's 1989 report on clearing and settlement has achieved biblical status in the clearing and settlement field as the guide book both to reform and how reform should be accomplished.

It certainly became a model for subsequent work by the G30 itself, and its focus on industry reform supported by public policy and law has a logic that is hard to refute. The subsequent evolution of thinking in private and public circles in favor of standards and codes of conduct to address market weaknesses and failures certainly embraces that logic, even if the world sometimes seems to be drowning in 'authoritative guidance.'

But just to be clear, let me briefly define the Group of Thirty. The group numbers among its members past or present Chairmen of the Federal Reserve, the President of the ECB, Governors and Vice Governors of central banks in industrial and emerging market countries, the Vice Chairman of AIG and Presidents of the international units of JP Morgan Chase, Citigroup and Morgan Stanley, mixed with noted academic economists.

The process of discussion and decision that leads to G30 projects – in fact any deliberation by such a group – must be a *top-down exercise*. Often at the urging of public and private interests outside the Group, project ideas are brought to the Group **and if**, after serious discussion, the Group feels that important issues of safety and efficiency in global markets are at stake **and if**, after due diligence regarding other work underway, the Group believes that an issue would benefit from the added focus of G30 attention, a project is launched.

That is the process that resulted in the decision several years ago to revisit clearing and settlement issues in a global context, roughly a decade after the Group's original report in this field. After more than two years' work, "Global Clearing and Settlement: A Plan of Action" was published in early 2003.

Just as this was not an entirely new playing field for the G30, we recognized that it was the *home field* of ISSA and that an official rule book was then being drafted by the Committee on Payments and Settlement Systems of the G-10 central banks.

We began with a high-level view, beginning at the level of principle and then "drilling down" where appropriate into the detail to be sure we had something useful to say. We made substantial and successful efforts to ensure that the report's recommendations were aligned not only with the market but with these other authoritative voices in the field.

As those of you who participated in the exercise know – and there are many here who deserve a share of *the blame* – the decision to take a global view brought with it the full complexity of cross-border securities trading. So rather than the nine simple rules of the 1989 G30 report, 20 recommendations emerged, each in turn encompassing substantial work programs of their own – in the technical, operational, legal, risk management and governance areas. Some called for the creation of specific standards, others for application of higher standards.

Yet we made the recommendations with considerable confidence because we were convinced they represented the aspirations of participants in global securities markets -- based as they were on an industry survey and intensive discussion with the experts. In that sense, the G30 recommendations were *less a biblical revelation than a road map*. So from my point of view, ISSA has chosen exactly the right symbol for this discussion.

And since our focus is the future, let me describe what the Group of thirty is doing with the road map it created to help ensure that the system gets to its desired destination – bearing in mind a number of considerations for which I will continue the highway metaphor a bit further:

- First, the trip is over difficult terrain in that the G30 report recommends difficult and complex tasks to many different actors across the globe.
- Second, that the trip will take time – a five-year time horizon was mentioned yesterday, the report discussed a 5-7 year implementation period. Like any road trip with the family, the answer to the question “Are we there yet?” will often be NO!
- Third, the road is fairly crowded but that is not unusual on a busy, high speed road when there is a desirable destination to which many are headed.
- Finally, there are critical questions of who is planning highway improvements, taking care of road construction and maintenance, directing traffic and the rest.

None of these concerns was lost on our project Steering Committee and, in preparing the recommendations, they decided that it only made sense to endorse such a comprehensive and complex program if it included some mechanism for promoting progress on its implementation over time.

The challenge was to figure out what that mechanism should be? Neither the Group of thirty, nor any Committee it empanels, is a market participant. We have no capacity to implement industry standards. We do not build infrastructure or maintain it. And we have no enforcement powers to control the direction of movement or stop violators.

What the Group does have is the ability to command high-level attention and to exercise a certain moral authority on matters of safety and efficiency in global markets. If the Group would deploy its moral authority in monitoring progress against the recommendations following release of the report, this should encourage progress on the reform agenda. No one likes being named as a reform laggard or a rule violator, and exposure to light is a power disinfectant for market failure.

Having commissioned the study in the first place, the Group of thirty accepted this return-mandate and agreed to make global clearing and settlement part of its ongoing work program for the new millennium – hopefully not the **FULL** millennium!

We began with a seminar at the Bank of England in May 2003 at which an impressive array of speakers committed themselves and their organizations to pursue the program set out in the report.

At the Seminar, we announced the creation of a Monitoring Committee chaired by Andrew Crockett – then General Manager of the Bank for International Settlements, now President of JP Morgan Chase International. Like the project Steering committee before it, this is a star studded cast of senior executives, technical experts and senior officials – a Group of Thirty, in fact – who bring credibility and authority to the process of promoting global reform.

A half year later in December 2003, the Committee met for the first time to organize its monitoring process and decide how to carry out its mandate. Its work program had several elements:

- Because some recommendations had important regional dimensions, regional co-chairs were named to report to the Steering Committee region by region. Tom de Swaan of ABN AMRO and Stephan Schuster of Deutsche Bank agreed to serve in Europe; Andrew Sheng of the Hong Kong Securities and Futures Commission in the Asia-Pacific region; and Andrew Crockett himself for North America.

- To ensure that they were fully conversant with developments in the regions, the regional chairs took the initiative to organize advisory groups in Europe and Asia. In Europe, this group includes representatives of major users of clearing and settlement services and official observers from the European Central Bank, European Commission and CESR, the securities regulatory committee. In Asia/Pacific, a supervisors' committee was organized consisting of officials from Australia, Hong Kong, Singapore and Japan.
- Monitoring organizations were recruited to report progress, recommendation by recommendation. For some, these were global organizations like ISSA, SWIFT or ISDA. For others, where primary implementation was likely to take place on a regional basis, organizations such as the US Securities Industry Association, ECSDA, the European Securities forum or the Asia Pacific securities depository association were approached. The Governance recommendations will be addressed at committee level.

Although we pursued the monitoring process confident that market participants would want to be part of it, we have nonetheless been gratified at the level of commitment to the review process.

We have sponsors for all 20 recommendations, multiple sponsors in some cases, and we expect progress reports across the full range of recommendations when the Steering Committee next meets in Amsterdam on July 19. ISSA, of course, has agreed to accept primary monitoring responsibility for five of the. As such, ISSA is one of our most important partners.

We have requested progress reports in the second half of June, so do not yet have a sense of the content of those reports. I may know better what a number of them will look like by the time this meeting is over. But like the recommendations themselves, we are seeking reporting that is sufficiently detailed as to identify issues, problems and progress in rather specific terms.

As was recognized nearly from the outset of the G30 project, it is important that monitoring takes place - that market participants know their performance is being evaluated. However, the monitoring will have teeth only if there is sufficient information upon which to act. Generalities and platitudes will make focused reaction difficult.

The July meeting will be the first time that the Committee undertakes substantive review of developments. The Committee's Terms of Reference call for evaluation of the adequacy of implementation in terms of: timeliness; consistency with the spirit of the original recommendations; and consistency with initiatives being undertaken by others bodies. In the event that implementation is felt to be inadequate, an "appropriate response" is called for.

As discussed above, the Committee can exercise a certain moral authority but it is only a group of people undertaking periodic review. Their mandate is to identify reform laggards, rule violators and those working at cross purposes with global reform. The next step is to attempt to resolve problems through discussion with monitoring organizations or the Committee Chair. The ultimate enforcement mechanism is to name and shame offenders by drawing public attention to persistent problems.

Looking out to the end of 2005, the Committee is committed to publish a comprehensive report on the progress of the G30 reform agenda. The challenge of preparing a progress report across the full range of reforms on a global basis is daunting, but it should build upon the process described above. And PricewaterhouseCoopers, our professional services partner in the original study, has agreed to assist this effort.

We have established a monitoring scorecard as part of the G30 website where monitoring organizations are named and information is being stored about implementing organizations and the progress they are making. We will begin filling in the scores following the first round of reporting and the July 19 meeting.

We also have put in place a small secretariat overseeing this process, and both I and Marc Hollanders at the BIS stand ready to discuss issues, provide information and respond to any and all questions.

As we carry out the monitoring process, we are hugely appreciative of the support offered by ISSA, SWIFT and many other organizations and financial institutions represented at this meeting. We look forward to a vigorous review program and a candid assessment of the progress being made, or not being made, over coming months.

Before closing, I would like to respond to expressions of frustration I have heard that this process has not moved faster or been more visible. I have great sympathy with the frustration of those anxious for reform but, while I hope the process will be more visible after our July 19 meeting, there are limits to what can be achieved in a monitoring process.

The real action, of necessity, must take place elsewhere. The Group of Thirty cannot reform the global clearing and settlement space. The power of the 1989 report or any other influential document is the extent to which it embodies – with apologies to Victor Hugo – an idea WHO’S time has come.

We hope this is such an idea. I look forward to your questions.