



HM TREASURY

Recognition Order

The Treasury:

- having complied with the requirements of section 186 of the Banking Act 2009 ("the Act") (including the requirement to notify Euroclear UK & Ireland Limited ("EUI") in accordance with section 186(1)(b)); and
- having had regard to the factors specified in section 185(2) of the Act,

are satisfied that the recognition criteria specified in section 185(1) of the Act are met in respect of the inter-bank payment system specified in point 1.

Accordingly the Treasury make this Recognition Order in exercise of the power conferred by section 184(1) of the Act.

1. SYSTEM SPECIFIED AS A RECOGNISED SYSTEM FOR THE PURPOSES OF PART 5 OF THE ACT:

The inter-bank payment system operated as part of CREST.

2. ARRANGEMENTS CONSTITUTING THE RECOGNISED SYSTEM:

The system consisting of the formal arrangements and the standardised arrangements made by EUI which are designed to facilitate or control the transfer of payments to or from the members of CREST. The arrangements include:

- the CREST Rules relevant to the discharge of payment obligations arising between CREST members;
- the CREST Manual where relevant to the discharge of payment obligations arising between CREST members;
- the CREST Terms and Conditions relevant to the discharge of payment obligations arising between CREST members;
- the infrastructure utilised to facilitate or control payments to or from members of CREST.

SIGNED:

Tony Cunningham

Frank Roy

DATE OF RECOGNITION: 5th January 2010

Notes

These notes do not form part of the Recognition Order

1. CREST is the UK's main securities settlement system¹ and is used to hold and settle transactions in UK government debt, UK equities, warrants, money market instruments such as certificates of deposit, bills and commercial paper and certain other securities. Transactions may be settled in sterling, euro and US dollars. In 2008, the daily average value of sterling transactions in CREST was £477.5 billion and the average daily volume of transactions was approximately 212,000.²
2. EUI is recognised as a "Recognised Clearing House" (defined in section 285 of the Financial Services and Markets Act 2000). As such, EUI is regulated by the Financial Services Authority ("FSA"). In accordance with section 192 of the Act, in exercising its powers under Part 5 of the Act in respect of the system specified in point 1 of the Recognition Order, the Bank of England must have regard to the action that the FSA has taken or could take.
3. The Treasury are satisfied that the recognition criteria specified in section 185(1) of the Act are met by the inter-bank payment system the system specified in point 1 of the Recognition Order, having regard to the factors specified in section 185(2) of the Act. The Treasury note, in particular, that at the time of recognition:
 - (a) no other systems offer exact substitutes for the services provided by the system specified in point 1 of the Recognition Order;
 - (b) approximately 212,000 sterling, 14,000 euro and 2,000 US dollar payments are made (on average) using CREST per day, with a total

¹ A system that permits the holding and transfer of securities.

² *Payment Systems Oversight Report 2008*, Bank of England (April 2009).

value of £477.5 billion in sterling payments, £1.1 billion of payments in euro, and £2.1 billion of payments in US dollar;

(c) a number of financial markets infrastructure firms (such as LCH.Clearnet and EuroCCP) use CREST's settlement services; and

(d) the Bank of England uses the system specified in point 1 of the Recognition Order in its monetary policy operations in the sterling money market.

4. In accordance with section 186 of the Banking Act 2009, before making this Recognition Order, the Treasury:

(a) consulted the Bank of England,

(b) consulted the FSA (as the operator of the system specified in point 1 of the Order, EUI, is a Recognised Clearing House),

(c) notified the operator of the system specified in point 1 of the Order, and considered any representations made.

