

A Centralized Multi-Entity CSD Solution for Entire Capital Market

Georgia Case Study

SSS/CSD Set up in Small Developing Markets

- Small market cannot sustain multiple well equipped CSDs
- Typical response: merging of CSDs and moving profitable business
- Frequently with central bank ownership
- Downsides: central bank gets involved in private business and private CSD compromises its independence
- If no consensus: impediment for corporate securities segment development

The CSD Debate – Thinking Out of the Box

- One or multiple CSDs – which setup is better?
- Georgia tried to find a solution to a common challenge
- Centralized infrastructure – independent CSDs
- New concept designed and implemented in partnership with Montran
- International analogues

GSSS - A Multi-asset multi-CSD System

- One settlement system to support entire market
- Scalable to accommodate multiple CSDs
- DvP settlement in Central Bank Money
- Integrated with trading infrastructure
- Operated by the Central Bank

Why a Central Bank?

- They have been doing similar job for years
- Credibility, business continuity, cost efficiency
- Financial stability mandate
- Financial collateral and monetary operations

Central Bank Monetary Operations

- Automated settlement of NBG lending operations
- Borrowing through securities issuance
- Pledging of eligible collateral without cross-CSD movement
- Sophisticated collateral management tools

An Award Winning Collateral Solution

- Collateral policy as static data
- Automated collateral selection
- Easy substitution and execution
- Rollovers with same collateral
- Multiple options for collateral valuation

Optimized Settlement & Liquidity Management

- Integrated settlement model – both cash and securities in one place
- Automated corporate actions: payments to beneficiary accounts
- Multiple intraday facilities provided by CB free of charge
- Auto-collateralization (on stock and on flow), partial settlement
- Hybrid - DvP1 and DvP3 in one system with gridlock resolution

Benefits for Private CSD

Then

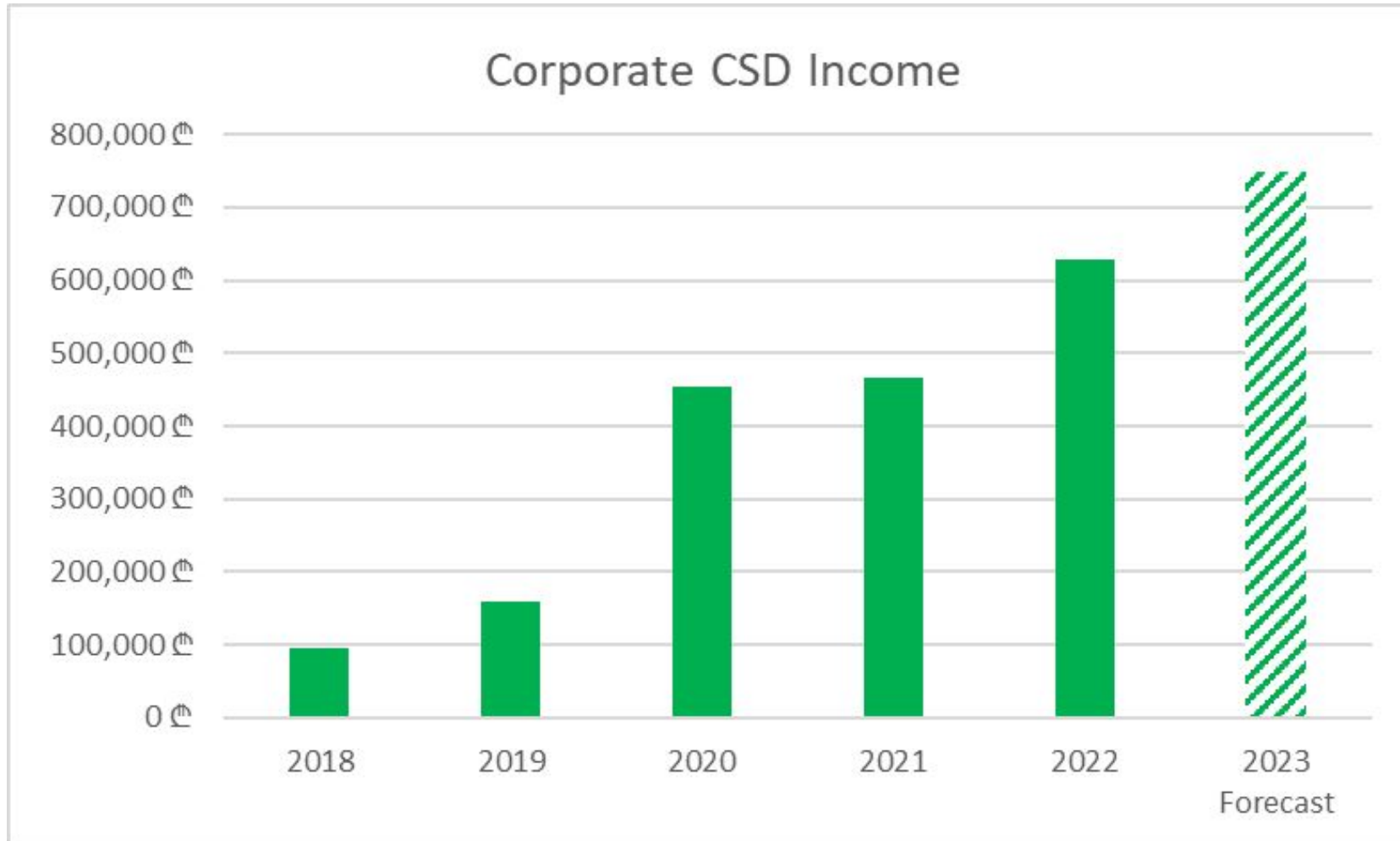
Fragmented infrastructure
Old IT infrastructure
Manual paper based processes
No corporate action processing
Settlement in commercial bank money
High settlement risk
High transaction costs
Low investor security



Now

Centralized infrastructure
Modern IT solution
Straight through processing
Automatic corporate actions
Settlement in Central bank's money
Low settlement risk
Low transaction costs
High investor security

Benefits for Private CSD



GSSS 5 Years Later

- Expected benefits materialized
- Once a brave idea, now a reality with proven advantages
- Became Montran's standard solution offered globally
- International Recognition and Interest from other markets

Thank you!

Questions?

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