

# **Banks: settlement finality in payment and securities settlement systems**

1996/0126(COD) - 29/01/1998 - Text adopted by Parliament, 2nd reading

In adopting the recommendation for second reading by Mr Klaus LEHNE (PPE, D), the European Parliament amended the common position on the proposal for a directive to protect customers in the event of a banking institution going bankrupt. In particular, Parliament inserted a provision stipulating that if, in exceptional cases, transfer orders are entered into a system after insolvency proceedings have been opened and are executed on the date on which those proceedings are opened, they shall not be legally enforceable and shall be binding on third parties only on condition that the settlement agent, the central counterparty and the clearing house can prove that they did not know, or ought not to have known, that insolvency proceedings had been opened. Parliament also deleted a provision (Article 11) which would have allowed Member States to protect their national systems by adopting stricter rules than required by the Directive.