



6TH MEETING OF THE CLEARING, SETTLEMENT AND REGISTRATION GROUP (CLR GROUP)

28 November 2024, 10:00 to 13:00

Face-to-face meeting at the offices of the CNMV, C/ Edison 24, Madrid

1. Introduction

1. The Chair of the CLR Group welcomes attendees and thanks them for their participation, highlighting the importance of the issues under the meeting agenda.

2. T+1 settlement

a) Situation in Europe

2. The CNMV discusses the following points:
 - Proposed calendar according to ESMA's report (ESMA assessment of the shortening of the settlement cycle in the European Union) published on 18 November 2024. Indication that the elements of the roadmap can be categorised into two main groups, the first being of legal nature related to modifications of the legislative and regulatory framework. Such modifications should not only provide legal certainty on the obligation to settle transactions on T+1 (CSDR), but also promote tools to increase settlement efficiency to help market participants in the transition to T+1 (Settlement Discipline RTS), as well as ESMA guidelines on standardised procedures and messaging protocols should be amended for further automation. The second category is more operational and is related to all the necessary steps that market participants must take to ensure they can operate in a T+1 environment. This second category includes identifying harmonised technical solutions to the challenges set by T+1 by redefining market standards, adapting contractual agreements, market practices and agreements, as well as implementing and testing the systems and processes needed to settle securities transactions on T+1; and would be divided, according to ESMA, into three phases: i) identification of technical changes to market infrastructure operations and timelines (from the publication of the report until Q3 2025); ii) publication of such changes to systems and implementation thereof (from Q4 2025 to Q4 2026, although its possible extension through 2027 jointly with the third phase); and iii) testing period (from Q1 2027 to go-live).
 - In September 2024, the United Kingdom published its Accelerated Settlement TF Technical Group - Draft Recommendations Report & Consultation, including a series of recommendations considered a precondition for the successful implementation and efficient functioning of T+1 in the UK, as well as a number of others aimed at increasing the overall efficiency of UK capital markets. The distinction of the scope to be considered according to the migration scenario is

highlighted, being on a par with the European Union (EU) and Switzerland or, on the contrary, in advance. In the second scenario, exemptions would apply to certain securities, such as ETFs, Eurobonds issued by ICSDs, or equity of an UK issuer but settled in the EU. The final report, which will set a date for migration, will be published in December.

- Some aspects of the High-level Roadmap for Adoption of T+1 in EU securities markets drafted by European T+1 Industry TF, published in October 2024, are discussed. Findings of the latter have been, in its majority, taken into account in drafting the referred ESMA report.

b) European governance and domestic group

3. The CNMV acknowledges the joint public statement of the European Commission, the European Central Bank and ESMA, dated 15 October 2024, which mentions the need to coordinate a governance structure, at a European level, for this project, ensuring that it is inclusive and representative of all sectors affected by the change to T+1. Details on such governance are expected to be published soon.
4. At a local level, the CNMV, after joint coordination with the Bank of Spain, commissions BME/Iberclear to set up a group whose objective will be to ensure the knowledge and preparation of all sectors of the Spanish industry, as well as to convey said group's criteria and opinions to the project governance at the European level. Attendees are provided an e-mail address (csdr.mercados@cnmv.es) to express their intention to participate in said group, if applicable.
5. Iberclear accepts the task and thanks the CNMV and the Bank of Spain for entrusting the entity. Attendees raised certain questions and Iberclear clarified that the composition and details of the activities and calendar of the national group will be detailed as more information is provided by the European group.

3. Securities lending

6. The item of the agenda, in which INVERCO details updates on securities lending, highlighting its participation in the public consultation, is brought forward. It points out that this figure is a historical demand of the association, which has been subject to public consultation on two previous occasions without satisfactory results, despite having a proposed text some time ago. In this regard, INVERCO expresses its hope that, this time around, a definitive authorisation of this figure in Spain will be achieved. Additionally, INVERCO discloses an overview of the framework: securities lending is a common practice in other European countries and EU legislation has evolved in this direction, leading to a regulatory framework for securities lending in Spain, although it cannot be carried out, awaiting specific authorisation for its implementation, which has led to a position of disadvantage.
7. In regards to the association's actions, it is reported that discussions have been held with the Ministry and that the latter has shown particular interest in: i) the type of securities eligible for lending; ii) collateral; and iii) the possible extension of the scope to pension funds.
8. In this context, INVERCO highlights that in its response to ESMA's consultation regarding the reduction of the settlement cycle to T+1, enabling of securities lending was included as a priority proposal. It also highlights that securities lending is an

essential tool to mitigate errors in settlement and that, as investment funds and pension funds are the main providers of securities in most jurisdictions, the prohibition of securities lending in Spain poses a significant obstacle to effective migration to the settlement cycle in T+1.

4. Settlement efficiency

a) Information of Iberclear

9. Iberclear presented its development in comparison with T2S, in the section dedicated to settlement efficiency. The overall conclusion is that Iberclear shows efficiency ratios, in terms of volume of transactions and effective amounts, in line with the T2S average and comparable central securities depositories (CSDs), specifically +1% above the figures for the platform as a whole, both in terms of volume and value, between May and October of this year. The main reasons for failures, i.e. lack of securities, on hold transactions, lack of cash, linkage or restrictions, are reported, highlighting the percentage division between said reasons for failures by value and by volume. Incidents in T2S over the last 12 months are shown.
10. In the case of the development in ARCO, the CSD highlights the improvement since the Settlement Discipline Regime (SDR) came into force, more visible for equity.

b) Updates in the settlement discipline regime

11. The CNMV presented the work carried out in ESMA groups in such regard, specifically sharing the conclusions of the Final Report - Technical Advice on CSDR Penalty Mechanism, published on 19 November. These include the proposal for a moderate general increase in penalty fees for most asset classes (excluding SME growth market and liquid market equities) to ensure that the penalty mechanism discourages settlement failures, incentivises their quick resolution and improves settlement efficiency, without any major changes to the calculation of penalties, also considering the T+1 project.

5. Reform 3 - Testing period

12. Iberclear discloses the testing schedule for the Reform 3 project, and highlight among the Q4 2024 milestones the start of testing on 25 October, as well as the migration test on 22-28 October. The most important dates before the go-live event (10 March 2025) are 14 February 2025, the deadline to complete the obligatory tests, and 24 February 2025, which will be the deadline for entities to submit the certificates of suitability.
13. Iberclear explains in detail the assessment, to date, of the test carried out concerning migration and community processes. It ends on a positive and satisfactory note with no relevant incidents. The CSD, as well as the CNMV, insists on the importance of the involvement and participation of all entities and their counterparties for the success of said tests. Iberclear shows the questionnaire that has been distributed among entities in order to visualise the aggregate of the self-assessment of the tests and gives details of the conclusions and next steps.

6. Primary transactions

c) T+0 and T+1 settlement processes in primary transactions

14. Iberclear carries out a comparison between the procedures currently in place for the execution and settlement of public offerings following a settlement cycle of T+2 and T+1. The main advantage of reducing the settlement cycle to T+1 is the reduction by one day of the pre-funding supporting the issue of the newly issued shares, pre-funding that takes place between the moment of disbursement and the settlement of the offer. In this context, the possibility of further reduction of the process and eliminating the pre-financing phase by settling at T+0 is presented, noting, however, that the cases that could be accommodated in this third scenario are smaller and more specific.
15. Lastly, the CSD mentions the creation of a new internal format (HIPOS01) for primary transactions (IPOs/public offerings) to replace the current HTITUEA for these cases, a file that aims to simplify the required information, removing the obligation to report the associated executions and ownerships, focusing exclusively on account and balance data. In this regard, the settlement entities shall communicate, after the settlement of the event, the owners linked to the transactions (with HTITU03).

d) IPO/Public Offering issuer certificate

16. The CNMV notifies the elimination of the dissemination charts, replaced by a certificate to be submitted by the issuer/placing agent to the supervisor as part of the public offer file. Such amendment updates and simplifies the information requested by the supervisor. In this context, the CNMV mentions the amendment published on its website on 10 June 2024 in the document "Q& A on the regime for prospectuses to be published in public offerings and admissions to trading on regulated markets", with section 10 that discusses statistical information in the context of public offers (Art. 76 of Spanish Royal Decree 814/2023).

7. Other matters. Requests and questions

17. A participant asks about the status of the conclusions of the impact of the disappearance of the PTI, with the entry into production of Reform 3, on M198. The CNMV states that it is not aware of any updates in such regard, pointing out the role of intermediation and contact, as well as that of the resolution of issues with the Directorate-General for Taxation carried out over recent months and which continues to be operational, pending a conclusion.

MEMBERS OF THE CLEARING, SETTLEMENT AND REGISTRATION GROUP
(CLR GROUP)

CNMV

Bank of Spain

The Spanish Banking Association (AEB)

BBVA

Banco Santander

BNP Paribas

BME Clearing

Spanish Stock Exchanges and Markets (BME)

CACEIS-Santander Sec. Services

Cecabank

Citibank Europe PLC

UBS Europe SE

Deutsche Bank

Spanish Issuers (*Emisores Españoles*)

Gestora del Fondo General de Garantía de Inversiones, S.A. (Fogain)

GVC Gaesco Valores SV, SA

Iberclear

Inverco

Kutxabank Investment, SV, SAU

Société Générale Sec. Services