

November 16<sup>th</sup> 2022, 10:00h – 12:30h

CNMV's Madrid Premises

## 1 Introduction

The president of the CLR Group welcomed attendees and thanked them for their participation, highlighting the importance of the issues to be discussed for the Spanish market.

## 2 Presentation of the proposed consolidation report of the Working Group for Reform (GTR3)

Iberclear presented the conclusions of the Settlement Reform Working Group (GTR3), which identifies the main challenges and requirements of the elimination of the mandatory maintenance of the information system (PTI).

Thus, the GTR3 has come to an overall conclusion:

- The PTI shall cease no later than the transitional period to be set out in the Spanish Market Law, without such reform leading to a scenario in which some institutions are able to use it voluntarily.
- The disappearance of the PTI shall not affect the maintenance of the detailed register by Iberclear's participants. For greater legal certainty, regulatory amendments are envisaged to ratify the possibility of registration in name of entities that are part of the custody chain (CNMV confirmed that this is already possible according to its interpretation of the current legal text).
- Information flows to issuers of registered and assimilated shares are maintained.
- Disappearance of the Special Financial Intermediary (SFI) settlement model, whose activity may continue to be carried out from individual accounts.
- A few technical and procedural changes are necessary to harmonise settlement practices. Specific working groups will be set up to manage certain technical issues (Party 2 and approval of Iberclear's catalogue of types of transaction in line with that of T2S).

The meeting participants showed consensus on the following points:

- They appreciated Iberclear's leadership of the project, which meeting attendants believe has tried as far as possible to represent the various sensitivities.

- Most participants welcomed harmonisation with EU settlement practices and highlighted the need for the reform to be comprehensive, so that no further reforms would be necessary.
- The removal of the PTI should be done in a coordinated manner by all participants, with a common timetable for all.
- Adaptation tasks should begin immediately. At this point, the importance of distributing the technical documents for adaptation as soon as possible was stressed.

### 3 Next regulatory developments

#### a) CDSR Regulation: mandatory buy in and settlement in foreign currencies by central securities depositories

The CNMV gave a presentation on the status of the main amendments to CDSR, focusing on the following two aspects.

First, the improvement of the settlement discipline regime, relative to mandatory buy in. According to the published information, the European Parliament advocates for total abolition of the buy in regime, while the Commission considers a buy in regime that would be activated by the Commission when certain conditions are met and that could be applicable exclusively to certain types of instruments and transactions. European Council is currently examining the European Commission's text.

Second, settlement by central securities depository in a currency other than its home state and without access to central bank accounts. At this point, the alternatives that a CSD would have for these operations were enumerated:

1. Apply for authorisation to provide ancillary banking services;
2. Designate credit institutions authorised exclusively to provide banking services recognised in CSDR;
3. Designate a CSD authorised to provide banking auxiliary services; or
4. Settle foreign currency transactions by means of a credit institution or other CSD authorised to provide banking services without being subject to the prescribed requirements, if it does not exceed certain quantitative limits.

#### b) Settlement of T+1

The CNMV gave a presentation on international initiatives to establish T+1 settlement, with special focus on the US and Canadian ones.

Moreover, the main benefits of such an accelerated settlement were identified, as well as the challenges it would entail.

The regulatory changes that might be necessary at a European level to adapt said operation were also discussed.

#### 4 AOB

The CNMV reported on its intention for the CLR Group to continue to be a permanent forum of communication between competent authorities, central securities depositories, participating entities, issuers, market participants, etc. In addition, two issues were raised.

##### **Securities lending by collective investment firms**

The disadvantage of the Spanish collective investment industry compared to other countries was discussed, considering its impossibility to lend securities under management, subject to the requirements of the MiFID regime; this could lead to a loss of some returns each year for the collective investment. In regard to the securities industry as a whole, this inability to lend securities implies a loss of liquidity in the markets and reduced efficiency in trades settlement.

CNMV's Markets Directorate General pointed out that the CNMV has been publicly in favour of harmonisation with neighbouring markets also in this respect; the interest expressed is noted and will be channelled internally for discussion.

##### **Harmonisation of the procedure for the distribution of securities in primary markets with the practices of other European markets**

It was reported that some international investment banks have shown interest in harmonising the settlement of primary market transactions in line with existing EU practices, which would result in less complexity. It was mentioned that in other Member States it is possible to settle such transactions with an OTC transaction.

The DGM was in favour of this issue being analysed by one of the working groups that will work on the conclusions of the GTR3, bearing in mind that the priority should be to adapt procedures and systems to the completion of the PTI dismantling as soon as possible.

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

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CNMV

Banco de España

Spanish Banking Association (AEB)

Banco Bilbao Vizcaya Argentaria

Banco Santander

BNP Paribas

BME Clearing

Bolsas y Mercados Españoles, BME

CACEIS-Santander Sec. Services

Cecabank

Citibank Europe PLC

Credit Suisse Bank (Europe), S.A.

Deutsche Bank

Emisores Españoles (Spanish Issuers Association)

Gestora del Fondo General de Garantía de Inversiones, S.A.

GVC Gaesco Beka SV, SA

Iberclear

Norbolsa, SV, SA

Société Générale Sec. Services