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Post-trade infrastructure: the cornerstone of CMU

Even if most of post-trade legislation was adopted in the aftermath of the financial crisis and thus before the CMU was conceived, it is clear that Central Securities Depositories (CSDs) already contribute in many ways to achieve the CMU objectives. Smooth and safe settlement of securities trades is one of the conditions to ensure confidence in market trading activity, which in turn creates liquid capital markets. By implementing T2S and the CSD Regulation (“CSDR”), that have progressively built an unprecedented level of safety, harmonisation and freedom amongst EU issuers and investors, the European CSDs can already offer a deep and reliable framework for the circulation of securities across Europe.

However, substantial work still needs to be done to achieve full end-to-end access, as well as operability across the different pieces of post-trade legislation and lastly to address the remaining areas of fragmentation.

In this respect and to move forward in a constructive way, three recommendations can be made.

First, avoid rushing into a large review of the CSDR before being able to assess whether the expected benefits have been realised. Even if a review is scheduled for this year, some important pieces of this legislation will enter into force next year (for example settlement discipline regimes) and many CSDs are still in the middle of their authorisation processes. We should therefore resist to the temptation to reopen too quickly this regulation, except to correct or clarify well identified issues that currently hamper smooth post-trade services.

Second, take advantage of the implementation period to foster more convergence in the supervisory approaches across EU jurisdictions. Settlement and safekeeping of securities remain largely domestic industries, and therefore a homogeneous application and supervision of the new regime is a precondition to the development of cross-border services; services that are efficient and truly competitive.

Lastly, tackle the well-known barriers that remain the main obstacles to the creation of a unified capital markets zone and which were already identified by the Group chaired by the late Alberto Giovannini 18 years ago. It has been obvious during the past years that certain barriers were too sensitive from a political standpoint. However, for all of the domains where harmonisation is needed, it is now up to our national governments to take the lead and to express a strong and unified political vision. CMU 2.0 will not be achieved without a strong and explicit political message from the European Council and the Parliament. This needs everyone to be convinced that deep, liquid and secure capital markets are key to the development of businesses, jobs and innovation, but also an essential protection of Europe sovereignty. ●