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DLT is good, except when it's not (regulated)

Yes, the EU finds itself at a crossroads. With unprecedented public debt levels and pressure on the monetary policy as well as the banking system, the untapped growth potential by boosting the EU's capital markets becomes critical now. With the Brexit being a reality, the time has come to act – and the reflections around sovereignty and a stronger Euro are the right way ahead.

But in all this misery, there are also some good news: The G20 reforms have paid off! Despite all the turmoil and volatility over the past year, markets remained stable. Let us not forget that the post-trading sphere is playing a key role in this context as the backbone of security, stability and reliability in the financial system – fundamentals that should never be compromised.

This is where the CSDR comes in – and it is fair to say that we have come a long way: Shorter settlement periods or significantly enhanced organisational and prudential requirements for CSDs are only some of the key fields of progress. While it is good to ensure the functioning of the framework, a full sweep review occurs misplaced given that certain requirements have never been phased in, such as the settlement discipline regime. And after all the impact assessments and years of preparations, it would occur premature to simply change or delete certain requirements at this stage.

This holds in particular true for the buy-in regime, notably considering that the Eurosystem still faces significantly higher settlement fails than other leading jurisdictions. Enforcing discipline is needed – as it means that market participants need to stand in for what they promised and cannot simply get away with misbehaviour to the detriment of the integrity of the EU's markets, such as non-delivery of securities.

By contrast, it makes sense to review some aspects that require adaptations to bring the EU's endeavour on the CMU front forward by strengthening the post-trading integration and making the internal market more efficient, resilient and competitive. These include, for example, the need to boost cross-border competition by enhancing the passporting regime and streamlining the approaches by NCAs, the ability of CSDs to service intra-group, or the ability to provide ancillary banking services.

Let us not forget to highlight the importance of technology in

this context. With the next big digitalisation wave in full swing, it will be key to ensure the CSDR remains future-proof while safeguarding its fundamental stability and integrity prerogatives. The DLT Pilot Regime proposals should therefore still find the right balance between innovation and security, respecting the principle of “same business, same risk, same rules”, avoiding conflicts of interests and ensuring technology-neutral legislation.

When Deutsche Börse Group made the markets electronic in the 90s, we did not see any regulatory relief for our business case. History illustrated that we were nevertheless successful. Today, Deutsche Börse Group has a number of DLT based offerings on the market – again, without receiving regulatory relief.

If new technology is claimed to be incompatible with fundamental principles of financial regulation, we should carefully reflect if it is our fundamentals or the technology that is not fit for purpose.