



FRANCISCO BEJAR

Deputy General Manager,
Iberclear (BME)

EU securities post-trading priorities

We are living in an unprecedented times, socially distanced and heavily relied on digitalization and innovation. Here we are, yet again hit by another crisis but by health crisis this time which has paralyzed economies around the globe. The world economic and geopolitical orders will most probably change depending on the policies and strategies countries will and are employing not only in order to recover from the pandemic-led crisis and mitigate the risks but also to achieve the goals they have set for the future. Therefore, we need to complete the Capital Markets Union (CMU) now more than ever, or the stakes are too high.

In September 2020, the European Commission published its Action Plan to boost the CMU by tackling some of the remaining barrier to a single market for capital. One of the barriers, which hinders the cross-border investments and transactions, is the fragmented post-trade landscape or the lack of common CSD ecosystem.

To create a common CSD ecosystem, we need more simplified and harmonized rules such as Central Securities Depository Regulation (CSDR), Settlement Finality Directive (SFD) and Financial Collateral Directive just to name a few. For this, we need (i) to clarify and harmonise the passporting procedures and enhance cross-border provision of services, (ii) facilitate the servicing of domestic issuance in non-national currencies, and (iii) strengthen the supervisory convergence among the national competent authorities.

Indeed, the consultations issued by the European Commission on CSDR and SFD are in line with the recommendations of the High-Level Forum on CMU and are on the right direction. However, to achieve even better results, it is also important to resolve tax-related matters, simplify the CSD links framework and employ technological innovations.

In the meantime, we have to implement the Settlement Discipline Regime, which is a crucial part of the CSDR and needs further improvement regarding the buy-ins regime, rules on penalties and on the reporting of settlement fails. Rules on buy-ins should be differentiated by the markets, instruments and transaction types. Also, cleared and non-cleared transactions should have same buy-ins regime to avoid de-incentivising central clearing. As for rules on penalties, negative interest rates should be taken into account and some types of transactions should be exempted from the scope.

Digitalisation, the global trend which is evolving very fast and further accelerated by the pandemic, is one of the European Commission's six priorities. Therefore, the European Commission's Digital Finance Package is very timely and highly welcomed. However, it is important to ensure the level playing field, clarity, and proportionality of the new legislations, Markets in crypto-assets (MiCA), Digital operational resilience act (DORA), DLT Pilot Regime, and their interaction with existing legislations.

Trading volumes have soared during the beginning of the pandemic and the volatility has gone wild. Yet, financial markets infrastructures proved to be resilient and functioned smoothly. However, we have to take another step forward to better CSD legislations to create common CSD ecosystem, complete the CMU and thus, contribute to the well being of people in the European Union.