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Making the DLT pilot regime a success for the EU

As a financial market infrastructure, Euroclear has always been supportive of the development of new technologies that could make the financial markets safer and more efficient. On DLT, we already highlighted the potential of this technology in several strategy and legal publications and we are involved in different initiatives to explore and leverage its benefits. Like many market players, we believe DLT has the potential to reshape in some ways the securities markets, by introducing new services and new players.

This reshaping has the potential to bring benefits in terms of efficiency and transparency, but market authorities need to be careful on how this transformation takes place. EU regulators have a crucial role to play in setting the fundamental objectives of the DLT pilot regime. We believe that the reform should be based on two main drivers: (i) bring benefits to the EU and its CMU (ii) do not compromise on the safety and stability of the financial system. The EU will achieve the digital finance agenda's ambitious targets only if it successfully manages to combine these two elements.

Indeed, creating a space for DLT into the regulatory landscape should not only serve the mere objective of developing a new technology. It should also bring benefits for the CMU, contribute to better market integration and help the development of more cross border flows of funding. In this respect, the DLT pilot regime should be designed in a way that avoids creating market fragmentation, which would be detrimental to issuers and investors. While the current proposal aims to test very innovative concepts such as the combination of trading and post-trading within one single legal entity, questions remain on whether it would be in line with the necessity to offer issuers and investors more open, interoperable and competitive markets.

The introduction of DLT may lead to exemptions justified by some feature of the technology, to the extent however that they do not result in increased financial stability and systemic risks. The legislative framework must, in this respect, remain technology neutral. To ensure a certain level of security, a common feature of most analysis was to highlight the importance of having a market infrastructure dedicated to operating the DLT platform and performing key roles such as ensuring the integrity of the issuance, managing the governance, performing the due diligence, etc. We believe this role of gatekeeper, which was also supported

by the High Level Forum on CMU, could bring additional safety and thus confidence in the new regime.

Euroclear is supportive towards the project of setting up a pan-European experimentation zone for DLT, which can indeed be a great additional tool to bring the EU forward in the digital age. The objective must be to develop DLT technology, not for itself, but as a catalyst for a more integrated and safer CMU. The political discussions at the European Parliament and European Council shall keep firmly this objective.