



15 March 2010

EUROCLEAR S.A./N.V.  
1 BOULEVARD DU ROI ALBERT II  
B-1210 BRUSSELS, BELGIUM

## **CNMV consultation on reforms to the securities clearing, settlement and registry system**

### **Euroclear response**

The Euroclear group is the world's leading provider of domestic and cross-border settlement and related services for bond, equity, fund and derivative transactions. User-owned and user-governed, the Euroclear group includes Euroclear Bank, an international Central Securities Depository (ICSD) based in Brussels, as well as the national Central Securities Depositories (CSDs) Euroclear Belgium, Euroclear Finland, Euroclear France, Euroclear Nederland, Euroclear Sweden and Euroclear UK & Ireland.

We are pleased to be given the opportunity to provide our feedback on the CNMV consultation. As Euroclear is engaged in a process of harmonisation of market practices across the markets it services, we are supportive of initiatives that aim at rendering EU post-trading services more harmonised. The Spanish market's initiative forms an important step towards a more integrated and efficient offering of clearing and settlement services at EU level. We believe that the planned reforms, when implemented, should have a positive impact on the quality of the existing Euroclear service offering in Spanish securities, and are also crucial in view of the preparation towards the implementation of TARGET2-Securities.

We are supportive of the proposed reforms as described in the consultation document. We trust that the implementation of the proposed changes, e.g. with regard to the shift of the timing of finality, the review of mechanism for guaranteed delivery and of the ownership tracking system will be coherent with the agreed operational processes in T2S.

We would appreciate being kept informed of the next steps in the reform process so that we can assess implications for our service offering as early as possible. Below we highlight some of the questions we already have at this stage and for which we would like to receive some clarifications in a next step. We hope we will have the opportunity of meeting with you to discuss these issues further so to get a better understanding on the current assumptions with regard to potential market changes and to agree on how we could be kept informed of the evolution of those assumptions throughout the consultation process.

#### **(1) Shift finality of trades from trade date to effective settlement and review mechanism for guaranteed delivery for stock exchange trade**

The proposed rule changes will have an effect on settlement processes related to listed equities and corporate bonds (e.g. cancellation process, recycling of pending settlement instructions, hold/release mechanism). The consultation paper does however not detail any expected changes for non-listed bonds.

Following market consultation that we have conducted on our markets, we understand that clients favor an approach where a harmonised set of settlement rules and processes are established for all instrument types, i.e. equities, corporate bonds and government bonds, whether listed or non-listed. We would therefore like



EUROCLEAR S.A./N.V.  
1 BOULEVARD DU ROI ALBERT II  
B-1210 BRUSSELS, BELGIUM

to understand better if you also envisage changes to settlement rules and related operational processes for government bonds and non-listed corporate bonds in order to accommodate the T2S harmonisation principles and resulting operational processes.

We understand that the foreseen rule changes may have an impact on the number of pending settlements and therefore the number of market claims that would be handled by market participants. We are however unclear on whether the changes would have also an impact on the detection rules for those market claims. Our understanding is that entitlement rights attached to securities are currently transferred on trade date. We would appreciate confirmation that this rule will not be subject to change as it may affect the detection rules for the market claims.

### **(2) Establishing a CCP for stock exchange trades**

We believe that the introduction of a CCP may have a positive impact on the existing Euroclear settlement service for Spanish securities. Stock exchange settlement however leads to a certain level of complexity for the settlement agent, in particular in terms of transactions flows, reconciliation between net settlement instructions and gross trades, potential automated partialling, management of pending trades when a corporate action occurs. We would therefore like to understand better how the reform proposal would modify the existing settlement flows on stock exchanges trades.

### **(3) Modify ownership tracking system**

We understand that ownership tracking system on Spanish listed instruments will remain a process quite specific to Spain in view of the obligation to prevent any short selling. The potential introduction of the CCP, together with the potential development of MTF activity on Spanish securities and the launch of T2S will however fundamentally change the way the ownership tracking system on Spanish instruments will operate. In this respect, we would favor a process that would, from an operational point of view, be as efficient and as transparent as possible for the settlement flows of our participants. We would therefore appreciate clarification on how this system would work operationally and, if and how it would affect liability of settlement agents (e.g. in case of reversals). Also, we would like to understand if and how the principles and operational processes that would apply to BME trades would be extended to OTC trades or trades executed on an MTF.

#### **For further information, please contact:**

Paul Symons	+44 (0)20 7849 0034 or	<a href="mailto:paul.symons@euroclear.com">paul.symons@euroclear.com</a>
Ilse Peeters	+32 (0)2 326 2524 or	<a href="mailto:ilse.peeters@euroclear.com">ilse.peeters@euroclear.com</a>