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SMPG Update

EMEA region

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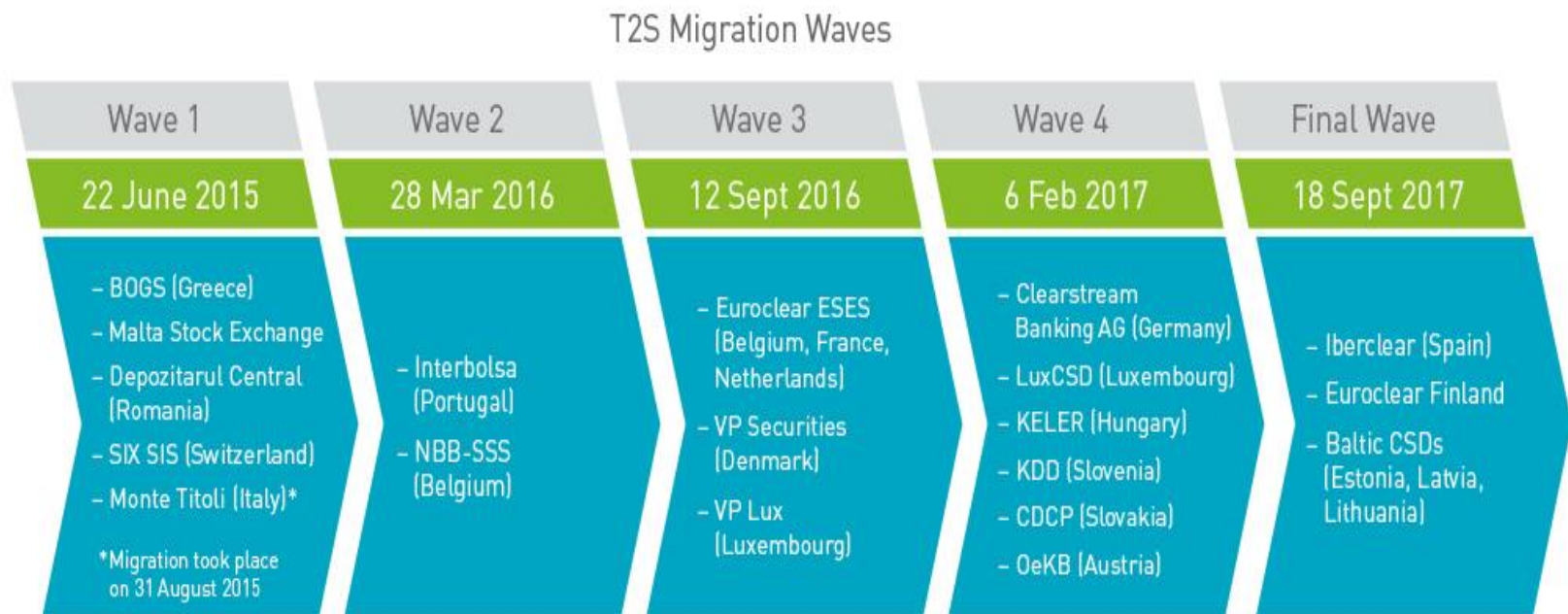
Helsinki - 20 April 2016

Agenda

- **T2S update**
- **Regulation CSDR**
- **MiFID II & MiFIR**
- **EMIR**
- **Spanish Market Reform (SMR)**

T2S update

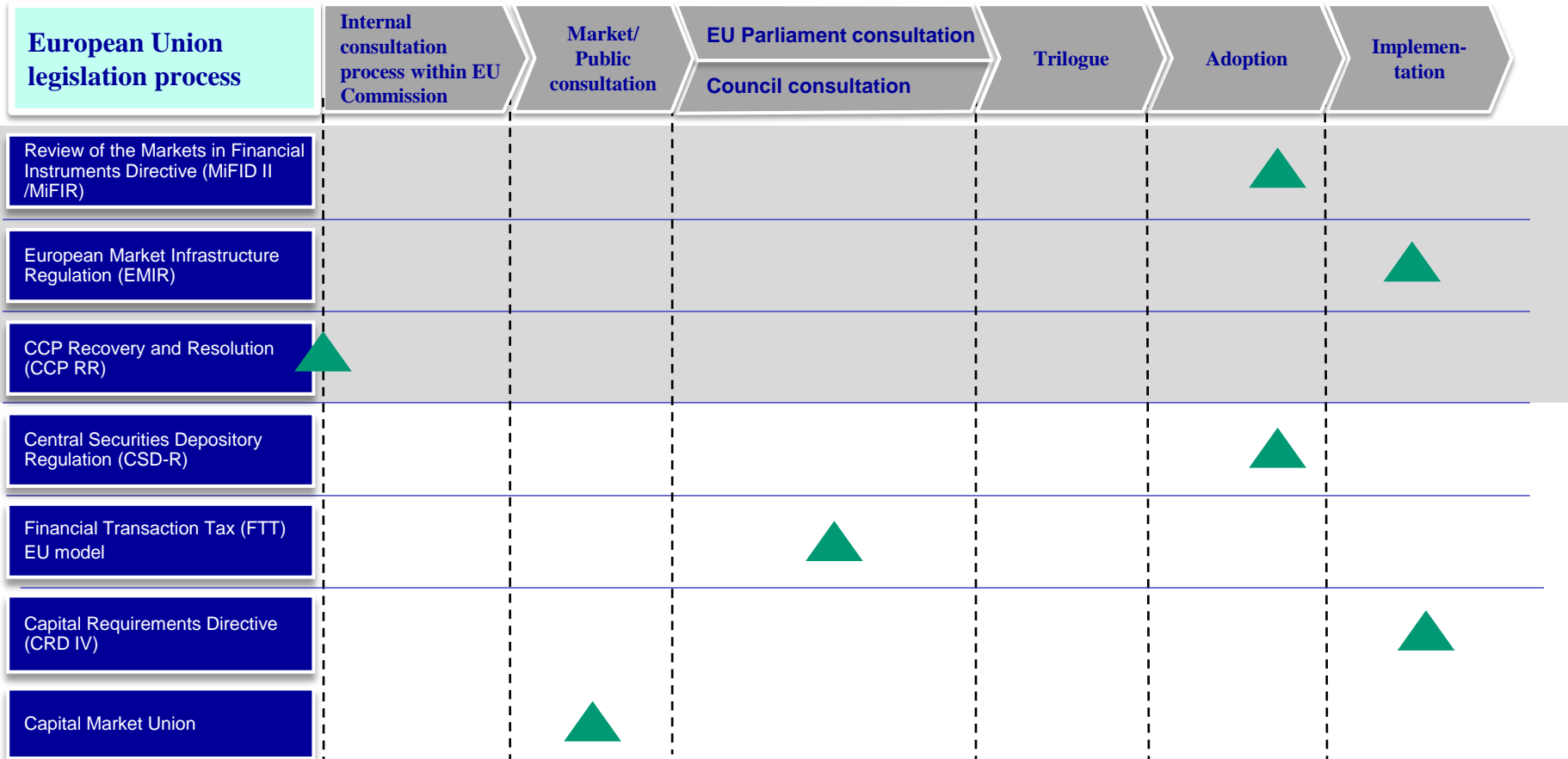
Overview of new timeline and new composition of the waves:



Process Legislation on EU level

International Bodies (e.g. FSB, CPMI/IOSCO, BIS) consult on global guidelines before legislative process starts

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Implementation of EU Law on Member State Level

Regulation CSDR

- **CSDR was published in Sept. 2014 in the Official Journal of the European Union**
- **Some of the Level 2 details are still not finalised**
- **Earliest application of parts of the regulation will start already 2016 (e.g. the authorisation process of CSDs)**
- **CSDR also includes both settlement discipline and buy-in procedures**

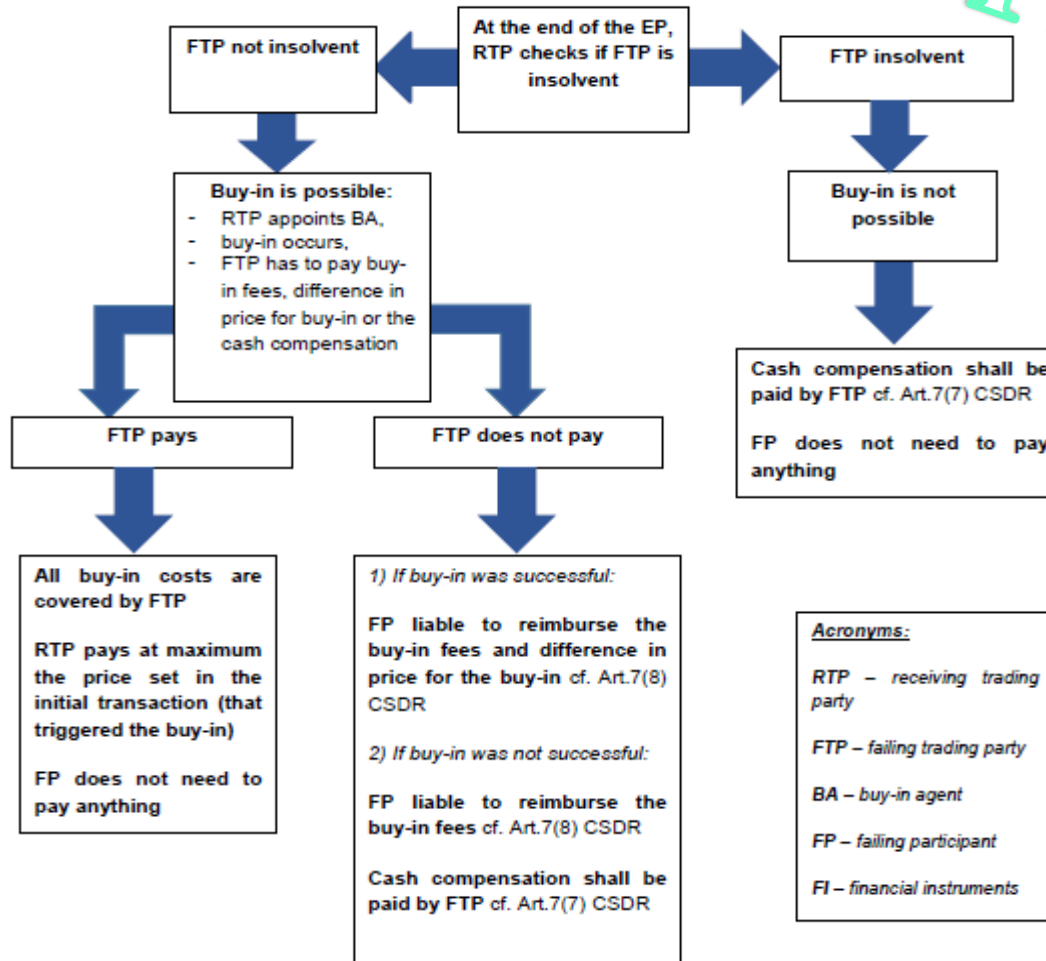
Regulation CSDR

Preliminary

- For the settlement fails, all CSD being on a common settlement platform (T2S) shall jointly develop a rulebook. Intention is to have a common rulebook for all European CSDs
Penalties between 0.15 and 1bp depending on the instrument and liquidity
- Buy-in's to be done by the trading parties; CSDs have just an obligation to provide information

Buy-in Chart

Buy-in execution for transactions not cleared by a CCP



Preliminary

Information taken out of:

Final Report

Draft regulatory technical standards on settlement discipline under the Regulation No 909/2014 of the European Parliament and of the Council of 23 July 2014 on improving securities settlement in the European Union and on central securities depositories and amending Directives 98/26/EC and 2014/65/EU and Regulation (EU) No 236/2012 (CSDR)

MiFID Review

MiFID: Market in Financial Instruments Directive

MiFIR: The regulation of above

- MiFID Review (MiFID II / MiFIR) regulates the **provision of investment services in relation to all financial instruments** including derivatives, and affects all financial market players (exchanges, alternative trading venues, investment firms and OTC market players).
- It will change the European securities markets fundamentally by promoting further **competition, increasing trade transparency, encouraging market data consolidation and regulating microstructural issues**.
- It will also **increase transparency of derivatives trading**, introduce a trading obligation and aims to increase **competition in derivatives trading and clearing**.
- Application is expected for Jan. 2018.

EMIR: European Markets Infrastructures Regulation

- At their 2009 summit in Pittsburgh, the G20 member heads of state and government came to the agreement that, by the end of 2012, **all standardised derivatives contracts will have to be traded through exchanges or electronic trading platforms**. In addition, large parts of OTC trading will have to be settled on a collateralised basis and reported to central trade repositories.
- Within the European Union, this objective is implemented through the EMIR.
- EMIR entered into force in 2012, some of the rules are in place since 2014 (authorisation of CCPs and trade repositories) while some of the rules are about to be implemented within this year:
 - Start of OTC clearing (as of June 2016)
 - Additional capital requirements for bilateral derivatives contracts (starting Sept. 2016)

CMU: Capital Market Union

- Is the plan of the EU Commission to **mobilise capital in Europe**. It will channel it to all companies, including SMEs, and infrastructure projects that need it to expand and create jobs. By linking savings with growth, it will offer new opportunities for savers and investors.
- Deeper and more integrated capital markets will lower the cost of funding and make the financial system more resilient. All 28 Member States of the EU will benefit from building a true **single market for capital**.
- In this context the EU Commission would like to support more efficient and resilient post-trading systems and collateral markets, by review on progress and **removing Giovanni barriers** to cross border clearing settlement, after recent legislation and MI developments.
- The EU Commission tries to achieve these goals until 2019 via various measures.

EPTF as relevant Forum

EPTF: European Post trading forum

- Support the work of the commission in line with CMU
- Conf calls and monthly physical meetings
- Phase 1: Feb16-Jun16: Stock taking
- Phase 2: Jul16-Feb17: assess the extent on which post trade developments and reforms have addressed Giovannini or other barriers
- Composition is based on Trade Association representatives

SFTR: Securities Financing Transactions Regulations

- Intention to make shadow banking more transparent. Obligation to report securities financing transactions including the composition of collateral, possible re-use, substitution and haircuts applied.
- Discussion paper published by ESMA on proposed rules under SFTR.
- Comments sought by all stakeholders on implementing:
 - Reporting Framework
 - Fields and data required
 - Registration requirements for trade repositories
- Initial responses will be used for follow-up consultation in second half of 2016.
- Draft rules expected to be send for approval to the EU Commission by 13.01.2017

Spanish Market Reform (SMR)



- Implementation of a new Settlement and Registration System ARCO
- First trade date when SMR goes live: 27.04.2016
- Force T+2 Settlement for equities: 27.06.2016
- Settlement Cycles of Iberclear at 8:30, 10:00, 12:00, 12:30 and 15:00h, RTS possible
- After matching only bilateral cancellation possible
- BICs need to contain 11 digits
- New PSET for equities: **IBRCESMMXXX**



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