



PUBLICATION OF THE DOCUMENTS RELATING TO THE MAIN POINTS OF CONSENSUS IN THE PROCESS OF REFORMING THE SECURITIES CLEARING, SETTLEMENT AND REGISTRY SYSTEM IN THE SPANISH MARKET

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The National Securities Market Commission (CNMV) has published the document entitled "Reform of the Clearing, Settlement and Registry System", which details the main progress in the development of the new Securities Clearing, Settlement and Registry System for the Spanish Market, thereby fulfilling the commitment to keep the industry informed of the state of progress. The document sets out the main items on which consensus has been reached in the reform process and will enable the design phase of the new system to be completed shortly, to be followed by the development phase.

The contents of the report conform to the legal framework of Act 32/2011, of 5 October, amending Act 24/1988, of 28 July, on the Securities Market, which provides legal support for the main lines of the Reform project.

Drafting of the document was directed and guided by the Coordination Committee, a body created to direct the work to be done, provide guidance and ensure completion of the work within the established deadlines. The Committee is chaired by the Vice-President of the CNMV and includes representatives of the Bank of Spain, Bolsas y Mercados Españoles (BME), Asociación Española de Banca (AEB), Confederación Española de Cajas de Ahorros (CECA), Fondo General de Garantía de Inversiones (FOGAIN) and the main participants in securities settlement.

The content of the published document is the result of consensus between the participants in the reform process, fully respects the proposals contained in "Proposed reforms to Spain's securities clearing, settlement and registry system", which was released for public consultation on 14 January 2011¹, and takes account of the comments received from the industry.

The document is structured in three sections and four annexes. The first section summarises the main changes that will arise from the Reform and lists some of the ensuing operational changes.

The second chapter, entitled "Central Counterparty (CCP) for Equity Instruments", was drafted by a subgroup of the Iberclear Technical Advisory Committee (CTA) entrusted with analysing matters relating to the CCP. It describes the functional features and main characteristics of the services to be provided by the future CCP and how it fits into the Spanish system's post-trading functionalities. It also describes the requirements for collateral and how it is to be posted, the structure of accounts, how trade clearing and settlement is to be managed, how settlement fails will be resolved, how corporate events will be handled, and the technical and file infrastructure.

The third section, entitled "New Registry and Settlement System", was drawn up within the CTA, which is entrusted with developing the project on a technical level and is comprised of a large number of Iberclear participants. It describes the scope, content and workings of the

¹ <http://www.cnmv.es/DocPortal/Aldia/reformacylingles.pdf>

new settlement and registry system, the procedure for notifying and matching trades and how the new balance-based settlement system will work. It also details the procedures for registration, handling of corporate events, the process for updating issuers' shareholder registry books, the procedure for supervision and oversight of the settlement and registry system, and the design of the migration to the new system.

The document has 4 annexes. The first describes the operational scheme for the post-trading interface and its basic features, which will ensure trades are traceable, thereby facilitating supervision of the system. The interface will be the vehicle for exchanging post-trade information between the various bodies involved in each infrastructure so as to ensure maximal efficiency in disclosure and minimise operating costs.

The second annex describes the changes to trading that will result from the reform due to introducing clearing services in the CCP.

The third annex was drawn up by the Legal Group, chaired by the CNMV, which was entrusted with examining and analysing the legal aspects of the project. The document analyses how the various forms of settlement developed in the reform process fit the legislation, particularly the optional securities settlement model provided for cases where, at the time of entering the order in the system, the trading member is not in a position to identify the owners to the providers of the brokerage service but undertakes to do so within the maximum period established in the rules to be established by the Central Securities Depository.

The fourth annex provides a time line for the reform project, setting out the reasons why it is advisable to implement it in two phases. The first phase, to conclude early in 2015, will consist of implementing all of the new system's features for equities. During that period, fixed-income will continue to operate as at present. The second phase will coincide with the connection of Iberclear to T2S, planned for February 2017, and will involve extending all of the new system's features to fixed-income securities. From that point onwards, there will be a single settlement platform and a single registry for all equity and fixed-income securities, and all securities will be settled in accordance with the T2S procedures and deadlines.