

Madrid, 28 May 2015

Joint communiqué by the CNMV and the Bank of Spain on the reform of Spain's securities clearing, settlement and registry systems

The first phase of the project will be implemented in October 2015

The reform of the Spanish market's securities clearing, settlement and registry system, which commenced in 2010, has reached a key point in its implementation, in which it is vital that the market as a whole and each individual firm fulfil the timetable of operational and technical actions planned for implementation.

The first phase of the project, which is scheduled to commence in October 2015, involves significant changes in clearing and settlement of all trades in equities. It includes interposing a central counterparty, the transition from a registry based on registry references to one based on balances, and the establishment of a supervisory information system. Migration to the new system will take place between 7 and 12 October 2015 and will require operation of the current Iberclear-SCLV platform to be interrupted.

Following the implementation of the first phase of the reform, starting in November 2015 settlement under the new system will occur two days after the trade date (D+2), thus shortening the settlement cycle by one day, in accordance with the provisions of Regulation (EU) No 909/2014¹.

The second phase of the reform will coincide with Iberclear's connection to the European platform TARGET2-Securities, scheduled for February 2017. From that point onwards, fixed-income securities and equities will be settled in TARGET2-Securities.

Actions by firms

For the first phase of the reform, market members, the central counterparty and member firms of the central securities depository must adopt the necessary strategic and business decisions

to adapt to the new post-trading framework. As a result, prior to beginning the first phase, they must implement the actions described in the annex to this communiqué. Among other operational requirements, prior to the first phase, firms must complete the tests with regard to standardisation, daily activity, creation and dumping of balances, startup and migration, connectivity, and D+2 settlement.

Members of the various infrastructures must complete another series of actions. Market members must designate their clearing member and sign the new membership contract with the markets in line with the new system. Firms which decide to act as clearing members in the central counterparty must complete and sign the corresponding contracts and provide the necessary individual margin and contribution to the default fund. As regards settlement, member firms of the Iberclear-SCLV settlement system must disclose their membership status and determine the structure of their accounts in the new system. Member firms of the Iberclear-CADE platform must perform the specified connectivity tasks and, when required, complete the standardisation tests.

Secondary legislation

Act 32/2011, of 4 October, which amended the Securities Market Act, was approved to implement the reform. A new amendment to that Act which, among other things, clarifies the structure and functioning of the securities registry system (two-tier system) and establishes mechanisms to ensure orderly transaction settlement, is currently in the process of being approved. It also envisages the creation of an information system to supervise securities clearing, settlement and registry, as well as certain adjustments required by the European regulation applicable to central securities depositories (Regulation (EU) No 909/2014).

Additionally, work is being done to replace Royal Decree 116/1992, of 14 February, on the representation of securities by book-entries and clearing and settlement of stock market transactions, in order to adapt to the secondary legislation under the Securities Market Act.

Oversight by the CNMV and the Bank of Spain

The CNMV and the Bank of Spain, in collaboration with Bolsas y Mercados Españoles, will closely monitor the actions carried out by all parties involved in the post-trading process.

The consensus and commitment achieved in designing and developing the reform process should continue in this implementation phase, and are critical for ensuring an orderly migration to the new system on schedule, to enable the reform to be ready on time and for migration to be conducted in an orderly manner.

All of the necessary information is available on the CNMV website (Section: " "Market infrastructures"-> "Publications and other documents"-> "Reforms to the securities clearing, settlement and registry system") and in the restricted area on Iberclear's website.

ⁱ Regulation (EU) No 909/2014 of the European Parliament and 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.

ANNEX I

Common actions to be undertaken by market members and members of BME Clearing and Iberclear

22–28 July	<p>Daily activity test with real market transactions in a selection of significant securities. First, in early July, the version of SIBE-Smart with the FIX T4.0 interface containing the new fields for the Reform will have been switched to Production status.</p> <ul style="list-style-type: none">- 22-23 July: SIBE-Smart training environment is disconnected from the Reform Testing environments (CCP/PTI). Real trades from those sessions with the selected securities are entered into the CCP. The MF simulate actual operations with the CCP and with IBC/PTI in the selected securities.- 24 July: At the end of the IBC processes, the migration process is executed and the balances are dumped into ARCO (<i>the test referred to in the next item</i>).- 27–28 July: settlement is performed in ARCO.
24 July	Test of account creation and dumping of balances into ARCO
29 July – 5 August	<p>Start-up and migration tests:</p> <ul style="list-style-type: none">- 29-31 July: Real trades from those sessions are injected into the CCP. The MF simulate real transactions with the CCP and IBC/PTI. Additionally, MFs may communicate bilateral transactions with value dates from 3 to 5 August.- 31 July: When IBC processing conclude, migration processes are performed and balances are dumped into ARCO.- 3-5 August: settlement is performed in ARCO. <p><i>Note: The idea is that MFs communicate transactions using the connectivity and channels configured for the future production environment (pre-production). In the event of member firms having difficulties in this area, the possibility of routing and using the Test environment channels and connections will be analysed.</i></p>
10–14 August	D+2 settlement testing. The environment will be configured to perform settlement at D+2 during this week.
26 August to 30 September	Repetition of the start-up and migration test cycles on the following dates:

	<ul style="list-style-type: none"> - 26 August - 2 September - 9–16 September - 23–30 September
Until 30 September	From the time of initial configuration up to 30 September, firms may perform tests of connectivity to the future Production environments of the CCP, Iberclear and PTI/CCP.
7–12 October	Start-up and migration process.

ANNEX II

Specific actions to be performed by members of the various infrastructures

Market members (MM)

Prior to 15 May	MMs must designate their clearing member in order to perform the standardisation tests.
Prior to 31 July	MMs which have completed the tests may present the suitability certificate. They will be informed as to whether or not they passed the standardisation tests. MMs must sign accession contracts as market members.
4 September	Deadline for members operating as counterparties in the SICAV segment to designate their clearing member and the clearing account.

Members of BME Clearing

10 August - 30 September	Complete and sign the member dossier.
15-30 September	Provision of individual margin and contribution to the default fund by the future clearing members.

Member firms of the SCLV platform (MF)

Prior to 15 May	MFs of SCLV which are going to participate in ARCO must disclose their intentions to participate, indicating their accession conditions. MFs of SCLV which are not going to participate in ARCO must announce their intention not to do so, indicating the MF to which they will transfer their positions and the date of transfer.
Prior to 31 July	MFs that have completed testing must submit the suitability certificate. IBC will notify them as to whether or not they passed the standardisation tests. MFs must present their signed accession contracts with the corresponding annexes.
4 September	Up to that point, MFs may modify the account structure in ARCO that they disclosed at an earlier date.

Member firms of the CADE platform (MF)

Prior to 12 June	MFs must present the necessary documentation to be able to receive messages generated by IBC in real time. Those acting as Payment Agents must also have a connection via the BME-PC terminal.
Prior to 17 July	Standardisation tests in the FORM environment. Obligatory for MFs that operate only in the CADE System and are designated Payment Agent for any registered issue.
8 October	Information exchange begins in accordance with the new formats