

On the postponement of the of Mandatory Buy-in provisions (MBIs) under the Central Securities Depositories Regulation (CSDR)

EVIA welcomes the news conveyed by EU Commissioner Mairead McGuinness on social media , announcing the political agreement between the EU co-legislators to facilitate a postponement of MBIs under the CSDR. Industry has consistently represented to the European institutions that the MBI regime is flawed, and it is very helpful that the Commission has indicated that both it, together with ESMA, will undertake a detailed revision to the arrangements.

We still anticipate that the implementation of the penalty regime, in early 2022, will provide a more effective framework for settlement discipline. This has been a decade in the making; and, even without the MBI requirements, it will still be a complex undertaking. We would urge the authorities in the EU and the UK to progress with a cross border recognition regime, to better reflect how the bond markets actually work across borders every day.

We hope that that the targeted revisions, which will be undertaken over the coming years between ESMA and the European Commission, will build on the practical proposals make by market participants. They should especially take into consideration the impact on “matched principal” transactions by making buy-ins optional in at least those cases. Finally, they should carefully reconsider any role and obligations for a “buy-in agent,” in order to avoid the proliferation of buy-in obligations on intermediaries.

Looking forward, we would also urge the authorities to use this opportunity to take careful note of the technological innovations which are arising alongside existing infrastructures and develop the rules to cater for them. The next set of settlement discipline rules should work for all participants and all trading models.

Ends.