

EU Proposal for a pilot regime for Market Infrastructures based on DLT

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EU Proposal for a pilot regime for Market Infrastructures based on DLT



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What are the problems?

Regulatory obstacles!



Some EU rules cannot be applied to DLT and security tokens.

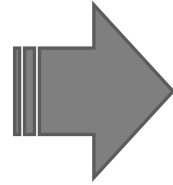
Some regulatory gaps exist due to legal, technological and operational specificities related to the use of DLT that are not addressed by existing requirements.

Current EU rules prevent the development of financial market infrastructures based on decentralised exchanges and permissionless DLT networks where activities are not entrusted to a central body.

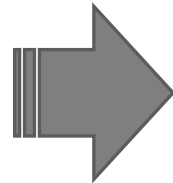
Current EU rules prevent the widespread testing of DLT capabilities.

Current rules hamper the development of financial market infrastructures that could merge certain activities.

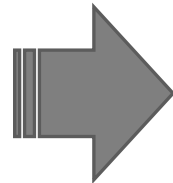
The pilot regime



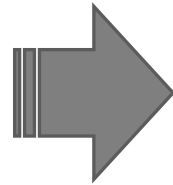
Facilitate a more reliable and safe secondary market for security tokens.



Allow EU financial services firms to retain global competitiveness.

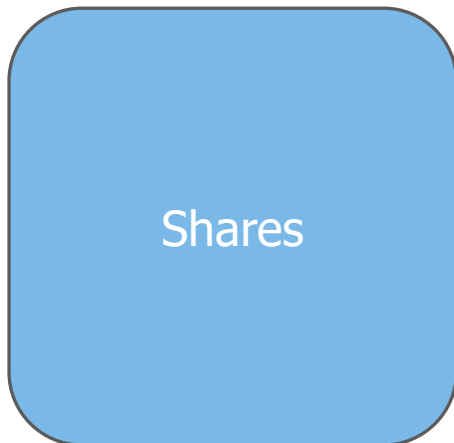


Allow for real use cases and help build the necessary experience and evidence on which a permanent EU regulatory regime could be inspired.

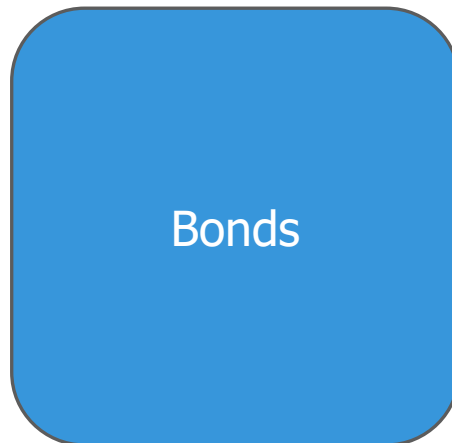


Experimentation through derogations.

Scope



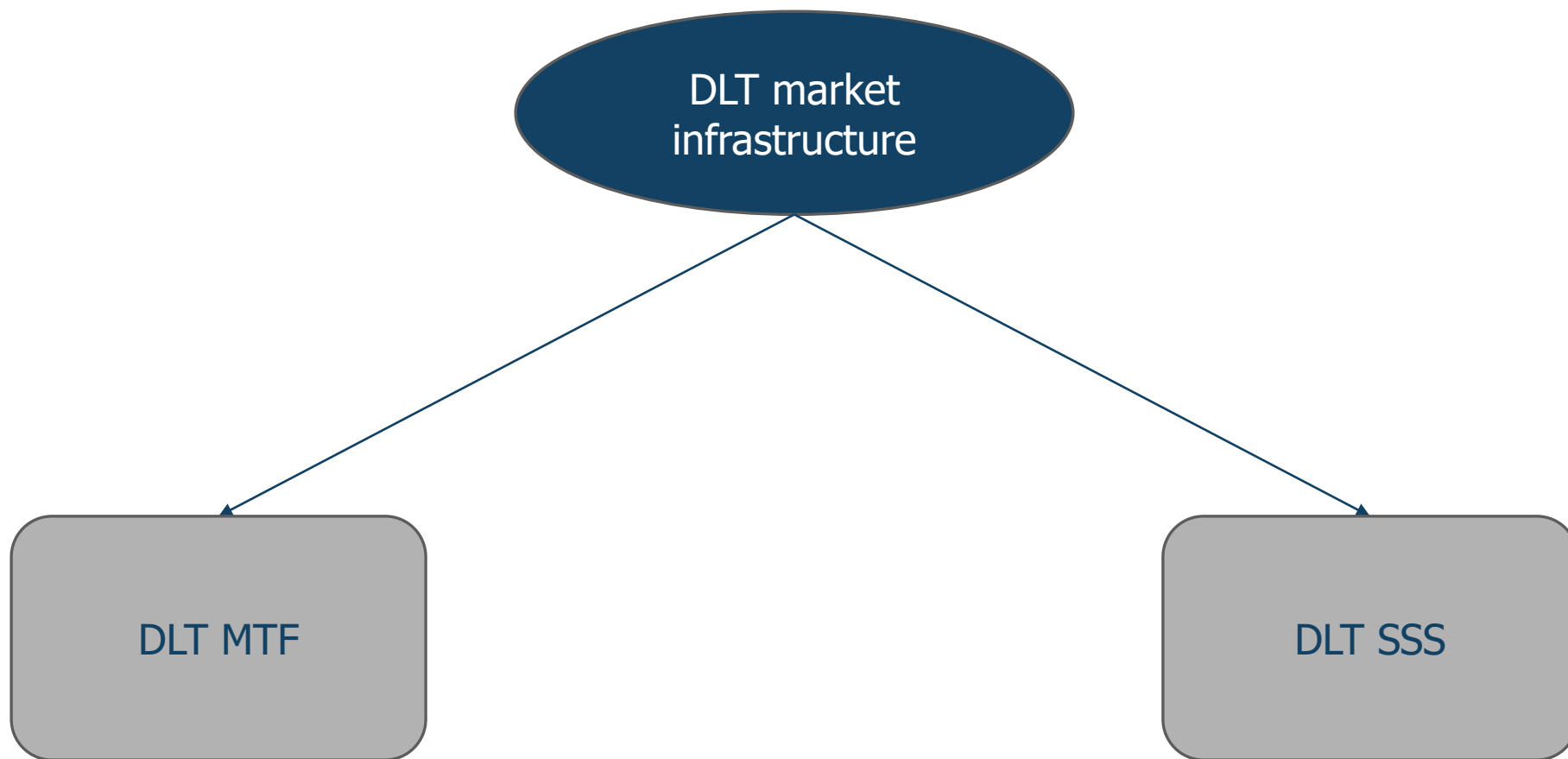
< EUR 200 million



< EUR 500 million



TOTAL MARKET VALUE < EUR 2.5 billion



DLT MTFs

REQUIREMENTS

DIRECTIVE 2014/65/EU OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL
of 15 May 2014

on markets in financial instruments and amending Directive 2002/92/EC and Directive 2011/61/EU
(recast)
(Text with EEA relevance)

REGULATION (EU) No 600/2014 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL
of 15 May 2014

on markets in financial instruments and amending Regulation (EU) No 648/2012
(Text with EEA relevance)

EXEMPTIONS

➤ be permitted to admit to trading DLT transferable securities that are not recorded in a CSD but on the DLT MTF's distributed ledger.

DLT securities settlement systems

REQUIREMENTS

REGULATIONS

**REGULATION (EU) 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
(Text with EEA relevance)**

EXEMPTIONS

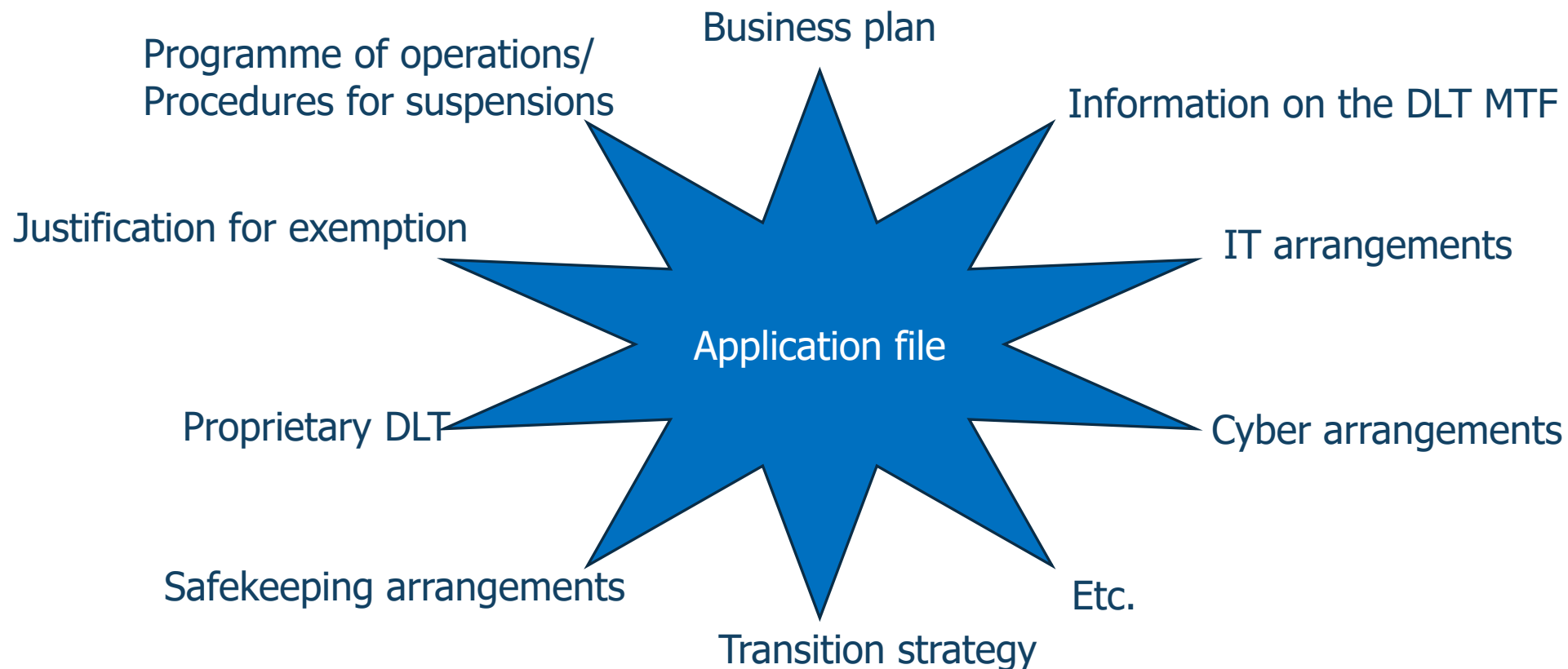
- Article 2(4) of CSDR on dematerialized form
- Article 2(9) of CSDR on transfer of orders
- Article 2(28) of CSDR on securities accounts
- Article 3 of CSDR on the recording of securities
- Article 37 of CSDR on the integrity of issue
- Article 38 of CSDR on the segregation of assets
- Article 19 of CSDR on extension and outsourcing of activities and services
- Article 30 of CSDR on outsourcing
- Article 2(19) of CSDR on participants
- Article 40 of CSDR on cash settlement
- Article 50 of CSDR on standard link access
- Article 53 of CSDR on access between a CSD and another market infrastructure

Additional requirements

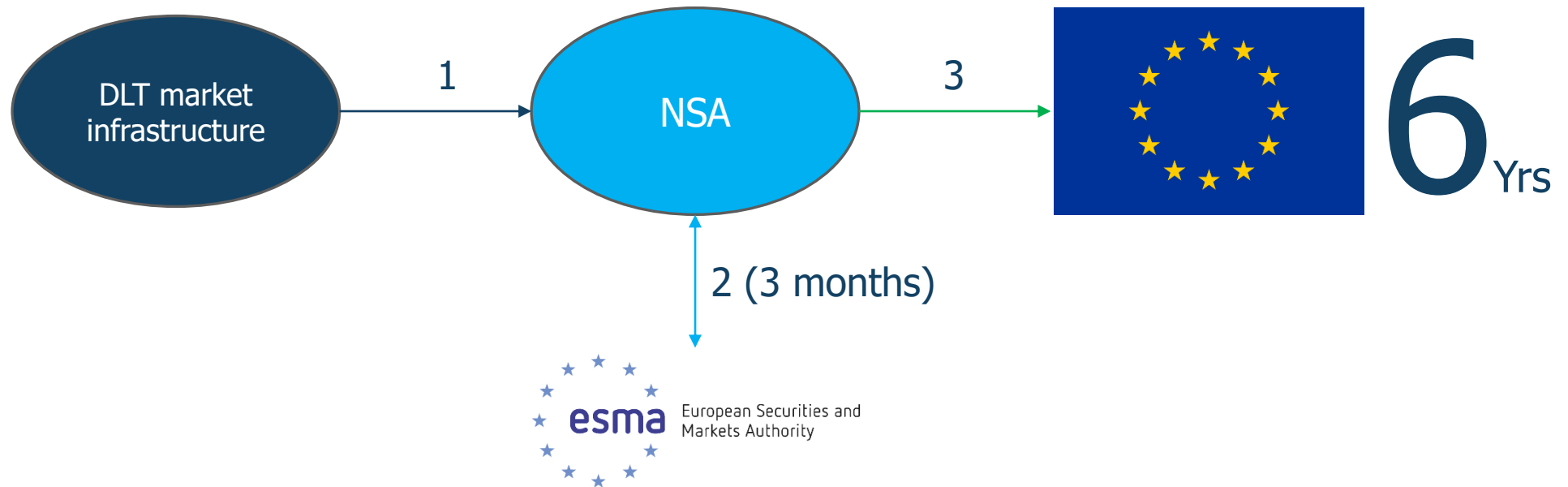


- Provide all members, participants, clients and investors with clear and unambiguous information on how the functions, services and activities are carried out and how these are different from a traditional MTF or CSD;
- Ensure that overall IT and cyber arrangements related to the use of DLT are adequate;
- Have adequate arrangements to safeguard clients' funds or DLT transferable securities;
- etc.

Specific permission to operate a DLT MTF/DLT SSS

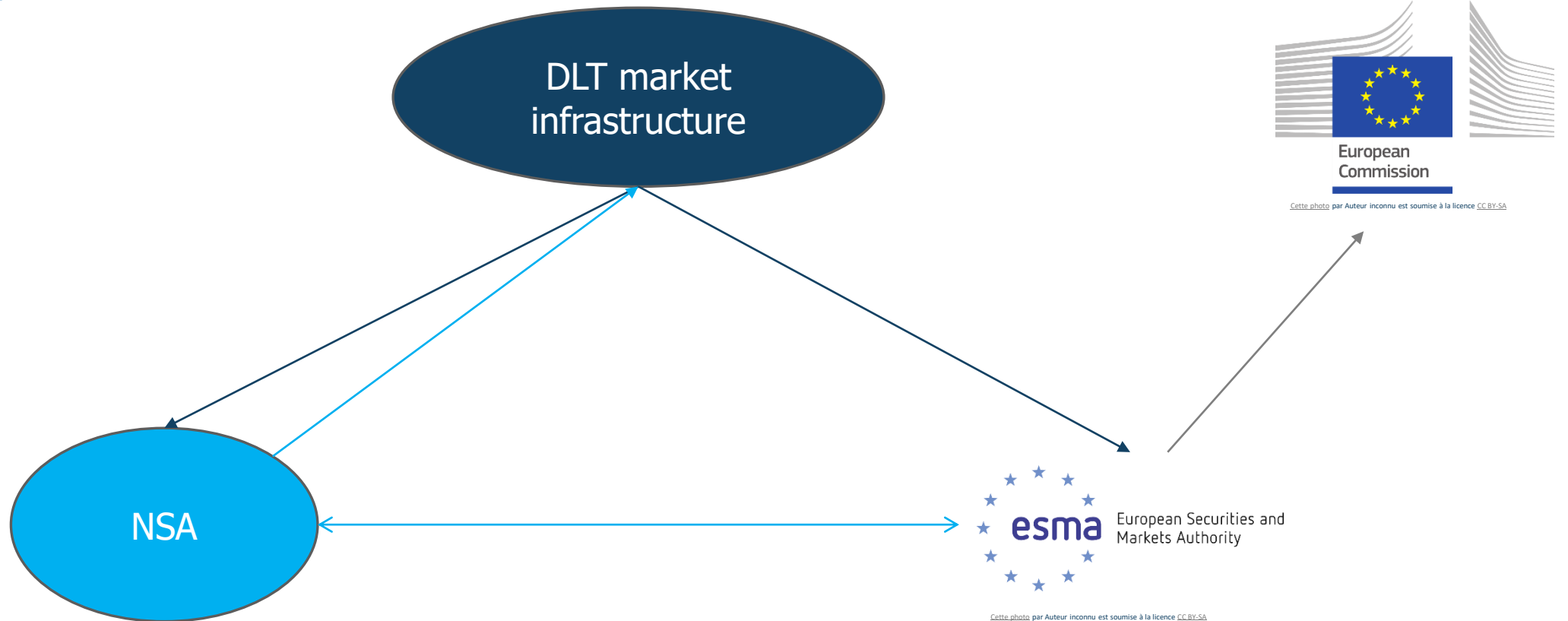


Specific permission procedure



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Cooperation



Next steps



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