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| 2 June 2016 | ESMA/2016/773 RF |

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| Reply form for the  Discussion Paper on the Distributed Ledger Technology Applied to Securities Markets |
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| Date: 2 June 2016  ESMA/2016/773 RF |

Responding to this paper

The European Securities and Markets Authority (ESMA) invites responses to the specific questions listed in the ESMA Discussion Paper on the Distributed Ledger Technology (DLT) Applied to Securities Markets, published on the ESMA website.

*Instructions*

Please note that, in order to facilitate the analysis of the large number of responses expected, you are requested to use this file to send your response to ESMA so as to allow us to process it properly. Therefore, ESMA will only be able to consider responses which follow the instructions described below:

* use this form and send your responses in Word format (pdf documents will not be considered except for annexes);
* do not remove the tags of type <ESMA\_ QUESTION\_DLT\_1> - i.e. the response to one question has to be framed by the 2 tags corresponding to the question; and
* if you do not have a response to a question, do not delete it and leave the text “TYPE YOUR TEXT HERE” between the tags.

Responses are most helpful:

* if they respond to the question stated;
* contain a clear rationale, including on any related costs and benefits; and
* describe any alternatives that ESMA should consider

**Naming protocol**

In order to facilitate the handling of stakeholders responses please save your document using the following format:

ESMA\_DLT\_NAMEOFCOMPANY\_NAMEOFDOCUMENT.

E.g. if the respondent were XXXX, the name of the reply form would be:

ESMA\_DLT\_XXXX\_REPLYFORM or

ESMA\_DLT\_XXXX\_ANNEX1

***Deadline***

Responses must reach us by **2 September 2016.**

All contributions should be submitted online at [www.esma.europa.eu](http://www.esma.europa.eu) under the heading ‘Your input/Consultations’.

***Publication of responses***

All contributions received will be published following the end of the consultation period, unless otherwise requested. **Please clearly indicate by ticking the appropriate checkbox in the website submission form if you do not wish your contribution to be publicly disclosed. A standard confidentiality statement in an email message will not be treated as a request for non-disclosure.** Note also that a confidential response may be requested from us in accordance with ESMA’s rules on access to documents. We may consult you if we receive such a request. Any decision we make is reviewable by ESMA’s Board of Appeal and the European Ombudsman.

***Data protection***

Information on data protection can be found at [www.esma.europa.eu](http://www.esma.europa.eu) under the headings ‘Legal notice’ and ‘Data protection’.

# Introduction

Please make your introductory comments below, if any:

<ESMA\_COMMENT\_DLT\_1>

Bolsas y Mercados Españoles (BME) welcomes the Discussion Paper on Distributed Ledger Tecnology (DLT) published by ESMA and appreciates the opportunity to comment on the matters and questions raised therein.

BME integrates the companies that operate and manage the securities markets and financial systems in Spain. It brings together, under a single activity, decision-making and coordination unit, the Spanish equity, fixed-income and derivatives markets and their clearing and settlement systems.

Therefore, BME is not only interested but also involved in the analysis, development and application of the wide range of technical solutions that DLT will offer to the provision of services in the Securities Markets.

<ESMA\_COMMENT\_DLT\_1>

##### Do you agree with the list of possible benefits of the DLT for securities markets? Please explain, e.g., are these benefits unique to the DLT, are some more important than others, are some irrelevant?

<ESMA\_QUESTION\_DLT\_1>

TYPE YOUR TEXT HERE

<ESMA\_QUESTION\_DLT\_1>

##### Do you see any other potential benefits of the DLT for securities markets? If yes, please explain.

<ESMA\_QUESTION\_DLT\_2>

TYPE YOUR TEXT HERE

<ESMA\_QUESTION\_DLT\_2>

##### How would the benefits of the technology be affected, in the case where the DLT is not applied across the entire lifecycle of securities (i.e., issuance, trading, clearing and settlement, safekeeping of assets and record of ownership) but rather to some activities only?

<ESMA\_QUESTION\_DLT\_3>

TYPE YOUR TEXT HERE

<ESMA\_QUESTION\_DLT\_3>

##### Which activities (e.g., post-trading, other activities), market segments and types of assets in the securities markets are likely to be impacted the most by the DLT in your opinion? How is the DLT likely to modify the way securities markets operate? Please explain.

<ESMA\_QUESTION\_DLT\_4>

TYPE YOUR TEXT HERE

<ESMA\_QUESTION\_DLT\_4>

##### According to which timeframe, is the DLT likely to be applied to securities markets in your view? Please distinguish by type of activities, market segments and assets if relevant.

<ESMA\_QUESTION\_DLT\_5>

TYPE YOUR TEXT HERE

<ESMA\_QUESTION\_DLT\_5>

##### How might your organisation benefit from the introduction of the DLT?

<ESMA\_QUESTION\_DLT\_6>

TYPE YOUR TEXT HERE

<ESMA\_QUESTION\_DLT\_6>

##### If you are working on a concrete application of the DLT to securities markets please describe it (i.e., which activities, which market segments, which type of assets and for which expected benefits) and explain where you stand in terms of practical achievements in relation to your objectives.

<ESMA\_QUESTION\_DLT\_7>

TYPE YOUR TEXT HERE

<ESMA\_QUESTION\_DLT\_7>

##### Do you agree with the analysis of the potential challenges? Please explain, e.g., are some more important than others, are some irrelevant in your view.

<ESMA\_QUESTION\_DLT\_8>

The following comments answer to the **questions 8, 9 and 10** of the Discussion Paper:

BME perceives in the Discussion Paper a comprehensive approach from ESMA. The Discussion Paper focuses not only on the benefits that DLT might bring, but also shows ESMA concerns regarding possible challenges and remarks the importance of the legal and regulatory environment, that will, for sure, be impacted in the near future.

However, ESMA considers the capacity of DLT to fit into existing and regulatory framework a potential limit to its deployment in the Securities Markets. Regarding this issue, BME understands that the weight of the eventual benefits of DLT in terms of cost savings together with the fact of the relocation of the global provision of services will probably set up a more aggressive scenario. Lessons learned from Bitcoin evidence that the regulatory environment is not a limit to its increasing business.

In this sense, BME thinks that further work related to the Discussion Paper should consider whether some DLT actors might be developing this technology precisely with the aim, among others, of circumvent the existing regulations worldwide. If this were the case, fitting or not into the regulatory framework would be negligible.

Regulation makes the affected activities more cumbersome and, therefore, more expensive. As securities markets are concerned, regulation brings investor protection, market confidence and financial stability. Therefore, one of the most challenging tasks when dealing with DLT will be finding the appropriate regulation that balance the eventual divergent public and private interests. For instance, this regulation may achieve and establish a permission-based system in which, as it is explained in ESMA Discussion Paper, several financial institutions may play an important role in terms of validation and control of the different actions that may perform any non- permissioned participant of the DLT.

BME considers that the levels of legal certainty that the current legal system has reached - with strength after several decades of progressive creation of a harmonised legal framework for the provision of financial services within the EU - should be preserved. This will indeed require revisiting the regulatory landscape (as it is currently being done in the workplan of the Capital Markets Union) in order to integrate this thriving technology within the scope of providing the necessary protection for investors.

<ESMA\_QUESTION\_DLT\_8>

##### Do you see any other potential challenges? If yes, please explain.

<ESMA\_QUESTION\_DLT\_9>

See answer to Q8.

<ESMA\_QUESTION\_DLT\_9>

##### Which solutions do you envisage for these challenges and where do the current initiatives stand in terms of practical achievements to overcome them?

<ESMA\_QUESTION\_DLT\_10>

See answer to Q8. As previously mentioned, the levels of legal certainty that the current legal system has reached should be preserved. This will indeed require revisiting the regulatory landscape (as it is currently being done in the workplan of the Capital Markets Union) in order to integrate this thriving technology within the scope of providing the necessary protection for investors.

<ESMA\_QUESTION\_DLT\_10>

##### Do you agree with the analysis of the key risks? Please explain, e.g., are some risks more important than others, are some irrelevant in your view.

<ESMA\_QUESTION\_DLT\_11>

TYPE YOUR TEXT HERE

<ESMA\_QUESTION\_DLT\_11>

##### Do you see any other potential risks? Please explain.

<ESMA\_QUESTION\_DLT\_12>

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<ESMA\_QUESTION\_DLT\_12>

##### How could these risks be addressed? Please explain by providing concrete examples, especially for the risks potentially affecting your organisation.

<ESMA\_QUESTION\_DLT\_13>

TYPE YOUR TEXT HERE

<ESMA\_QUESTION\_DLT\_13>

##### Do you think that the DLT will be used for one of the scenarios above? If yes, which one(s)? If no, please explain?

<ESMA\_QUESTION\_DLT\_14>

TYPE YOUR TEXT HERE

<ESMA\_QUESTION\_DLT\_14>

##### If the DLT is used for one of these scenarios, how compliance with the regulatory requirements attached to each scenario could be ensured?

<ESMA\_QUESTION\_DLT\_15>

TYPE YOUR TEXT HERE

<ESMA\_QUESTION\_DLT\_15>

##### Do you think that the DLT will be used for one of the scenarios above? If yes, which one(s)? If no, please explain?

<ESMA\_QUESTION\_DLT\_16>

TYPE YOUR TEXT HERE

<ESMA\_QUESTION\_DLT\_16>

##### If the DLT is used for one of these scenarios, how could compliance with the regulatory requirements attached to each scenario be ensured?

<ESMA\_QUESTION\_DLT\_17>

TYPE YOUR TEXT HERE

<ESMA\_QUESTION\_DLT\_17>

##### Do you think that the DLT will be used for safekeeping and record-keeping purposes? Please explain, with concrete examples where appropriate.

<ESMA\_QUESTION\_DLT\_18>

TYPE YOUR TEXT HERE

<ESMA\_QUESTION\_DLT\_18>

##### If the DLT is used for the safekeeping and record-keeping of ownership, how could compliance with the regulatory requirements be ensured?

<ESMA\_QUESTION\_DLT\_19>

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<ESMA\_QUESTION\_DLT\_19>

##### Do you think that the DLT will be used for regulatory reporting purposes? Please explain, with concrete examples where appropriate.

<ESMA\_QUESTION\_DLT\_20>

TYPE YOUR TEXT HERE

<ESMA\_QUESTION\_DLT\_20>

##### If the DLT is used for regulatory reporting purposes, how could compliance with the applicable regulatory requirements be ensured?

<ESMA\_QUESTION\_DLT\_21>

TYPE YOUR TEXT HERE

<ESMA\_QUESTION\_DLT\_21>

##### Do you think that the DLT could be used for other securities-related services than those already discussed, in particular trading and issuance?

<ESMA\_QUESTION\_DLT\_22>

TYPE YOUR TEXT HERE

<ESMA\_QUESTION\_DLT\_22>

##### Do you see potential regulatory impediments to the deployment of the DLT in securities markets?

<ESMA\_QUESTION\_DLT\_23>

TYPE YOUR TEXT HERE

<ESMA\_QUESTION\_DLT\_23>

##### Should regulators react to the deployment of the DLT in securities markets and if yes how? If you think they should not do so please justify your answer.

<ESMA\_QUESTION\_DLT\_24>

TYPE YOUR TEXT HERE

<ESMA\_QUESTION\_DLT\_24>