

## European Commission: Targeted consultation on the review of the regulation on improving securities settlement in the European Union and on central securities depositories

### Submission by Barclays

Barclays is a transatlantic consumer and wholesale bank with global reach, offering products and services across personal, corporate and investment banking, credit cards and wealth management. With over 325 years of history and expertise in banking, Barclays operates in over 40 countries and employs approximately 85,000 people. Barclays moves, lends, invests and protects money for customers and clients worldwide. Barclays Europe operates Corporate, Investment and Private Banking businesses on a pan European basis as well as a Barclaycard business in Germany.

Barclays Europe offers the strength and access of the global franchise to our European clients. Barclays has operated in continental Europe for over 100 years and currently has offices in Germany, France, Italy, Spain, Portugal, Sweden, the Netherlands and Ireland, and recently opened in Luxemburg and Belgium. Barclays Europe operates out of the legal entity of Barclays Bank Ireland PLC (BBI) and its branches across Europe. BBI is supervised by the European Central Bank (ECB) and the Central Bank of Ireland under the single supervisory mechanism of the ECB. BBI is a wholly owned subsidiary of Barclays Bank PLC and part of our Barclays International business division.

### Barclays perspective

Barclays welcomes the opportunity to respond to the European Commission's Consultation on the review of CSDR and we strongly support policymakers' efforts to ensure the EU has a safe, harmonised and efficient settlement regime.

The Barclays position on the settlement discipline component of CSDR is in alignment with the broader financial services industry, and in particular the responses put forward by AFME, ICMA, ISLA, and the joint response by ISDA and FIA, all of which we strongly support.

An element of the industry responses that is a key concern for Barclays and which we would like to emphasize, is the February 2022 activation date for the mandatory buy-in regime. As it is currently designed, we believe the mandatory buy-in regime would be both impractical to implement and detrimental to the interests of EU capital markets. A mandatory regime for all products is not appropriate for certain transactions and markets, especially where existing contractual arrangements exist to address settlement fails, and we welcome further clarity on the scope. We are concerned that a mandatory regime will have a negative impact on market liquidity, especially in less liquid bond markets, and on pricing, with respect to the bid-offers provided to clients. Barclays believes that should a buy-in framework be needed, its activation date should be postponed until further assessment is conducted on the effectiveness of the penalty regime in preventing settlement fails.

We however support the activation of the penalty regime for February 2022 and support the mandate for an assessment of the effectiveness of the penalty regime, and the resultant impact on fails rates. If deemed necessary following this assessment, there should be a subsequent recalibration of penalty rates before any additional settlement discipline measures be considered.

Following these steps, should a buy-in regime be deemed necessary to further reduce fail rates, any future buy-in framework should clearly define the scope (for instance, we believe margin transfers

should be considered out-of-scope from the buy-in regime) and be based on the principle of optionality. We believe an optional framework should be designed to avoid mandating significant and disproportionate repapering exercises for firms (disproportionate for a number of reasons set out in the industry responses mentioned), and should not be required to apply for products and in markets where this would lead to divergent application by firms, and negative impact on pricing. As such, our recommendation is the penalty regime and buy-in regime activation dates should be decoupled.

In addition, Barclays has concerns around the implications on contractual provisions and would like to highlight the significant effort required in repapering a large volume of clients and contracts based on the breadth of the Regulation as it is written, as well as the potential possibility of needing to undergo additional repapering exercises should the Regulation be revised further. This will require significant cost, resourcing, time, and potentially could be duplicative and inefficient. We believe it will also detract from our efforts and focus in supporting the European economic recovery from the Covid-19 pandemic at this challenging time.

We therefore request that the Commission provides an indication of timelines with respect to any proposed changes to the CSDR settlement discipline regime at the earliest opportunity, in order to assist with our planning, implementation and final delivery.