

PRESS RELEASE

Madrid, 20 May 2014

Shortening of the settlement period for bond transactions to two business days (D+2)

On April 15 2014 the European Parliament approved a proposed Regulation on the settlement of securities in the European Union and central securities depositories. One of the objectives of this Regulation is to shorten the settlement period for securities transactions.

The Regulation establishes that, with certain exceptions,¹ the intended settlement date of transactions in transferable securities entered into on trading venues will, from 1 January 2015, be no later than the second business day after the trading day (D+2). The majority of European trading venues have confirmed that they will apply this new settlement date from 6 October 2014.

The new Regulation does not extend this requirement to over-the-counter (OTC) transactions, since in this case the relevant date is that agreed upon by the parties, even though the market practice is a standard settlement period of three business days (D+3).

Shortening the standard settlement period in these markets would also be an improvement, since it would help to reduce risks and inefficiencies and enhance security price comparisons. For this reason, the treasuries of the 28 EU Member States have also agreed to establish 6 October 2014 as the date for implementing the standard settlement period of D+2 for OTC secondary market government bond transactions.

In view of the foregoing, the migration date for Spanish OTC secondary bond markets has been set as 6 October 2014.

¹In the case of trading venues that have access to a central securities depository that outsources services or activities to a public entity, this requirement must be applied at the latest from 1 January 2016. In Spain migration from D+3 to D+2 has been agreed for exchange-traded equity transactions in November 2015, after the reform of securities clearing, settlement and registration has been implemented.

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