

6. Settlement and Registration Activity

+3.4% growth in instructions from stock market transactions settled in Iberclear	7.2 billion euros, daily average of cash settled	+5% growth in nominal balance of government debt
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The Settlement and Registration activity in Spain in 2024 has continued to advance, marked by the progress of projects that adapt the systems to legislative and regulatory developments, as well as by BME's efforts to offer new services and features to issuers and participants in Iberclear, the Spanish Central Securities Depository (CSD).

Activity Data

In terms of key figures, the settlement and registration activity at the close of 2024 has shown mixed results compared to the previous year. The number of exchange instructions settled through Iberclear decreased by 3.4%, averaging a monthly 0.51 million transactions.

The settled cash has increased, with a daily average of 7.2 billion euros, reflecting a higher average amount per settled instruction. Nominal balances showed a minimal negative change of 5.5% in the securities listed on the

BME private fixed income market and growth of 5% in the public debt market. Regarding equity, growth has been 11.9% valued at market prices.

T+1 Settlement Cycle

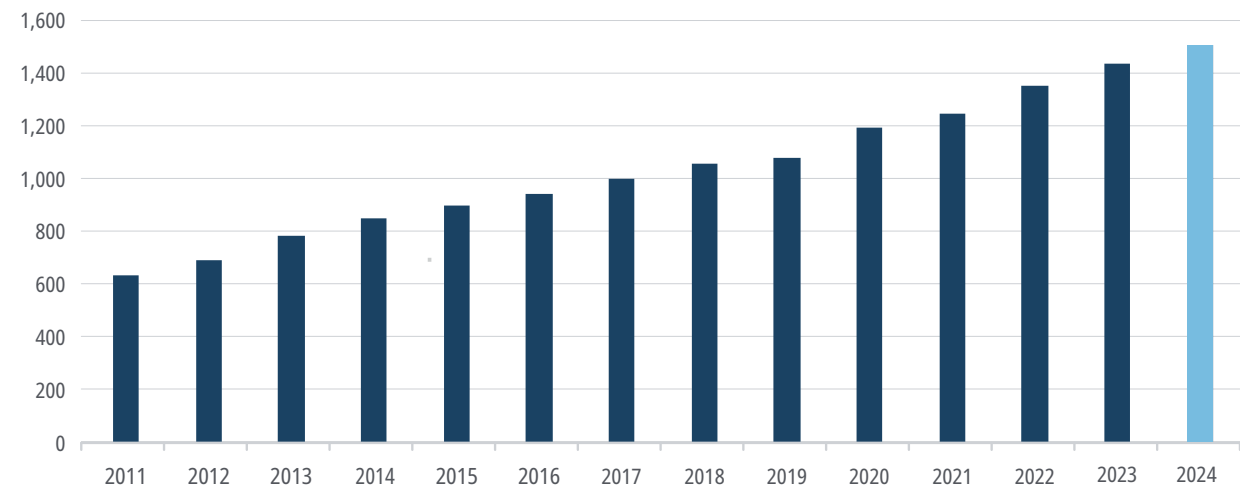
Undoubtedly, the biggest topic of debate this year in the settlement space has been whether the EU will follow other markets and shorten the settlement cycle to one day (T+1). In May 2024, the U.S., Canada, Mexico and Argentina started settling within this period.

The latest step taken in Europe regarding this development is the preparation of a final report by ESMA, based on the information gathered from its public consultation. The consultation sought input on the operational impact of moving to T+1, the associated costs and benefits, the potential migration date and what it would mean for European capital markets. This report was published at the end of 2024.



Government Debt Increased in 2024

(BILLIONS OF EUROS)



One aspect of this debate is whether it would be beneficial for the three main European areas (the UK, the EU, and Switzerland) to transition to the T+1 settlement cycle simultaneously. ESMA's proposal to migrate the EU markets to a T+1 settlement cycle by October 2027 aligns with what has already been announced by the United Kingdom, marking a step forward in this direction.

The transition to a T+1 settlement cycle presents a series of operational challenges for financial institutions. Among other factors, the need for coordination with international counterparties could lead to significant costs. However, the potential benefits, such as reduced counterparty risk and improved market efficiency, are strong arguments in favor of this measure. Collaboration between the main European regions will be crucial to ensure a successful implementation and minimize any disruption in the financial markets.

Regulatory Developments in the Sector

In the regulatory field, the implementation of Law 6/2023, of March 17, on Securities Markets and Investment Services, has made significant progress. Iberclear has led the third phase of the Settlement System Reform, known as Reform 3, which includes the elimination of the PTI (Post-Trade Interface), simplifying procedures and formats for clients, and aligning with the market harmonization efforts promoted by the European Union.

In 2024, both the Iberclear Regulation and the associated Circulars and Instructions have been approved, in accordance with Royal Decree 814/2023, which implements the aforementioned Law.

Community tests began on October 25, and the implementation date for the new system is set for March 10, 2025.

Regarding the main project led by the European Central Bank, the European Collateral Management System (ECMS), on September 25, the ECB Governing Council issued an official statement announcing the decision to reschedule the production launch of this new system. Indeed, on October 24, they confirmed in another official statement that the new production launch date has been set for June 16, 2025. This project is closely tied to another important initiative in the realm of European harmonization, known as SCoRE (Single Collateral Management for Europe), which aims to establish common collateral management standards across Europe.

Other regulatory matters are also important, even though they may not result in immediate implementation.

It is also worth highlighting the update to the Financial Transactions Tax (ITF) procedure, with the inclusion of the Basque and Navarre regional tax authorities in the process. This was implemented on January 22, and the first monthly declarations were successfully completed on February 16.

The move from the settlement cycle to T+1 in the US, Canada, Mexico and Argentina has been the focus of debate in the sector worldwide.

With regard to the European legislation that regulates the operation of central securities depositories, or CSDR, Article 19 of EU Regulation 909/2014 was amended to simplify the process of invoicing the penalties established in the settlement discipline, so that, since September 2, it is the central securities depositories themselves that have been managing the invoicing and collection of these penalties. On October 24, for the first time since Iberclear, the billing for the month of September was settled.

Three years after the start of the revision process, the modified version of the CSDR – known as CSDR Refit, in reference to the European Commission program of the same name – came into force on January 16, 2024, 20 days after its publication in the Official Journal of the European Union.

Digitalization

2024 has also been an intense year for innovation projects. Iberclear has taken part in the exploratory program launched by the European Central Bank to study the behavior of wCBDCs (wholesale Central Bank Digital Currencies), with an important impact on Iberclear's operations, both in payment settlement

(PvP) and in securities settlement against cash (DvP), given that the main objective is to investigate the behavior of cash settlement in new technologies, such as distributed ledger technology (DLT).

After an initial experimentation phase that began on June 21, the Governing Council of the ECB gave its approval for an additional group of participants to test distributed ledger technology (DLT) for the settlement of central bank money transactions as part of the experimentation program it developed during 2024.

With Iberclear's participation in this experiment, a magnificent opportunity opens up for us, as a financial community, to learn about the settlement of transactions against payment in wCBDC issued by a Central Bank. Iberclear, together with ten other participating entities and as a market operator, presented a participation initiative with the aim of simulating the issuance of a digital bond, whose life cycle is managed on the BME DLT platform (BME Digital Bond platform), and whose cash will be settled on one of the cash DLT platforms proposed by the Eurosystem, which belongs to one of the European central banks participating in the program.