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*Keynote Javier Hernani: WFEClear 19<sup>th</sup> March 2024*

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Welcome to the WFEClear Conference, an event which is now celebrating its 40 year.

It is a pleasure for us at BME, a SIX company, to be hosting this year's WFEClear at our Palacio de la Bolsa de Madrid. You know you are at home here and that is how we want to make you feel.

I believe that a place with such a century-long history is the perfect place to engage in discussions about the present and the future. Because it is important to know where we come from but, above all, where we are going.

If there is one thing we in the financial markets have excelled at, it is our ability to anticipate change. In an environment in which digitalisation is becoming an increasingly important part of our daily lives, we must continue to be the standard-bearers of the future of the economy. We must be innovative and creative, while maintaining our hallmarks of identity, security and trust.

Over the next three days, we will be treated to some lively debates, cutting edge thought leadership and excellent networking opportunities.

As an industry, we are all facing some profound challenges today, but centralised clearing has made the world a much safer place.



- As a risk mitigation tool, CCPs have proven to be formidable, calming markets during the nadir of 2008, a feat that prompted regulators globally to introduce mandatory clearing for standardised OTC products.
- More recently, CCPs proved resilient amid the extreme market volatility we saw in March 2020, when fear and uncertainty about the pandemic reached its peak.

Let me start by talking about the macroeconomic environment in which we operate before turning to the specific challenges of our sector, which is so important to the smooth functioning of financial markets, even if it sometimes does not make the headlines.

Even so, 2023 was not an easy year for many people, and neither arguably was 2022 or 2021 or 2020 for that matter.

In fact, a lot of us will probably struggle to remember a year that was not punctuated by a black swan event (i.e. pandemics, war, etc.) , complicated geopolitics, and difficult macro-economic headwinds.

Over the last 12 months, markets have been shaken by two wars, the first in Ukraine which began in 2022, and more recently in the Middle East, where a localised conflict is at risk of spiralling into something far more serious.

As more instruments move into clearing, markets will be better protected against these sorts of once in a hundred year events, which alarmingly seem to be happening with increasing regularity.

Global growth proved surprisingly resilient in 2023 at 3,1%. Inflation has been trending downwards over the last few months due to lower energy



prices and fading supply chains pressures, and experts believe the worst of the Central Banks' monetary policy tightening is behind us and financial conditions will improve. Nevertheless, a geopolitical context of increasing difficulty and uncertainty (as an example, disruption to shipping routes in the Red Sea) compounded by the fact that there will be elections in more than 70 countries around the world, weight on the negative side. As a result, the world GDP growth for 2024 is expected to remain moderate again at 3,1%.

At an Eurozone level is expected to see modest GDP growth (+0,9%) for 2024, following the just 0.7% for 2023. Despite this, there are some glimmers of hope, especially here in Spain that will lead the European growth in 2024. Estimates are being revised upwards even slightly above to 2% of GDP growth for 2024.

This year, half of the world's population will vote. This instability is having an impact on global growth.

As you well know, we at SIX operates and develops infrastructure services for the Swiss and Spanish Stock Exchanges, for Post-Trade Services, Banking Services and Financial Information with the aim of raising efficiency, quality and innovative capacity across the entire value chain of the Swiss and Spanish financial centers.

We expect revenue growth to reach 3.5% for the full year 2023. Profitability at EBITDA level is forecast to hit 6.7%, further underlying our successful strategy and diversified business model.

It is clear that the synergies between SIX and BME are becoming increasingly obvious, and this has further cemented our position as one of the top 3 financial market infrastructures in Europe.



One of our main objectives is growing the clearing and custody business by extending our offering and increasing our global footprint.

So what does the next 12 months hold for our industry?

Predicting what will happen is never straightforward, but we do carry out an annual survey of senior executives at financial institutions to gauge their thoughts on what the future may hold.

The SIX Future of Finance survey, which canvassed the opinions of 343 industry leaders, found people to be rather **bullish about 2024**.

For instance, the survey revealed 77% of senior finance executives believe the economic climate will improve this year, up from 66% in 2022. Additionally, 64% of companies said they are well positioned for significant growth in 2024, up again from 2022 when that figure stood at 51%.

### **Technology is also a recurrent theme.**

Sparked by the spectacular rise of generative AI, 38% of respondents to the Future of Finance Survey, said identifying use cases and implementing AI would be the most compelling opportunity for companies in 2024, followed by 35% who said the same about enhancing data and analytics capabilities.

On clearing, we are seeing some major changes happening too.

In the case of SIX Clearing, we offer a **highly diversified CCP with access to multiple trading platforms across Europe**. We also clear a wide range of instruments, including interest rate swaps, financial derivatives with equity index, single stocks and rolling spot futures ,



energy derivatives, repo and buy-sell backs , cash equities, Swiss fixed income and derivatives on digital asset.

We have seen an explosion in **new digital asset classes** such as cryptocurrencies and security tokens, a trend that will likely continue this year, especially following the decision by the US Securities and Exchange Commission (SEC) to approve a spot bitcoin exchange traded fund (ETF) in January. New ETFs on other crypto-currencies, like Ether are already knocking on SEC's door.

At SIX we are committed to playing a leading role in digital assets, convinced that regulated markets provide a high level of security and trust. Conscious of this growing market and the opportunities available, we have developed the capabilities to clear crypto-currency exchange traded products, and will be extending the offering shortly to crypto derivatives.

By providing market participants with the safety net of a CCP , we anticipate more institutions – who may have previously been uneasy about trading digital assets – will begin doing so.

We are also well positioned to deal **with regulatory change**.

Amendments to the European Market Infrastructure Regulation, known as EMIR 3.0, could force more euro denominated interest rate swaps (IRS) clearing onshore, amid EU concerns that too much of this activity takes place in the UK, something EU regulators believe poses a systemic risk.

However, SIX Clearing extensive experience of clearing IRS puts it in an excellent position to capitalise on these EU-wide changes. As you well know, proposed revisions to the European Market Infrastructure



Regulation (EMIR) will require EU financial and non-financial counterparties to have active accounts at EU CCPs, together with minimum clearing quotas at EU CCPs for certain euro denominated OTC derivatives.

With the new EMIR requirements, many financial institutions are now turning to SIX to support them with their IRS clearing obligations. We are able to offer the most cost efficient IRS clearing solution globally. We are ready to grow in this area.

And finally, the debate about interoperability versus preferred clearing and preferred interoperable clearing, is expected to dominate 2024.

As you can see, of course, there are many challenges, legislative changes, business developments and opportunities ahead for all of us. I am convinced that the panels and meetings over these three days at the Palacio de la Bolsa de Madrid will be productive. We will learn from the experiences and reflections of professionals from all over the world. Everyone here knows the importance of financial markets to the global economy. Events like this also help us to get this message across to more people.

And with that, I would like to thank you all for listening. I shall now give the floor to Pedro Gurrola.