

DLT Pilot Regime (EU DLT Regulation)

<p>Different Categories of DLT Market Infrastructure/Permissions</p>	<ul style="list-style-type: none"> ▪ DLT Multilateral Trading Facility (“DLT MTF“) <ul style="list-style-type: none"> ○ is a multilateral trading facility that only admits trading DLT financial instruments - (Art. 2 (6) EU DLT Regulation); ○ A legal person who is authorised as an investment firm/market operator can apply for a specific permission to operate as a DLT MTF. Additionally, DLT MTFs are subjects of some MiFID requirements - (Art. 4 and Art. 8 EU DLT Regulation). ▪ DLT Trading and Settlement System (“DLT SS“) <ul style="list-style-type: none"> ○ is “a settlement system that settles transactions in DLT financial instruments against payment or against delivery, irrespective of whether that settlement system has been designated and notified and notified in accordance with Directive 98/26/EC and that allows the initial recording of DLT financial instruments or allows the provision of safekeeping services in relation to DLT financial instruments” - (Art. 2 (7) EU DLT Regulation); ○ A legal person who is authorised as central securities depository can apply for a specific permission to operate as a DLT SS. Additionally, DLT TSS is subject of some CSDR requirements - (Art. 5 and Art. 9 EU DLT Regulation). ▪ DLT Settlement System (“DLT TSS“) <ul style="list-style-type: none"> ○ Is a DLT MTF or DLT SS that combines services performed by a DLT MTF and a DLT SS - (Art. 2 (10) DLT Regulation). ○ A legal person who is authorised as an investment firm/market operator/central securities depository can apply for a specific permission to operate as a DLT TSS. Additionally, DLT TSS is subject of some MiFID/CSDR requirements - (Art. 6 and Art. 10 EU DLT Regulation). ▪ New entrant <ul style="list-style-type: none"> ○ an entity that is not authorised under CSDR/MiFID can apply for authorisation under that regulation/directive and simultaneously for a specific (<i>temporary</i>) permission under EU DLT Regulation (Recital 11 of EU DLT Regulation).
<p>Limited types of admitted Financial Instruments</p>	<ul style="list-style-type: none"> ▪ Shares – with market capitalisation/tentative market capitalisation <i>below EUR 500 million</i> (Art. 3 (1) (a) EU DLT Regulation). ▪ Bonds – other forms of securitised debt, including depositary receipts in respect of such securities, or money market instruments with an issuance size of <i>less than EUR 1 billion</i> (Art. 3 (1) (b) EU DLT Regulation). ▪ UCITS – the market value of the assets under management of which is <i>less than EUR 500 million</i> (Art. 3 (1) (c) EU DLT Regulation). <i>Additionally, “corporate bonds issued by issuers whose market capitalisation did not exceed EUR 200 million at the time of their issuance shall be excluded from the calculation of the threshold referred to in the first subparagraph, point (b)“ (Art. 3 (1) EU DLT Regulation).</i>
<p>The overall volume of transactions</p>	<ul style="list-style-type: none"> ▪ The aggregate market value of all the DLT financial instruments recorded at a DLT Market infrastructure shall not exceed <i>EUR 6 billion</i> at the moment of admission to trading/initial recording (Art. 3 (2) EU DLT Regulation). ▪ If the aggregate market value of financial instruments traded or recorded on a DLT Market Infrastructure reaches <i>EUR 9 billion</i>, the operator of DLT Market Infrastructure must activate so-called transition strategy according to Art. 7 (7) EU DLT Regulation (Art. 3 (3) EU DLT Regulation). ▪ DLT Market infrastructures must provide monthly reports to its competent authority to demonstrate that all DLT financial instruments admitted to trading/recorded on the DLT market infrastructure do not exceed the mentioned thresholds (Art. 3 (5) EU DLT Regulation). ▪ Competent authority can set lower thresholds to the trading platforms (Art. 3 (6) EU DLT Regulation).
<p>Application Procedure</p>	<ul style="list-style-type: none"> ▪ Permissions/exemptions are granted by NCA – similar to authorisation procedure under MiFID (Recital 48 of EU DLT Regulation); Check of completeness of applications needs 30 working days; ▪ When applying for a specific permission under EU DLT Regulation, the applicant should indicate the exemptions it is requesting (Recital 48 of EU DLT Regulation); ▪ During application procedure NCA provides ESMA all relevant information and when necessary ESMA should issue non-binding opinion on the exemptions requested/on the adequacy of DLT (Recital 48 of EU DLT Regulation); ▪ Specific permissions/exemptions should be granted on a temporary basis – for a period of up to six years from the date on which the specific permission was granted and should be valid only for the duration of the pilot regime (Recital 48 of EU DLT Regulation); ▪ Permission should be valid throughout Union (Recital 47 of EU DLT Regulation)