**European Securities and Markets Authority (ESMA**)

Draft Technical Standards for the Regulation on improving securities settlement in the European Union and on central securities depositories (CSD)

**Discussion paper**

**Question 13**

CSDR provides that the extension period shall be based on asset type and liquidity.

How would you propose those to be considered?

Notably, what asset types should be taken into consideration?

Investec Securities, the trading division of Investec bank plc , operate market making across European stocks but mainly in UK instruments from the London offices for Global institutional clients and also provide a service to 80 retail brokers in the UK therefore combining the wholesale/retail markets

Investec operate a specialist trading desk in **closed end Funds** (CEF) instruments and would request that these instruments are considered within the asset types for the extension period, it is difficult to manage the settlement process when offering two way prices because of the fixed size of these instruments and given that the assets are mainly held by the “buy side” and therefore they are difficult to borrow

Investec would also request consideration of the SME Aim market growth instruments, given the low volume of trading & liquidity, which are normally traded with retail brokers and institutional clients

Overall, Investec expect the extension period to be used to accommodate one-off settlement requirements when trading in EMS size trades for our retail broking counterparties, usually when physical assets (registered certificates) are used but regard the **major** solution to failing trades to be the ability to “borrow**” assets to cover our failing trades, which Investec will undertake when available and given the rates are appropriate**

**Investec would request that consideration is given to the CSD operating a borrowing service, where the assets are provided by the counterparties using the CSD and if used intraday the service should be free of charge, with charging starting for overnight borrowing transactions or longer.**

Investec are concerned that this service should not encourage **short selling** and therefore would recommend that the borrowing is limited to appropriate size per instrument but this change will allow market makers to continue to offer two way prices and accommodate the borrowing costs in the price and therefore continue to provide liquidity to both our wholesale and retail clients

At Investec, for the last ten years investment has been made in STP and settlement performance, which results in maintaining 90%+ settlement on settlement day and the table below set out Investec’s values and volumes in Euroclear-Crest with the borrowing change above we would expect to move to 100%

