

ESMA Discussion Paper on DLT ANSWER OF AMAFI

Association française des marchés financiers (AMAFI) is the trade organisation working at national, European and international levels to represent financial market participants in France. It acts on behalf of credit institutions, investment firms and trading and post-trade infrastructures, regardless of where they operate or where their clients or counterparties are located. AMAFI's members operate for their own account or for clients in different segments, particularly organised and over-the-counter markets for equities, fixed-income products and derivatives, including commodities. Nearly one-third of members are subsidiaries or branches of non-French institutions.

AMAFI strongly welcomes the publication of ESMA's **Discussion Paper on the Distributed Ledger Technology (DLT)**, which rightly identifies a series of points that AMAFI generally shares.

The emergence of this technology and its potential applications in financial markets raise numerous questions indeed, more particularly regarding the regulatory framework as developed below. It is thus important that regulators seized upon that matter. Nevertheless, AMAFI regrets that this consultation has taken place during the summer, while this topic does not present any particular urgency, since this is not a practical time to bring together the analyses of our members.

That is why AMAFI only wishes to make the following general comments, and regarding the detailed questions of the Discussion Paper, **endorses the specific analysis and comments on post trading activities made by AFTI in its response.**

Today, technological breakthroughs in market activities such as DLT become a more and more often prominent matter, and it is important for regulators as well as for market players to try to fairly comprehend the challenges they may pose. The most commonly accepted view, whether or not explicitly or implicitly expressed, is that market players currently in place would block the emergence of the technological breakthrough, with a view to limit the entrance of nimbler players in their business activities. **The reality is somehow different, though.** The legal framework for market activities has been developed so as to complete different objectives, notably in terms of capacities for the firms to fulfil their missions in the of the economy, of monitoring and managing systemic risks as well as ensuring a high level of investor protection.

In our view, technological breakthroughs are interesting as long as they preserve these objectives while bringing additional benefits. Additional benefits attached to these technological breakthroughs are often invoked without establishing the specific conditions that are necessary to put in place for those assigned objectives are not called into question. Such an analysis is still to be carried out in a detailed manner.

As a first step, AMAFI thinks that the new technology could be usefully tested in **limited environments** where there is no common and multilateral system. This is for instance the case for unlisted securities with no central depository. Such initiative could benefit the financing of small companies. For market participants and regulators it would be a way to test and gain experience on DLT without taking the risk of disturbing an existing system operator or provider.

AMAFI also considers that it could be useful to envisage using DLT for regulatory reporting purposes. It would be a way to rationalise the various current and coming reporting regimes which are very costly and probably not efficient enough.

