



CSDR

FOCUS

Updated in October 2021

REGULATORY EVOLUTION

- CSD Agreement and licensing:** licensing and European passport principles. Organization, business and governance rules. Resources requirements, set up of users committees. Risk management rules (operational risk, capital requirements...)
- CSD Role:** Harmonized definition of the CSD role. Distinction made between core functions and ancillary services. Some banking services may be offered by CSD. Direct competition with business of their participants (custody business for instance)
- Settlement landscape unification:** dematerialization and immobilization of securities, settlement cycle harmonization (T+2), common settlement discipline framework (penalties and buy In regimes, reporting of internalized settlement for custodians)
- On investor's demand segregation :** clients of CSD's participants may ask for segregated account opened in CSD's books
- Free choice for Issuers of their issuer CSD**

FOCAL POINTS

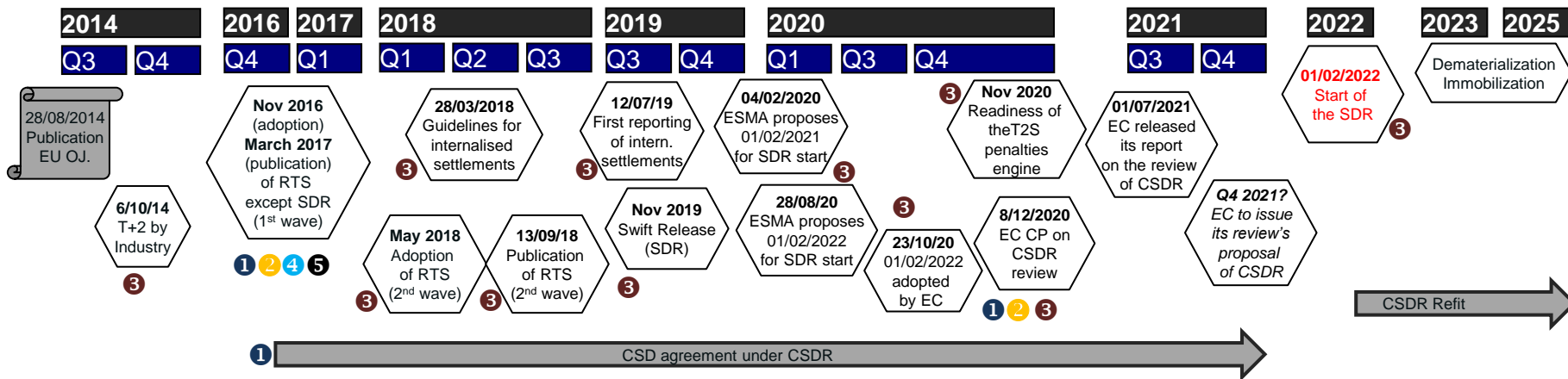
Impacts on CSDs Capital needs, Third Countries regime and potential competition with non-European CSD. CSD agreement with regulators

CSD can be direct competitors with their participants through banking services and custody activities. Clearstream and Euroclear Bank should be the major CSDs involved in this competition.

Heavy impact of settlement discipline regime for all participants and CSD with client's repercussion to be put in perspective (reporting, billing etc). Quarterly reporting of internalized settlements would have a heavy impact in regards with volumes

Segregation at CSD level is mandatory for clients from segregated countries investing in securities issued by direct holdings countries. Practical implementation per CSD implies procedure definitions at CSD level. High cost difficult to assess to set up segregation for a client at CSD level

Risk of competition between issuer services at European level. No specific offer foreseen by SGSS. Already done for bonds, hard to apply for shares.



Updated on 25th of October 2021

STATEMENT

- ❑ **Entry into force of the Settlement Disciplines Regime:** the 1st of February 2022 is now the official date.
- ❑ **T2S penalties tool** : will be used only for T2S settlement instructions; a dry run (computation of penalties but payment) is foreseen as of the 14th of September 2021; the implementation of the T2S engine successfully completed
- ❑ **Open questions:** a list is publicly available on the ESMA's website; most of the open points (around 40) are eventually in the hands of the EC
- ❑ **Works undertaken by the associations:** on the pass-on mechanism or the scope of transactions submitted to the buy-in as well as on several issues to be fixed
- ❑ **CSDR's review:** the EC report has been issued on the 1st of July 2021 opening the door to an amendment of the settlement disciplines regime; the next step is an impact assessment conducted by the EC for a proposal end 2021
- ❑ **ESMA letter to the EC** requesting for a postponement of the mandatory buy-in and a swift officialization of this decision (23/09/2021)

FOR YOUR CONSIDERATION

- ❑ **CSD Agreement:** Participants to comply with different obligations (segregation policy, reconciliation,...).
- ❑ **Settlement Discipline:**
 - Confirmation / allocation: the ESMA has published its final guidelines
 - Penalties: time to clean up any old outstanding fails, analyze current processes looking for any improvement before the go-live date;
 - Buy-ins: a lot of questions remain open (in particular on how to avoid multiple buy-ins)
- ❑ **Internalized settlement reporting** : live ; ESMA has published its first analysis based on the reporting received
- ❑ **On demand segregation** for clients and mandatory for any client from a direct holding country, holding securities issued by this direct holding country.
- ❑ **SDR and Brexit:** UK has decided to not apply the EU SDR; an equivalence until the 30th June 2021 was granted by the EU

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To know more please refer to:
 FicheCSDR-ToKnowMore

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