



# CSDR

FOCUS

Updated in October 2022

### REGULATORY EVOLUTION

- 1 **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...)
- 2 **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)
- 3 **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)
- 4 **On investor's demand segregation :** clients of CSD's participants may ask for segregated account opened in CSD's books
- 5 **Free choice for Issuers of their issuer CSD**

### FOCAL POINTS

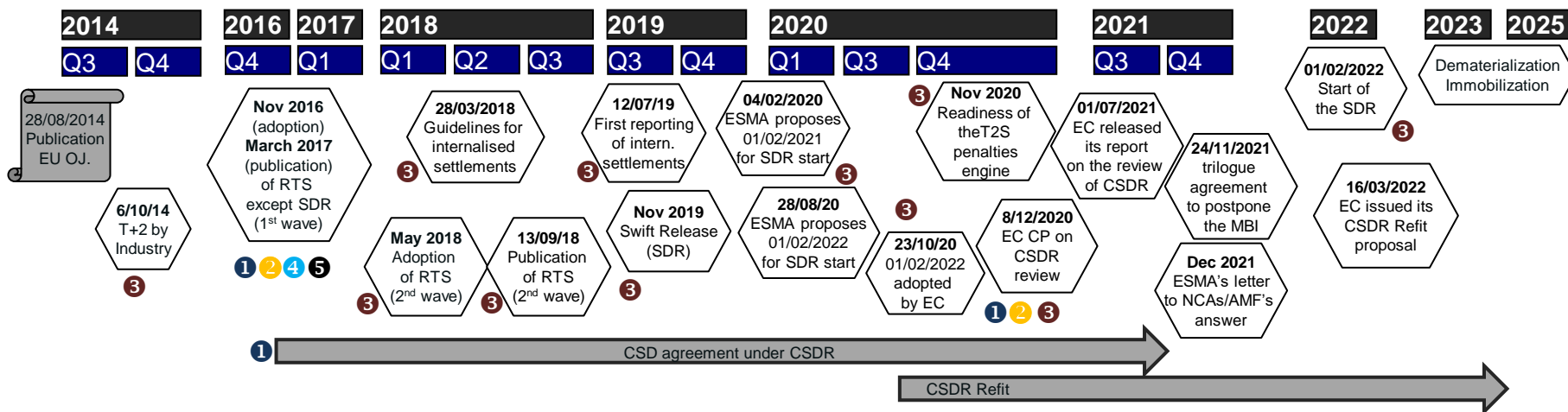
Impacts on CSDs Capital needs, Third Countries regime and potential competition with non-European CSD. CSD agreement with regulators

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 5<sup>th</sup> of October 2022

STATEMENT

❑ **The Settlement Disciplines Regime now applies :**

- 3 Task Forces created inter trading associations to cover (i) the messaging standardization (ii) the monthly calendar and (iii) the reference data
- Work has started on settlement efficiency and on how to improve it

❑ **Mandatory Buy-in (MBI):**

- The ESMA's "3 years extension" proposal still not definitively adopted and published in the EU OJ

❑ **CSDR's review:**

- The EC's proposal reviewing CSDR (CSDR Refit) is discussed by both the EP and the Council (trilogue to happen likely not before 2023)
- The ECB in favor of a removal of the MBI

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: now live
- Buy-ins: the EC's proposal introduces a conditional entry into application of the MBI and proposes to amend its scope of application

❑ **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

**Contact SGSS/CAO/PAI:**

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To know more please refer to:  
FicheCSDR-ToKnowMore

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