



# CSDR

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Updated in February 2023

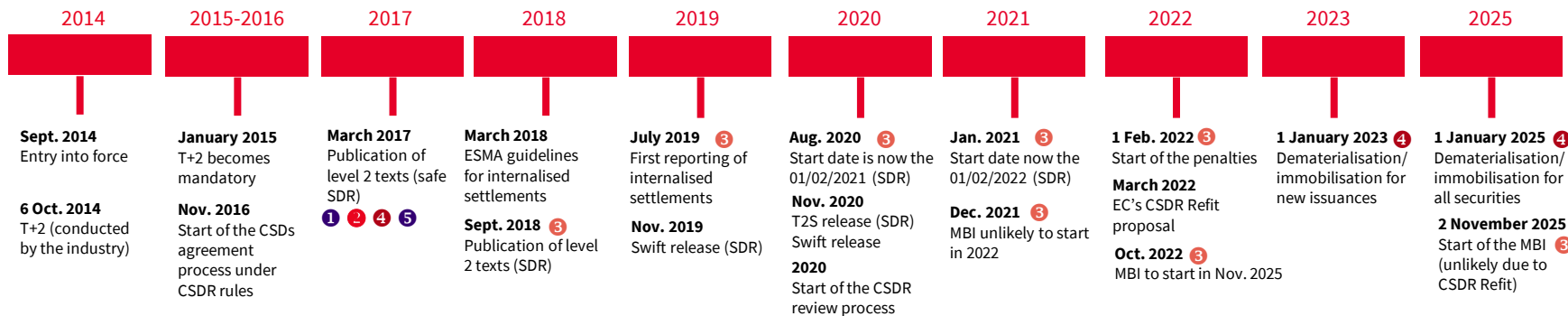
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REGULATORY EVOLUTION

- **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) ❶
- **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) ❷
- **Settlement landscape unification:** settlement cycle harmonization (T+2), common settlement discipline framework (penalties and buy-in), regulatory reporting of fails by CSDs and of internalized settlement by custodians. ❸
- **On investor's demand segregation:** clients of CSD's participants may ask for segregated account opened in CSD's books; dematerialization and immobilization of securities. ❹
- **Free choice for Issuers** of their issuer CSD. ❺

FOCAL POINTS

- Impacts on CSDs Capital needs; third countries regime and potential competition with non-European CSD; CSD agreement by 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; already done for bonds, hard to apply for shares



Q4 2021 – Q2 2022  
Creation of industry working groups on settlement efficiency

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## STATEMENT

- The Settlement Disciplines Regime now applies:
  - The payment date will be the 18<sup>th</sup> PBD<sup>(\*)</sup> of the month (starting in April 2023 for March penalties)
  - Work has started on settlement efficiency and on how to improve it
- Mandatory Buy-in (MBI): the MBI now to start on the 2<sup>nd</sup> of November 2025 (real start very unlikely due to CSDR Refit)
- CSDR's review: the trilogue to start on Q2/Q3 2023
- Dematerialization / Immobilization: the requirement applies as of the 1<sup>st</sup> of January 2023 for new issued securities ; Euroclear has communicated as regards Irish securities

(\*) Penalties Business Days (ECSDA framework)

## FOR YOUR CONSIDERATION

- CSD Agreement: Participants to comply with different obligations (segregation policy, reconciliation,...)
- Settlement Disciplines:
  - Confirmation / allocation: ESMA has published its final guidelines
  - Penalties: now live
  - Buy-ins: on hold
- 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

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 If you want to know more, refer to  
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