



CSDR

Updated in September 2023

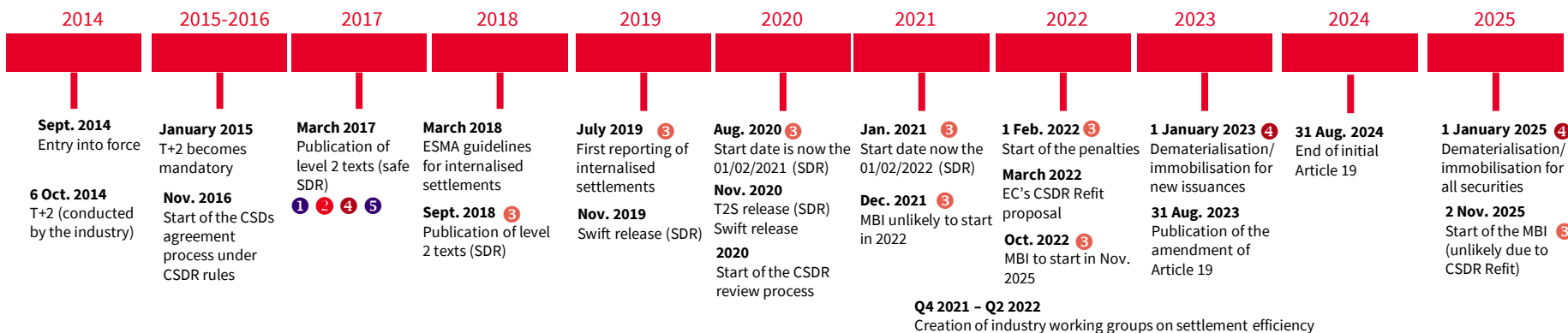
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REGULATORY EVOLUTION

- **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



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STATEMENT

- The Settlement Disciplines Regime now applies:
 - The payment date is the 18th PBD^(*) of the month (starting in April 2023 for March penalties)
 - Work still ongoing on settlement efficiency and on how to improve it
 - Most of the CSDR CSDs published their annual public reporting on the settlement efficiency on their website
- Mandatory Buy-in (MBI): the MBI now to start on the 2nd of November 2025 (real start very unlikely due to CSDR Refit)
- CSDR's review: an agreement has been reached
- Dematerialization / Immobilization: the requirement applied as of the 1st of January 2023 for new issued securities
- Update of article 19 (2018/1229) – role of CCPs in payment of penalties -: amendment published in August 2023; to apply on the 31/08/2024

(*) 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: the annual stats published by CSDs show very disparate level of fails; there is a need to understand why some are really high
 - Buy-ins: on hold until November 2025
- 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
Fiche To Know More

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