



# CSDR Refit

---

Updated in September 2023

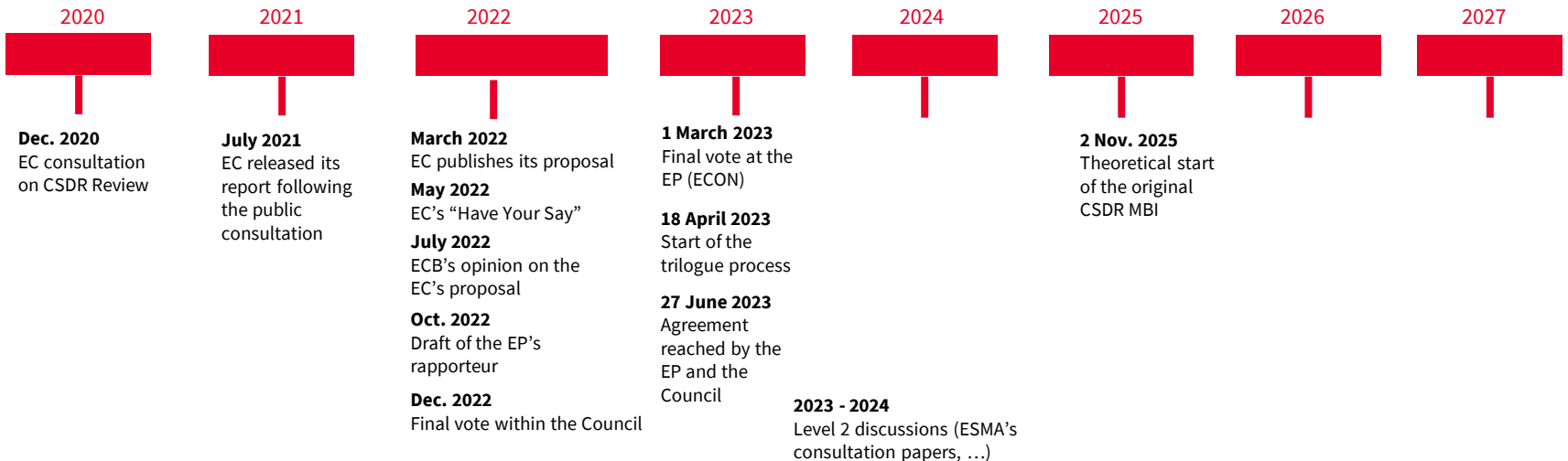
Updated in September 2023

**REGULATORY EVOLUTION**

- **Settlement discipline regime (SDR):** the MBI would become conditional with a narrowed scope of application (exclusion of certain types of transactions) and allowed mechanisms to avoid unnecessary buy-ins; as regards penalties the EC proposes to introduce some exemptions
- **Banking type ancillary services:** facilitation of the access to banking services for CSDs that are not bank
- **Passporting:** simplification of the process for CSDs wanting to operate across Europe
- **Cooperation between NCAs:** like in EMIR for CCPs, creation of colleges of supervisors for certain CSDs
- **Third Country CSDs:** end of the grandfathering clause; improvement of the information given to ESMA and NCAs about the third country CSDs activity in the Union

**FOCAL POINTS**

- Although reviewed, the MBI remains unsuitable and unworkable with negative consequences on the liquidity and competitiveness of EU capital markets; exemptions from penalties may impede the immunization principle
- CSDs perform critical market infrastructure functions; the proposal shall not result in a relaxation of the prudential requirements applicable to CSDs
- Removing barriers to cross-border including the simplification of the passporting rules may promote increased competition amongst CSDs
- Increasing supervisory convergence should help ensure a level-playing field
- No direct impact for participants / clients



Updated in September 2023

**STATEMENT**

- The EC’s proposal reviewed by the EP and the Council:
  - The Council: Member States agreed position to revise CSDR (20<sup>th</sup> of December 2022)
  - Vote at the EP has taken place on the 1<sup>st</sup> of March 2023
- An agreement has been reached by the Parliament and the Council on the 27<sup>th</sup> of June 2023 (still be formalized)
- The ECB has issued in July 2022 its opinion on the proposal and concluded that MBI should be removed

**FOR YOUR CONSIDERATION**

- MBI:
  - Possibility to apply only on specific financial instruments / types of transaction
  - Exemptions: SFT, where the transaction is not considered as “trading” or where the cause of the fail is not attributable to the participant
  - Two conditions to be jointly met in order to allow the EC to open the discussion on a possible MBI
- Penalties:
  - Exemptions: when settlement fail is caused by factors not attributable to the participants to the transaction or if the transaction is not considered as “trading”
  - Prior to any analysis as regard the introduction of a MBI, the EC will have to assess the penalty regime and improve it if needed

[sylvie.bonduelle@sgss.socgen.com](mailto:sylvie.bonduelle@sgss.socgen.com)

If you want to know more, refer to  
Fiche To Know More

*“This document is for informational purposes only. Under no circumstance should it, in whole or in part, be considered as an offer to enter into a transaction. This document is not intended to have an advisory character or intended to represent an investment recommendation or a recommendation regarding a certain strategy, product or service. Although information contained herein is from sources believed to be reliable, Societe Generale makes no representation or warranty regarding the accuracy of any information and is not responsible for errors of any kind. Any reproduction, disclosure or dissemination of these materials is prohibited. The products and services described within this document are not suitable for everyone. This document is not intended for use by or targeted at retail clients. All of the products and/or services described may not be available in all jurisdictions”*