



# CSDR

FOCUS

Updated in November 2018



**SOCIETE GENERALE**  
Securities Services

### REGULATORY EVOLUTION

- 1 **CSD Agreement and licensing:** licencing and European passport principles. Organisation, business and governance rules. Ressources requirements, set up of users committees. Risk management rules (opérationnal 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 immobilisation of securities, settlement cycle harmonisation (T+2), common settlement discipline framework (pénalités 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

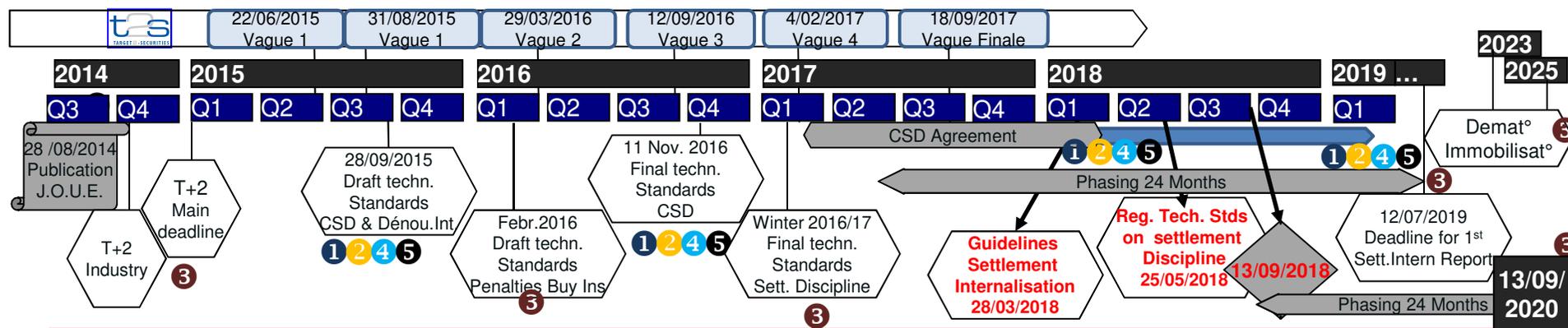
Impacts on CSDs Capital needs, Third Countries regime and potential competition with non European CSD. CSD agreement with regulators

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). Quaterly reporting of internalized settlements would have an 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 2018 November the 20<sup>th</sup>• **T2S penalties tool** is to be chosen by T2S' CSDs

## STATEMENT

- ❑ **Level 2** : Regulatory Technical Standards on settlement discipline have been adopted and published on 2018 September the 13<sup>th</sup> opening a 24 months delay for implementation (2020, September the 13<sup>th</sup>).
- ❑ **ISO Format** : local authorities would have to apply ISO Format as required by ESMA but no view on method of exchange with Custodians (internalized settlement reporting)
- ❑ **Implementation notebook** : French Post Trade Industry has updated its implementation notebook (new version end of September 2019)
- ❑ **T2S penalties tool** to be chosen by T2S' CSDs

## FOR YOUR CONSIDERATION

- ❑ **CSD Agreement** : no vision on date of agreement of CSD (EOF foreseen in February/March 2019) . It will imply to participants to automatically comply with different obligations (**segregation policy, reconciliation,...**).
- ❑ **Settlement Discipline** : pending questions still pending. Message of penalties reports implies Change Requests that could come in late stage of the SWIFT Release process. T2S settlement penalties engine is to be chosen by CSDs of T2S area.
- ❑ **Internalized settlement reporting** : waiting for ISO templates
- ❑ **On demand segregation** for clients and mandatory for any client from a direct holding country holding securities issued by this direct holding country.

Contact SGSS/IMP/SIR: Pierre Colladon

[pierre.colladon@sgss.socgen.com](mailto:pierre.colladon@sgss.socgen.com)To know more please refer to:  
FicheCSDR-ToKnowMore

*"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, Société Générale 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 customers. All of the products and/or services described may not be available in all jurisdictions"*