

ESMA updates the CSDR Q&As

The updated Q&As provide answers to questions regarding practical issues on the implementation of the new CSDR regime.

The latest set of 7 CSDR Q&As approved by the Board clarify the implementation of the settlement discipline regime, as follows:

1. the costs of the penalty mechanism that are charged to participants by a CSD should not be allocated on the basis of the number or value of penalties applied to participants;
2. with respect to the settlement instructions sent by CCPs:
 - such instructions can stem from the netting of transactions with various trade dates, subject to the CCP being able to retrieve the original trade dates;
 - such instructions can stem from the netting of various types of transactions, subject to the CCP being able to retrieve the original transaction type;
 - there is no obligation under CSDR for CSDs to provide for a field to be populated with the “place of trading” of the transactions, but a CSD can provide such a field for it to be populated;
 - such instructions can stem from the netting of transactions traded on various trading places, subject to the CCP being able to retrieve the original trading places of each netted transaction and to the trading place indicated in the instruction being the trading place of at least one of the netted transactions. It is also clarified that to benefit from the penalty rate applicable to SME growth market transactions, such transactions should not be netted with others;
 - a CSD’s responsibility in respect of collection of information for the purpose of monitoring settlement fails is limited to the information included by the participant in the settlement instruction.
3. in respect of the buy-in process, the length of the extension period should be determined based on the liquidity classification of the relevant financial instrument as of the intended settlement date of the transaction.

Background

Q&As are an important tool to promote common supervisory approaches and practices in the application of CSDR. This document is aimed at national competent authorities under the CSD Regulation to ensure that, in their supervisory activities, their actions are converging along the lines of the responses adopted by ESMA. It should also help investors and other market participants by providing clarity on CSDR requirements.

The aim of CSDR is to harmonise certain aspects of the settlement cycle and settlement discipline, and to provide a set of common requirements for CSDs operating securities settlement systems across the EU. ESMA will continue to

develop Q&As on the CSDR in the coming months and will review and update them where required.