

CENTRAL SECURITIES DEPOSITORIES REGULATION

What is the CSD Regulation (CSDR)?

Regulation (EU) No 909/2014 of the European Parliament and of the Council of 23 July 2014 on improving securities settlement in the European Union and on central securities depositories (CSDR) is a key element of the extensive European regulatory framework, with the aim of improving and promoting the security, efficiency and competitiveness of European Union (EU) financial markets by creating for the first time, at a European level, a common regulatory framework for Central Securities Depositories (CSDs).

What is the structure of the regulation?

Level 1 of CSDR corresponds to the main regulation plus its Annexes and was published in the Official Journal of the EU on 28 August 2014, and entered into force on 17 September 2014.

CSDR level 2 measures corresponds to the Regulatory Technical Standards (RTS) and Implementing Technical Standards (ITS) that were developed by the European Securities and Markets Authority (ESMA) and with the European Banking Authority (EBA).

Who will be impacted?

The CSDR applies to all CSDs in EU and introduces some measures which directly impacts participants (CSD clients).

Key elements

CSDR follows the purposes of other European Union regulations for financial markets and places particular emphasis on the harmonization, efficiency and safety of financial markets with the aim of keeping them safe and globally competitive.

Main objectives:

- Promote and enhance security and efficiency of securities settlement, with particular reference to cross-border settlement, by establishing uniform obligations on market participants regarding settlement cycle and settlement discipline;
- Provide a set of common requirements for the organization and conduct of CSDs operating securities settlement systems across the EU.



Impact on participants

Key provisions that require compliance by participants:

RECONCILIATION MEASURES

(Article 37):

Appropriate daily reconciliation measures to ensure the integrity of securities issues.

SETTLEMENT DISCIPLINE

(Articles 6 to 8):

Introduction of measures to address settlement fails:

- Penalty mechanism (cash penalties);
- Buy-in process / cash compensation.

ACCOUNT SEGREGATION

(Article 38):

CSDs and participants shall offer to their clients at least the choice between omnibus client segregation and individual client segregation so clients can choose the level of segregation they believe is appropriated to their needs.

INTERNALISED SETTLEMENT

(Article 9):

Settlement internalisers shall report to the competent authorities of their place of establishment, on a quarterly basis, the aggregated volume and value of all securities transactions that they settle outside securities settlement systems.

LEI CODE - LEGAL ENTITY IDENTIFIER

Commission Implementing Regulation (EU) 2017/394 of 11 November 2016 - Annex IV:

CSD participants, including issuers, will have to disclose to their CSDs the LEI codes that identifies their legal entities.

CSDs will record and report the LEI codes of their participants to their National Competent Authority.

Timeline

Where are we now?

- On September 17 2014, CSDR Level 1 Regulation entered into force.
- On 11 November 2016, European Commission adopted the RTSs previously submitted by ESMA and EBA related to the requirements to be complied with by the CSDs under the CSDR.
- On 10 March 2017 the RTSs on authorization requirements, prudential requirements, internalised settlement, calculation of financial penalties for fails and operations of CSDs in the host Member States were published in the Official Journal of the EU (which entered into force on March 30, 2017).

Next steps:

September 30, 2017, is the deadline for INTERBOLSA to submit its authorization process to the competent authority - Comissão do Mercado de Valores Mobiliários (CMVM), to be recognized as a CSD under the CSDR.

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