

# SETTLEMENT DISCIPLINE Q&A

Q&

Version 1.0 | 18 AUGUST 2021



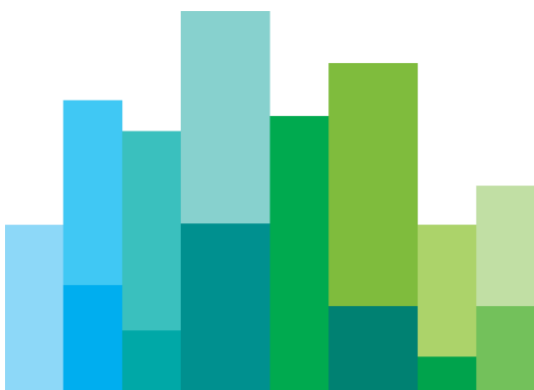
**CC&G**

A EURONEXT COMPANY

# TABLE OF CONTENTS

- 1. PENALTIES ..... 3**
  - 1.1 Penalties Mechanism ..... 4**
  - 1.2 Penalties Reporting ..... 5**
  - 1.3 Penalties Payments ..... 6**
- 2. BUY-IN ..... 7**
  - 2.1 CC&G’s Actions about Buy-In..... 8**
- 3. RECORD KEEPING ..... 10**
- 4. TESTING ..... 12**
  - 4.1 Testing Phase ..... 13**

# 1. PENALTIES



## 1.1 Penalties Mechanism

### **At what level of breakdown will CC&G apply penalties?**

Penalties will be debited/credited to the Clearing Members. CC&G will provide daily and monthly details on penalties with the same level of breakdown of fail reports, according to fails registration rules.

### **Will there be any additional penalties on top of the penalties outlined in the CSD regulation?**

No, CC&G will collect and distribute penalties based on the calculation made by the (I)CSDs.

### **Will there be any additional tariffs/fees on top of the penalties outlined in the CSD regulation?**

CC&G does not envisage to apply additional fees to the penalties amounts. CC&G will evaluate the possibility to pass-through costs applied by the (I)ICSDs, if any.

### **How are new instructions from partially successful buy-ins going to be shielded from back-dated cash penalties?**

CC&G is planning to use the indicator BSSP to avoid double penalization when the buy-in is partially executed and the failing instruction has to be re-instructed for the residual quantity.

### **In the event that CC&G is left holding securities overnight resulting in a mismatch of penalties incurred vs due what approach will you adopt to remedy any cash penalty costs incurred?**

The mismatch of penalties shall not leave the CCP with a loss since CCPs are not obligated to pay penalties but they are in charge of managing the collection and redistribution process.

At this scope, CC&G is defining a rule to avoid penalization. It is proposed to decrease the settlement penalties fees due to each member in proportion to their individual in bonis penalties to the total penalties fees due to all members. CC&G is also evaluating the possibility to separately process a payment instruction for debiting the amount related to CCP mismatch scenarios.

Moreover CC&G Monthly net amount data files (D05E, D05F) include two fields where the amount and any other useful information related to the mismatch will be reported.

### **How will CC&G apply penalties in the event of a strange net?**

The strange net scenario will be managed like the box positions scenario (see above).

### **How does a member submit an appeal to dispute a penalty, and what information should be included?**

Please refer to (I)CSDs service model for appeal management. (I)CSDs are responsible for penalties calculation and every appeal requests should be addressed to them.

## **1.2 Penalties Reporting**

### **By what method does CC&G intend to provide members with the daily and monthly penalties report?**

Daily and Monthly penalties reports with detailed information on penalties will be distributed via Data files. Data files are TXT format reports. The automatic download of reports can be done on ICWS; Data Files can be downloaded via SFTP service.

### **Will there be a 0 daily and monthly report if there are no penalties?**

Yes, in case of no penalties, CC&G will distribute data files with 0 records.

### **When will the monthly summary of penalties be provided?**

CC&G will be providing Members with a monthly penalty report as of the 15<sup>th</sup> business day. The report is subject to reconciliation with the monthly penalties reports provided by (I)CSDs.

### **Does CC&G reconcile the cash penalty amount before creating and distributing Data files?**

Yes. CC&G receives daily penalties from (I)CSDs related to settlement participants. In order to reconcile the information received, CC&G will make a daily reconciliation to attribute the penalty to the proper Clearing Member.

### **How will the reporting of CSDR monthly aggregated amounts be reported?**

CC&G will provide a monthly Data File to inform Members on the penalties net amount to be paid or to be received; moreover, CC&G will provide a monthly Data File with the list of the penalties that contributed to calculate

the penalties net amount and report also the failing positions related to each penalty.

## 1.3 Penalties Payments

### **What payment method do you plan to use for the distribution of penalties?**

CC&G will collect penalties through the ancillary system process in Target2 (same process used for the collection of margin and default fund).

### **In the event that members fail to pay penalties, will any penalties be distributed to members due to receive cash?**

If sufficient funds are not available when direct debit occurs, CC&G is not able to pay penalties to other members, therefore, CC&G will contact the Clearing Member (or its payment bank).

Currently if funds are not available when due, we charge a fee. It is under discussion extending this rule also to penalties: unavailability of funds, create disorder and require CC&G time and effort.

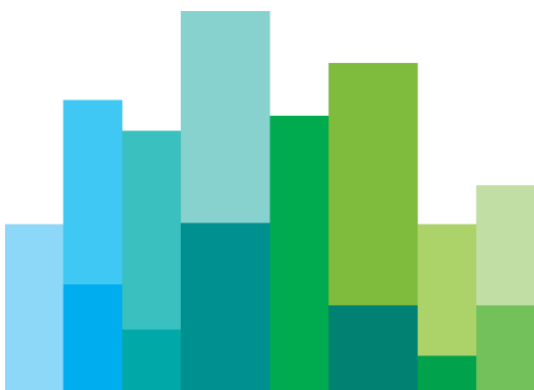
### **Are members required to set up dedicated cash accounts for paying/receiving penalties?**

No, this is not envisaged. Clearing Members or their cash agents will be debited/credited on the cash accounts already configured for margin payments.

### **Can you give us the timeline for the monthly collection of CSDR cash penalties?**

CC&G will create monthly summary of penalties on the 14<sup>th</sup> BD e.o.d. of the following month and will distribute them on the 15<sup>th</sup> BD. The collection and distribution of penalties will be processed on the 17<sup>th</sup> BD, in alignment with CSD monthly calendar.

## 2. BUY-IN



## 2.1 CC&G's Actions about Buy-In

### How will CC&G notify a buy-in?

CC&G will notify a buy-in via reports. A buy-in warning report will be sent at cob at the end of the extension period (ME52/ME54). Another report will be sent the day after, at cob, to notify the buy-in activation (same as actual ME05/ME06 report). Once the buy-in is executed, another report will be sent (same as actual ME09).

### Will CC&G execute a sell-out procedure?

CC&G Des not envisage any change to the current sell-out procedure.

### Will CC&G manage a corporate action in the buy-in procedure?

If a failing delivery subject to buy-in is affected by corporate action, the corporate action event will be managed by the CSD.

### Can CC&G delay the buy-in procedure?

No, following article 27 the buy-in procedure has to be activated at the end of the extension period.

### What happens if CC&G cannot facilitate the Buy-In?

If the buy-in fails, CC&G can choose to defer the execution of the buy-in following the timeframes indicated on SDR Art.38 or to cash compensate the failing position.

### Will CC&G be sending pre-notifications for buy-ins? If so what time and in which format?

Yes, current buy-in notice reports will be sent. New report for incoming buy in execution will be provided at the end of the extension period (e.o.d. batch).

### Does CC&G notify the receiving Clearing member when the buy-in Agent is appointed?

If a position is still in fail at the end of the extension period CC&G notifies the receiving clearing member via report. Please note that EACH asked a clarification to ESMA on the involvement of the receiving clearing member in the buy-in procedure. EACH pointed out that, due to multilateral netting in liquid markets, there might not be a buyer allocated to a failing sale and to the resulting buy-in.



**Does CC&G need clearing members to put any instructions on hold themselves during the buy-in process?**

No, CC&G will act on behalf of the Clearing Member, upon PoA.

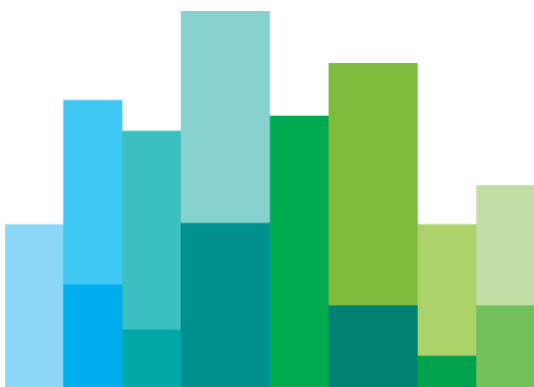
**How does CC&G notify that the buy-in has been successful/unsuccessful or deferred?**

During the delivery period (and the deferral period, if it is the case) CC&G will produce a daily report notifying the outcome of a buy-in until its execution. If the buy in is deferred or unsuccessful (cash settlement) a relevant report is produced.

**How many buy-ins will CC&G attempt before going to cash compensation?**

The buy-in agent is allowed to attempt to buy every day during the delivery period and during the deferral period, if that is the case.

# 3. RECORD KEEPING



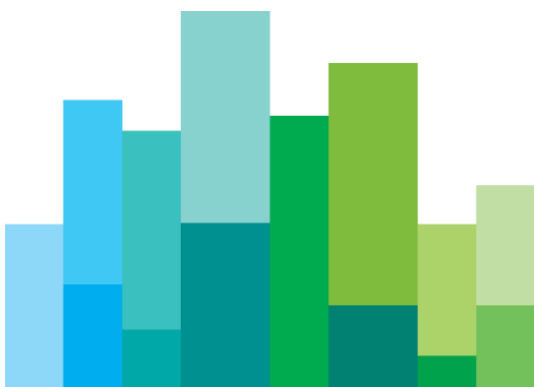
**Which code will CC&G use for Place of Trading?**

The Place of Trading value is under definition. We will communicate the value once the analysis is completed.

**What is the value of the field Place of Clearing for CC&G?**

The value for the field Place of Clearing will be the "bic code" for CC&G: CCEGITRR.

# 4. TESTING



## 4.1 Testing Phase

### **Will CC&G share details regarding the testing phase, indicating any changes to be implemented in accordance with the Settlement Discipline Regime?**

CC&G intends to start the Participants testing phase toward the end of Q3 2021. Exact dates will be communicated in due course. The testing phase will be focused on penalties and buy-in procedure.

Please note that CC&G will perform a pilot test on penalties mechanism with two candidate Clearing Members in September. Starting from October, CC&G will allow Members to test penalties in a dry-run mode, in line with (I)CSDs. During the Dry-Run phase Clearing Members will receive daily and monthly reports but no payment will be processed before March 2022.

# CONTACT

## Operations

**CCG-operations@euronext.com**

**+39 06 32395 303**

**+39 06 32395 321**

## Disclaimer

This publication is for information purposes only and is not a recommendation to engage in investment activities. This publication is provided "as is" without representation or warranty of any kind. Whilst all reasonable care has been taken to ensure the accuracy of the content, Euronext does not guarantee its accuracy or completeness. Euronext will not be held liable for any loss or damages of any nature ensuing from using, trusting or acting on information provided. No information set out or referred to in this publication shall form the basis of any contract. The creation of rights and obligations in respect of financial products that are traded on the exchanges operated by Euronext's subsidiaries shall depend solely on the applicable rules of the market operator. All proprietary rights and interest in or connected with this publication shall vest in Euronext. No part of it may be redistributed or reproduced in any form without the prior written permission of Euronext. Euronext disclaims any duty to update this information. Euronext refers to Euronext N.V. and its affiliates. Information regarding trademarks and intellectual property rights of Euronext is located at [www.euronext.com/terms-use](http://www.euronext.com/terms-use).



[ccg.it](http://ccg.it)