

31 May 2024

CSDR Penalties Art.19

To the attention of:	Cash and Derivatives BITA Clearing Section
Priority:	Medium
Topic:	CSDR Penalties Art.19

Dear Clients,

We would like to inform you that, starting from 2 September 2024, the amendment of Article 19 Settlement Discipline Regime (SDR) will enter into force, and it will remove the obligations for CCPs to collect and distribute CSDR monthly penalties for cleared transactions.

In detail, the amendment ensures that:

- CSDs will perform the collection and distribution of all cash penalties, including those for cleared transactions;
- CCPs can recover losses from imbalances by allocating any losses from penalty imbalances to their Clearing Members and by establishing a mechanism in their rules to do so.

As a consequence of the amendment to Article 19, Euronext Clearing will no longer be involved in the regular penalties payment process nor provide information relating to penalties to Clearing Members and their Settlement Agents at the end of the day and end of the month.

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Moreover, in light of the aforementioned regulatory provisions, Euronext Clearing intends to implement a loss allocation mechanism by charging the penalty imbalances to Clearing Members, proportionally to the amounts of penalties credited to them. The amounts will be calculated and communicated to Direct Participants on a monthly basis. The charges will be made on the 18th open Euronext Clearing day of each month, with direct debit executed within the daily cash margin settlement procedure.

Testing period:

Starting from 3 June, clients will be able to verify the changes to the set of reports in the test environment. The prerequisite for clients is to create the conditions for the generation of penalties in T2S or Euroclear Bank.

For further information please contact:

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