



CSDR

Updated in June 2024

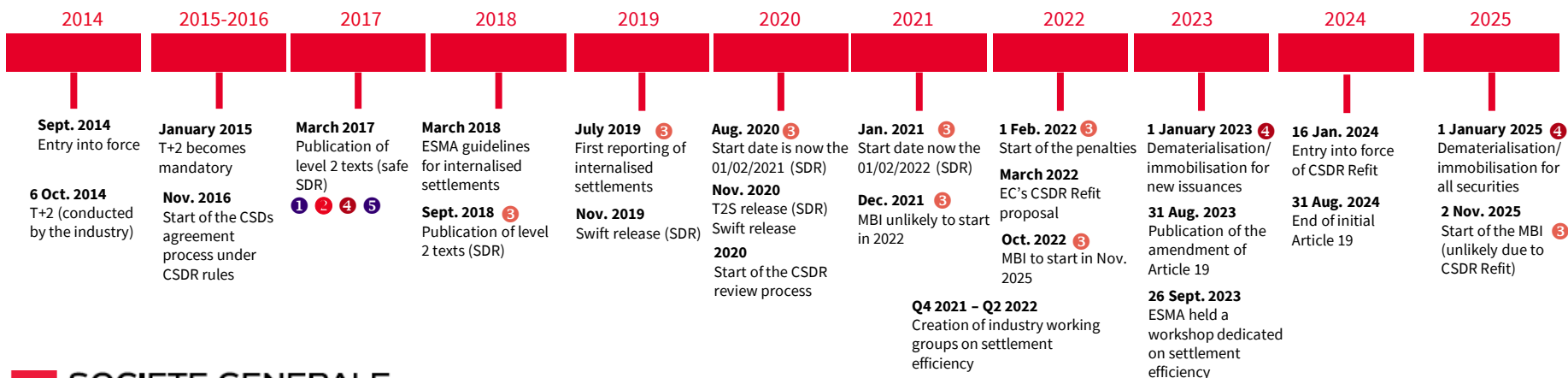
Updated in June 2024

REGULATORY EVOLUTION

- **CSD Agreement and licensing:** licensing and European passport principles; organization, business and governance rules; resources requirements, set up of users' committees; risk management rules (operational risk, capital requirements) ①
- **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) ②
- **Settlement landscape unification:** settlement cycle harmonization (T+2), common settlement discipline framework (penalties and buy-in), regulatory reporting of fails by CSDs and of internalized settlement by custodians. ③
- **On investor's demand segregation:** clients of CSD's participants may ask for segregated account opened in CSD's books.
- **Free choice for Issuers** of their issuer CSD. ⑤
- **Integrity of issuance:** dematerialization and immobilization of securities. ④

FOCAL POINTS

- Impacts on CSDs Capital needs; third countries regime and potential competition with non-European CSD; CSD agreement by 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); quarterly reporting of internalized settlements would have a 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; already done for bonds, hard to apply for shares



Updated in June 2024

STATEMENT

- The Settlement Disciplines Regime now applies:
 - The payment date is the 18th PBD^(*) of the month
 - Work still ongoing on settlement efficiency and on how to improve it
 - Most of the CSDR CSDs published their annual public reporting on the settlement efficiency on their website
- Mandatory Buy-in (MBI): the MBI now to start on the 2nd of November 2025 (real start very unlikely due to CSDR Refit)
- CSDR's review: CSDR Refit has entered into force on the 16th of January 2024
- Dematerialization / Immobilization: the requirement applied as of the 1st of January 2023 for new issued securities
- Update of article 19 (2018/1229) – role of CCPs in payment of penalties -: amendment published in August 2023; to apply on the 31/08/2024

(*) Penalties Business Days (ECSDA framework)

FOR YOUR CONSIDERATION

- CSD Agreement: Participants to comply with different obligations (segregation policy, reconciliation,...)
- Settlement Disciplines:
 - Confirmation / allocation: ESMA has published specific guidelines
 - Penalties: the annual stats published by CSDs show very disparate level of fails; there is a need to understand why some are really high
 - Buy-ins: on hold until November 2025
- Internalized settlement reporting : live ; ESMA has published its first analysis based on the reporting received
- On demand segregation for clients and mandatory for any client from a direct holding country, holding securities issued by this direct holding country.
- SDR and Brexit: UK has decided to not apply the EU SDR

sylvie.bonduelle@sgss.socgen.com

If you want to know more, refer to
Fiche To Know More

“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, Societe Generale 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 clients. All of the products and/or services described may not be available in all jurisdictions”