



Central Securities Depositories and Securities Financing Transactions

Financial Markets Infrastructure
DG FISMA, European Commission

These slides accompany the explanation of the acquis to Albania and North Macedonia and can only be used for that purpose. Their content is subject to further development of the acquis and interpretation by the Court of Justice of the European Union

Central Securities Depositories Regulation (CSDR) - Objectives

- Increase **safety of settlements**,
in particular for cross-border transactions, by ensuring that buyers and sellers receive their securities and cash on time and without risks
- Increase the **efficiency of settlements**,
in particular for cross-border transactions, by introducing a true internal market for the operations of national CSDs
- Increase the **safety of CSDs**,
through high prudential requirements in line with international standards.

CSDR - Rules re settlement

- dematerialisation of securities
- settlement cycle
- settlement discipline

CSDR - Rules re CSDs

- authorization and supervision
- CSD organizational and prudential requirements
- access and passporting rights
- third country regime
- Settlement internalisers

CSDR – main implications for market participants - 1

- **Issuers of transferable securities**

- ✓ Requirement to record securities in book-entry form in a CSD (CSDR Art. 3)

- **Participants in a securities settlement system**

- ✓ Requirement to comply with the CSDR settlement cycle (CSDR Art. 5)

- **CSDs**

- ✓ Requirement to be authorised under CSDR for CSD core and non-banking ancillary services and, where applicable, for banking ancillary services. Implies compliance with CSD requirements (CSDR Chapter II)

CSDR – main implications for market participants - 2

- **Trading venues / investment firms / CSDs**
 - ✓ Requirement to take measures to prevent settlement fails (CSDR Art. 6)
- **CSDs**
 - ✓ Requirement to take measures ensuring settlement discipline (CSDR Art. 7)
- **Settlement internalisers**
 - ✓ Requirement to report on a quarterly basis data on settlements taking place outside of security settlement systems (CSDR Art. 9)

CSDR - Next steps

- CSDR entered into force on 17 September 2015
- Where are we now?
 - ✓ All technical standards adopted and published
 - ✓ Technical standards on settlement discipline published in September 2018
- What to expect?
 - Internalised settlement reporting regime applicable as of July 2019
 - Settlement discipline regime applicable as of September 2020

Further information

https://ec.europa.eu/info/business-economy-euro/banking-and-finance/financial-markets/post-trade-services/central-securities-depositaries-csds_en

https://ec.europa.eu/info/law/central-securities-depositaries-regulation-eu-no-909-2014_en

Additional information and level 3 measures such as guidelines and recommendations, opinions, questions and answers etc. can be found on ESMA's website: www.esma.europa.eu

<https://www.esma.europa.eu/regulation/post-trading/settlement>

Securities Financing Transactions Regulation (SFTR)

- Adopted on 25 November 2015
- **Objective:** To enhance the transparency of SFT markets and the reuse of collateral
- **What are SFTs:**
 - repurchase transactions (repos)
 - securities lending transactions
 - margin lending transactions

SFTR – main implications for market participants

- **Counterparties to SFTs**

- ✓ Requirement to send transaction reports to trade repositories for each new or modified SFT (SFTR Art. 4)

- **Collective investment undertakings**

- ✓ Requirement to disclose the use of SFTs in fund reports and pre-contractual documents (SFTR Art. 13 and 14)

- **Counterparties to collateral arrangements**

- ✓ Requirement to inform the other counterparty about the reuse of financial instruments received as collateral (SFTR Art. 15)

SFTR – current state of play

- Technical reporting standards published in March 2019
- Reporting obligation for SFT counterparties applicable one year later in April 2020 to enable implementation
- Disclosure requirements already applicable now

Further information

https://ec.europa.eu/info/business-economy-euro/banking-and-finance/financial-markets/post-trade-services/securities-financing-transactions-sfts_en

Amending and supplementary acts

https://ec.europa.eu/info/law/securities-financing-transactions-sftr-regulation-2015-2365_en

Additional information and level 3 measures such as guidelines and recommendations, opinions, questions and answers etc. can be found on ESMA's website: www.esma.europa.eu