



Your Gateway to Securities Standards !

SMPG Update

EMEA region

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Agenda

- Information on CSDR
- Shareholders Directive

Verbal updates:

- New Member in the EMEA: Slovenia
- CSDR – Settlement Discipline
- Work with ESMA on MP on trade confirmations
- Update on FTT – Financial Transaction Tax

CSDR - A Long Legislative and Regulatory Process that is still ongoing

7th March 2012

The European Commission adopted a proposal for a Regulation on improving securities settlement and on central securities depositories.

28th August 2014

The CSDR has been published in the Official Journal of the EU.

18th December 2014

ESMA launched three consultations on proposed technical standards, technical advice and guidelines implementing the CSDR.

26th February 2015

EBA published a consultation paper on its draft regulatory technical standards (RTS) on prudential requirements for CSDs.

29th June 2015

ESMA published a consultation paper on regulatory technical standards on the provisions on buy-in.

28th September 2015

ESMA sent its final technical standards on CSD requirements and internalised settlement to the European Commission.

16th December 2015

EBA published its draft RTS on prudential requirements for CSDs.

1st February 2016

ESMA published a draft RTS on settlement discipline.

30 March 2017

CSDR Level 2 package entered into force.

Present date

Discussions continue with national regulators regarding those sections of the regulatory text which are open to interpretation.
Final Settlement Discipline RTS pending adoption.

The Key Scope Items of CSDR are intended to Contribute to European Market Integration

Key elements

- Shorter settlement periods: settlement period is harmonized to T+2
- Settlement discipline measures: mandatory cash penalties and “buy-ins” for settlement fails
- An obligation regarding dematerialisation for most securities
- Strict prudential and conduct of business rules for CSDs: New operating license for CSDs, enhanced governance, price transparency, performance and operational criteria
- Strict access rights to CSD services: CSDs should have publicly disclosed, transparent, objective and non-discriminatory criteria for participation in the SSS, allowing access restriction to participants only on the basis of risk
- Increased prudential and supervisory requirements for CSDs and other institutions providing banking services ancillary to securities settlement: CSD license for providing cash, credit and payment services

The bigger picture

CSDR is part of the EU's wider Capital Markets Union objectives to sustain the EU's global competitiveness based on stable and liquid capital markets.

CSDR's aims to **increase the safety and efficiency of securities settlement** and the settlement infrastructures in the EU, **to harmonise the different CSDs rules** in Europe and to establish an **enhanced level playing field**.

More secure and competitive EU capital markets

Enhanced operational efficiency & asset protection

CSDs have applied for a universal **CSD license to operate**:

- The license sets out **performance and operational criteria** all CSDs must fulfil including **enhanced governance, price transparency** and more stringent prudential requirements.
- **CSD customer on-boarding and risk management protocols** are also addressed to help enhance asset protection.

CSD Authorisation processes are ongoing

Changes in Issuance & Distribution

- Issuer (Securities) admission is now subject to CSDR rules – fair treatment of issuers and free choice of issuer CSD:
 - In case of rejection due to legal, regulatory or financial risk considerations, mandatory rejection template to be given to issuer
 - Issuer can escalate rejections to NCA/ESMA
- Legal Entity Identifier (LEI)
 - New Securities Admission is dependent on valid LEI of issuer provided by issuer/issuer agents – rejection of admission if LEI not provided/invalid
 - Issuer to ensure yearly renewal of LEI Activities to increase LEI coverage for existing securities ongoing
 - Settlement can continue for already admitted securities with missing or invalid issuer LEI
- Governing Law (GL)
 - CSDs are required to collect GL for all eligible securities
- MIFID Pricing (basis for settlement penalties and statistical reporting)
 - Introduction of new MIFID price may be necessary
- Vaults
 - High security standards of Vaults specifically required by CSDR

Changes in Settlement / Investment Funds

Settlement

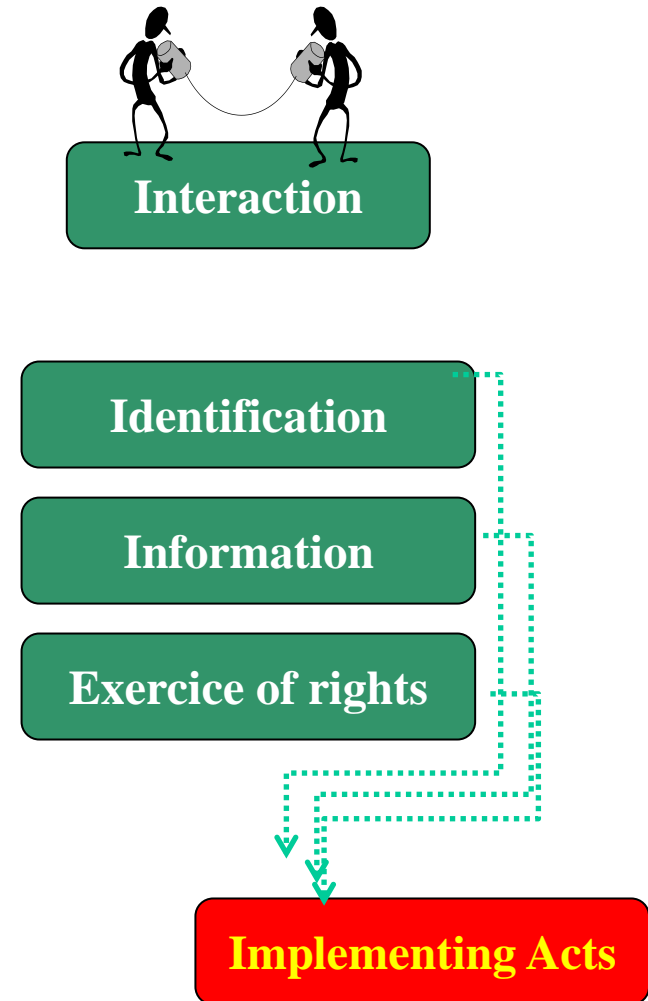
- Suspension of settlement in case a security reconciliation breach is declared as “Undue Creation Or Deletion Of Securities”.
- Suspension process (still under construction): communication, setting up of blocking rules, T2S Settlement managers conference calls, etc

Investment Funds

- Investment Funds is impacted by changes to funds reconciliation process - process similar in its nature to reconciliation of other asset classes. However:
 - Reconciliation against assets held on register (TA, Fund Admin)
 - Reconciliation based on NAV frequency
 - Statements to be received by TAs in line with NAV frequency per account in register
 - Determination with help of TA whether identified break constitutes ‘undue creation or deletion. If it does, must be resolved by following NAV day

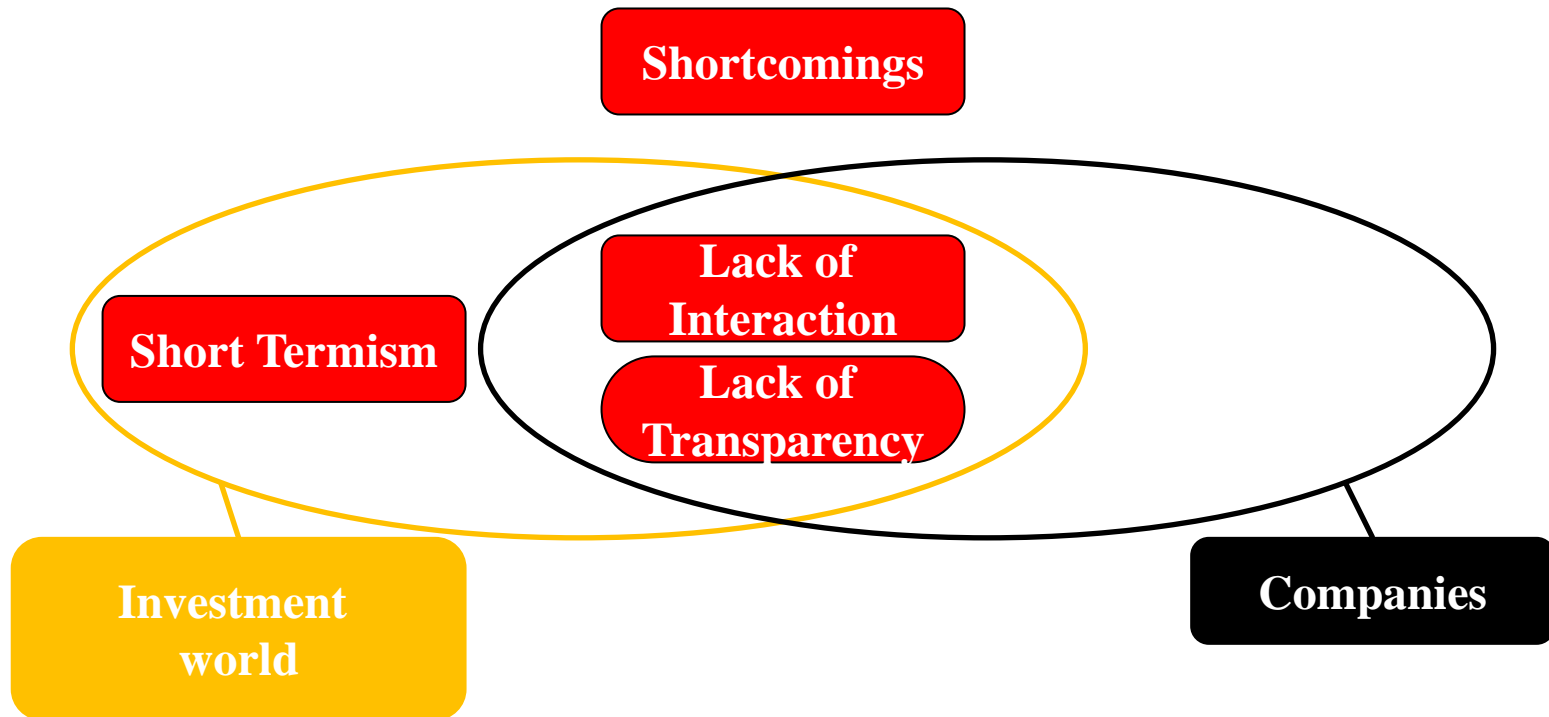
SHAREHOLDERS DIRECTIVE 2

- Main provision from level 1 to implementing act



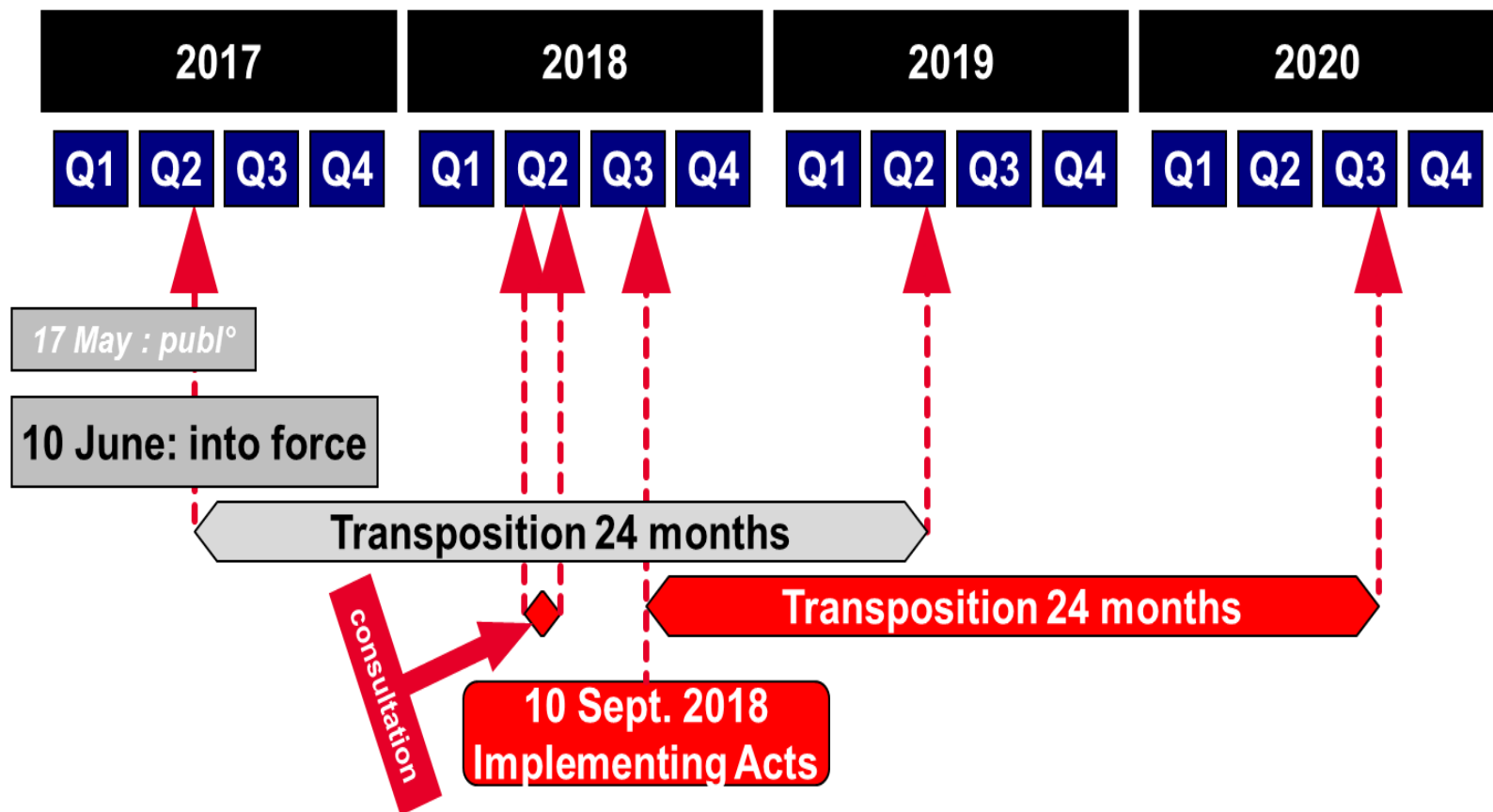
RATIONALE

- To improve long term focus on corporate governance



CALENDAR

A DUAL TRANSPOSITION PERIOD





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