

# CSD regulation: Latest state of play

**ECSDA** 

European Central Securities  
Depositories Association

**20th ECS conference**  
25 June 2013, London

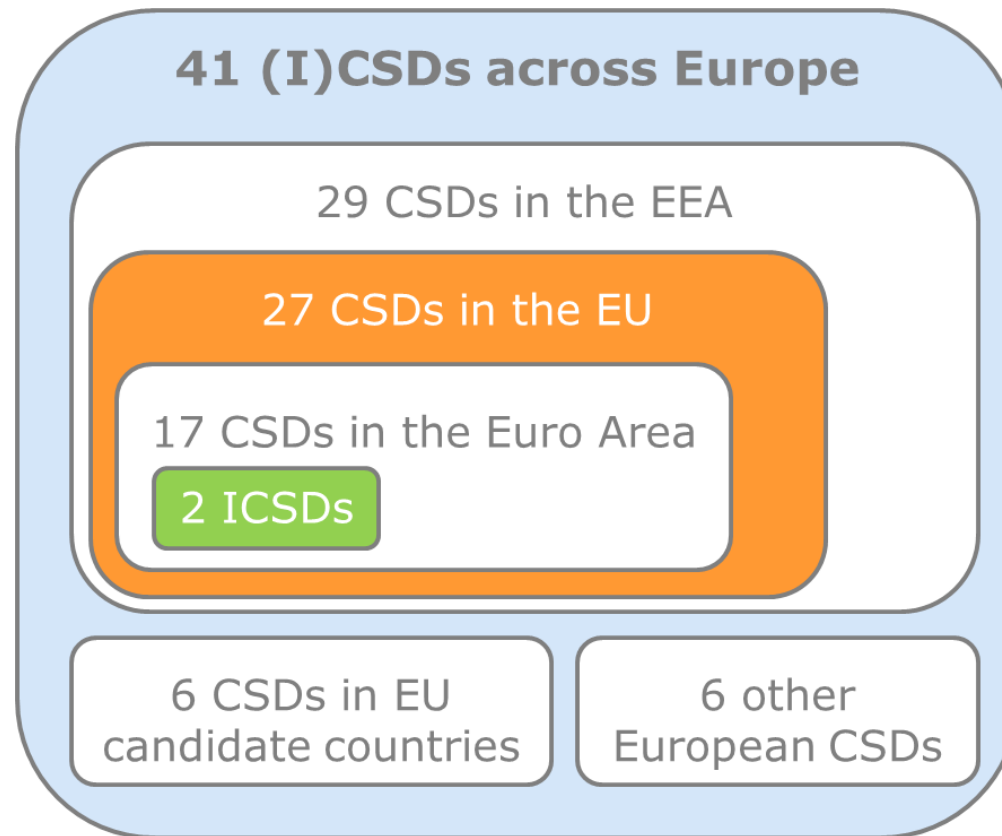
**Soraya Belghazi**  
Secretary General

# Agenda

1	Why a CSD regulation?
2	What is going to change?
3	Open issues
4	Next steps & conclusion

# ECSDA – who we are

International & domestic central securities depositories



# ECSDA – who we are

- Chairman: Mathias Papenfuß (Clearstream)
- 3 staff employed at the Secretariat in Brussels
- The association:
  - ✓ monitors policy developments with an impact on CSDs
  - ✓ represents CSDs towards regulators & other stakeholders
  - ✓ supports common projects & the exchange of best practices
  - ✓ collects & publishes CSD industry data

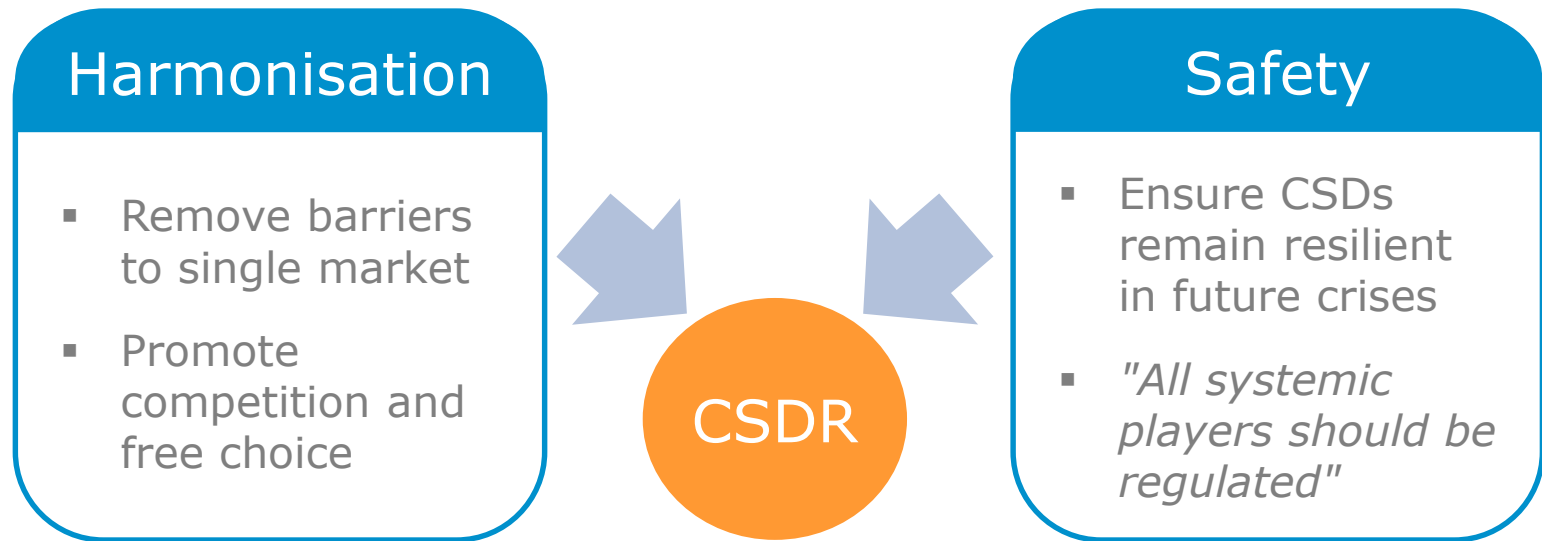


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<b>1</b>	<b>Why a CSD regulation?</b>
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# Why a CSD regulation?

- **Unlike EMIR, not part of G20 agenda:**
  - ✓ CSDs performed well during crisis, no failures identified
  - ✓ CSDs not covered by Dodd-Frank in the US
- **So why?**



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# What is going to change?

## Harmonisation

## Choice

## Transparency

## Safety

- T+2 settlement cycle as of 2015
- Single authorisation process (EU CSD license)
- Common prudential rules, minimum capital requirements...
- Harmonised templates and reports to authorities
- *Communication standards? (if EP text is adopted)*
- *CSD liability towards participants? (if EP text is adopted)*



# What is going to change?

Harmonisation

**Choice**

Transparency

Safety

- Competition for core & ancillary services (EU "passport")
- Free choice for issuers (art. 47)
- Possibility for CSDs to set up branches in other EU countries
- Access provisions on "vertical" links with CCPs and trading venues
- *Third country provisions to allow competition with non-EU CSDs based on equivalence/ESMA recognition (art. 23)*

# What is going to change?

Harmonisation

Choice

**Transparency**

Safety

- Published price list & transparent pricing of CSD services
- Governance:  $\geq 2$  independent directors, user committee
- ESMA register of CSDs including services offered, asset classes settled, existing links...
- Reporting on settlement fails aggregated at EU level, more visibility on settlement efficiency across markets
- *Reporting obligations for "settlement internalisers"? (if EP text is adopted)*

# What is going to change?

Harmonisation

Choice

Transparency

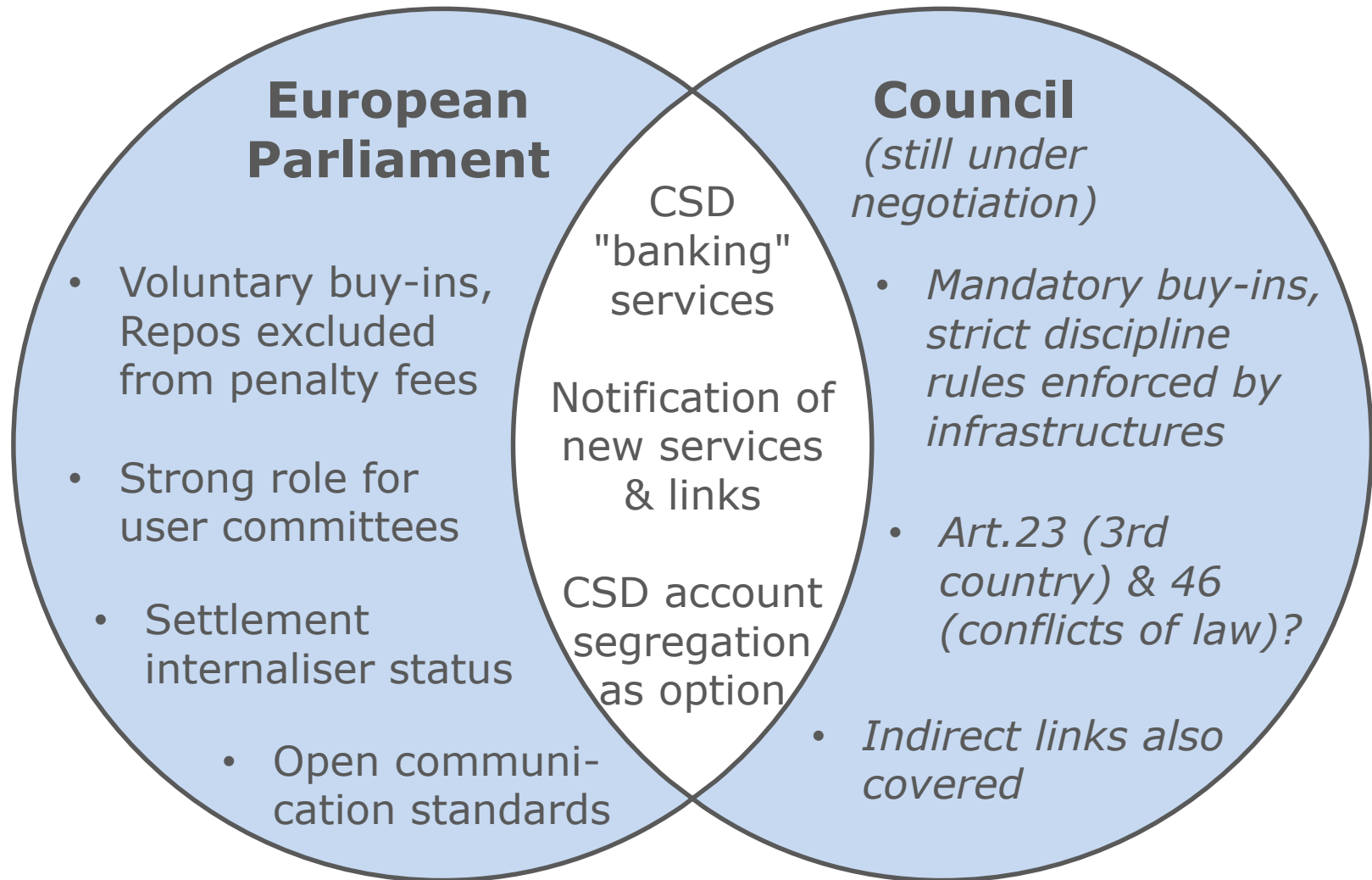
**Safety**

- CPSS-IOSCO Principles on risk management made binding in the regulation
- Additional rules even go beyond CPSS-IOSCO, such as rules on CSD "banking services" (art. 52, 57)
- Stricter rules on settlement discipline (buy-ins, penalty fees for late settlement, art. 7)
- Requirement for CSD recovery and resolution plan to be further elaborated in future legislation
- CSD license to be suspended in case of non-compliance

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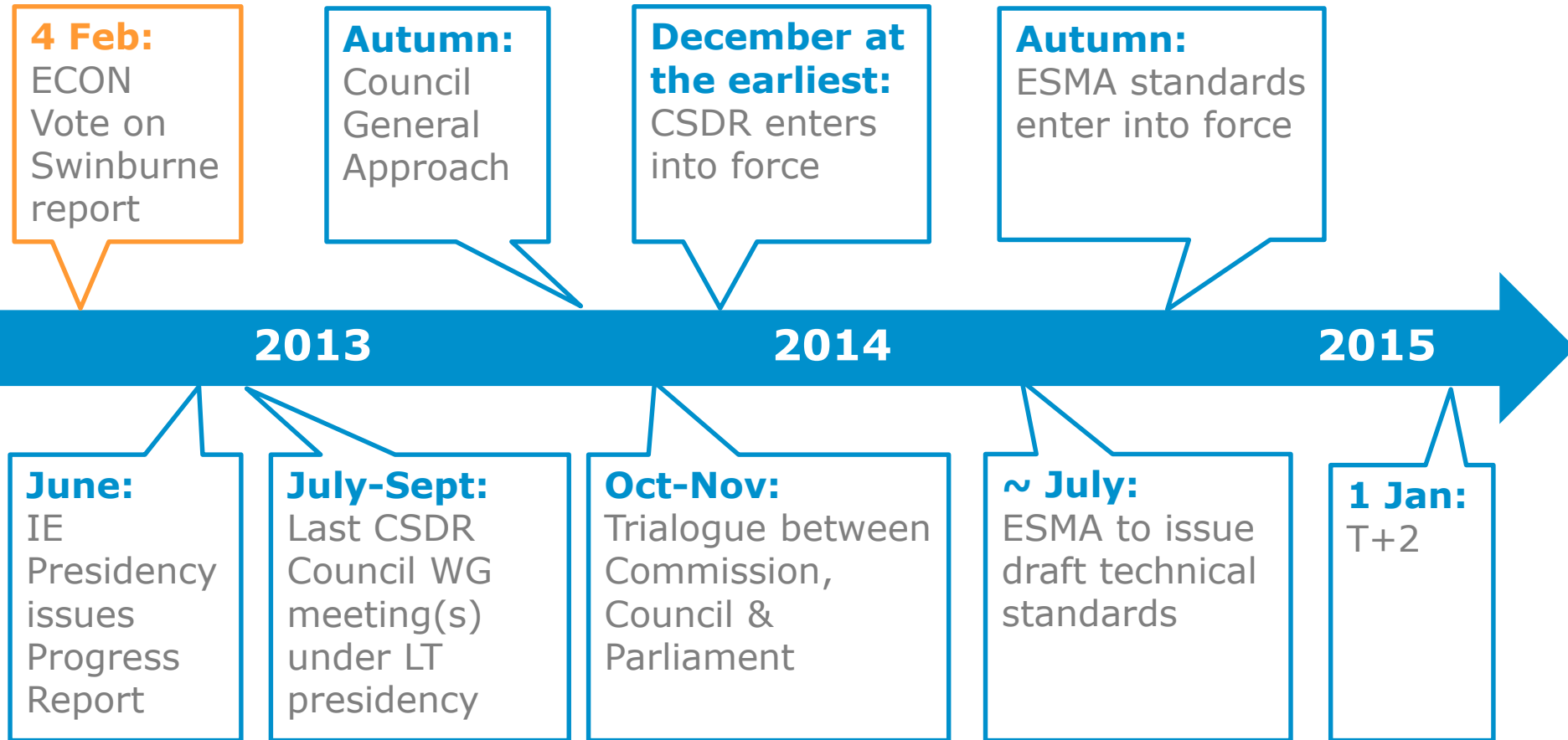
# Anticipating the "Triologue"



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# CSDR Timeline



# Other parallel initiatives

- Legal certainty of securities holdings cross-border
- Role of account providers across the holding chain

**Q3 2013:**  
EC Proposal on Securities Law?

- 23 CSDs to outsource settlement to Eurosystem IT platform (mostly EUR)
- Competition between CSDs to become “preferred access point” to T2S

**June 2015:** TARGET2-Securities 1<sup>st</sup> wave  
**Feb 2017:** T2S 4<sup>th</sup> wave

2013

2014

2015

2016

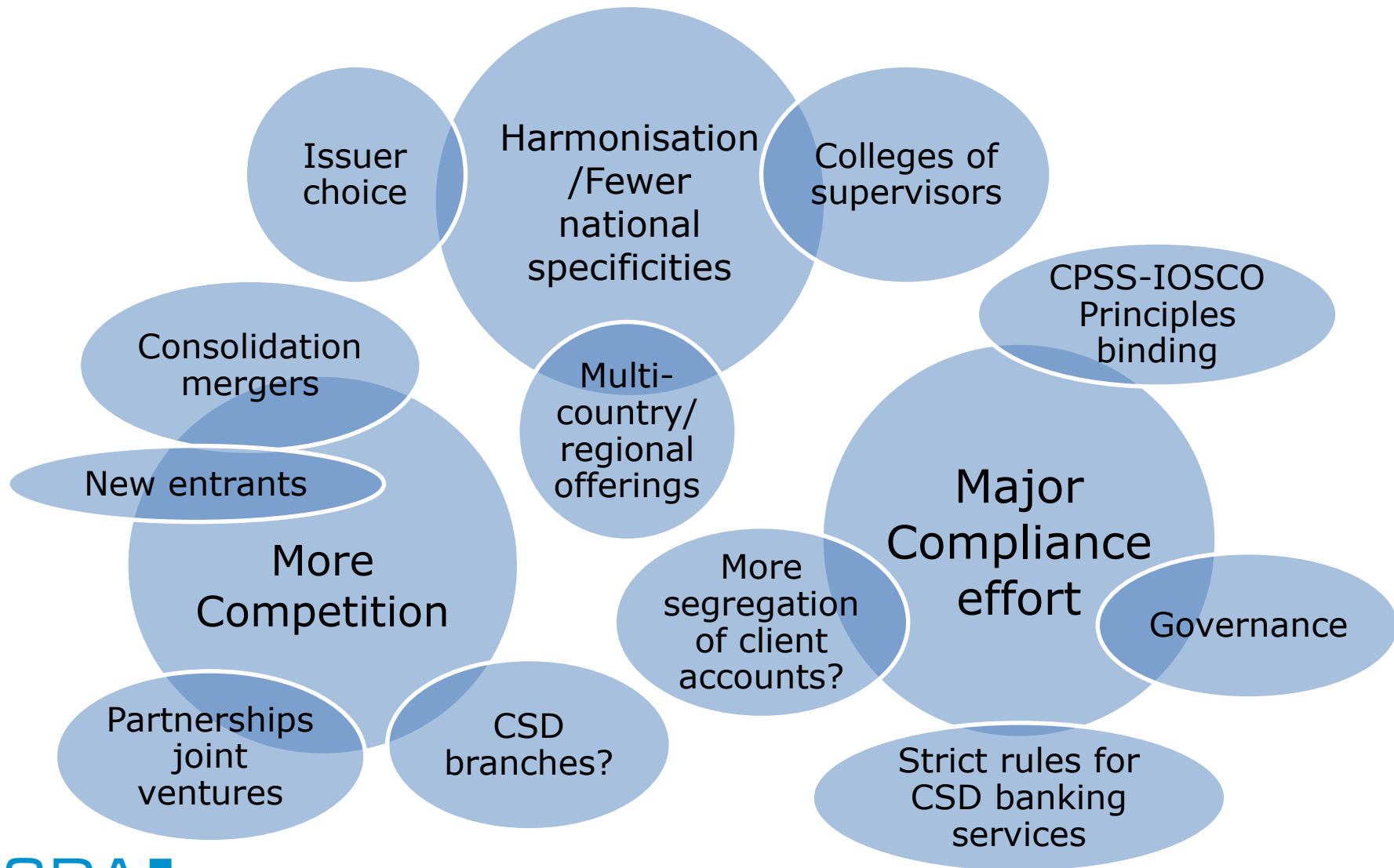
2017

**Q3 2013:** CPSS-IOSCO & FSB reports on FMI recovery & resolution  
**November 2013:** EC legislative proposal on “non-bank” R&R

- CSDs, like other infrastructures, will have to adopt recovery and resolution plans (RRP) in case they are no longer a going concern
- Focus on recovery of critical operations, continuity of the system



# Impact of regulatory changes



# How "central" is a CSD?

- **CSDR will lead CSDs to reassess the role they play in their respective markets:**
  - ✓ Cross-border rather than national scope of services, including for issuer services
  - ✓ Find new sources of revenues following T2S implementation while complying with rules on core & ancillary services
- **For a given securities issue, CSDs will however retain a central role and a special responsibility**
  - ✓ Issuer CSD still intervenes at "top tier" level and acts as a "golden source", usually guaranteeing the integrity of the issue
  - ✓ Custodian banks wanting to enter the CSD business will have to apply for a CSD license and fulfil the same requirements.

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