

# Briefing on the Industry Work on Settlement Discipline



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CSDR

Industry work on  
Settlement Discipline

# CSDR Settlement Discipline Regime: Overview

CSDR Settlement Discipline Regime (SDR) core requirements impact on CSDs:

- New settlement functionalities (partial settlement, bilateral cancellation etc.)
- *Introduce daily settlement fails penalties*
- Mandatory buy-ins (information gathering from participants)
- Settlement efficiency/ fails monitoring and frequent Regulatory reporting

# ECSDA Penalties Framework: Status

Across all impacted CSDs (whether or not using the T2S settlement platform), **ECSDA seeks to harmonize penalties application**, building on the T2S penalty mechanism

- ECSDA Penalties Framework created, covering multiple aspects like reference data, calculations, timelines, reporting, **payment process**
- **Daily and monthly reporting formats** defined with SWIFT and ECB/ T2S, however, some changes still to be applied
- All CSDs agree to activate CSDR penalties on the **same date** (i.e. the T2S penalty mechanism activation date, 23.11.2020)
- **Payment process remains key challenge** (currencies; exceptions)
- Ongoing discussions with ESMA, EACH regarding cleared transactions (**SDR RTS Article 19**)
- **Framework governance** aspects re. SDR RTS Article 20 (for T2S-In CSDs) are under discussion

# ECSDA Penalties Framework: Payments

- **T2S CSDs: use of PFOD (EUR)**

T2S DKK penalties: “workaround” required by various CSDs not (yet) offering T2S DKK settlement aiming to limit burden on their participants

- **Non-T2S CSDs: use of direct debit or other, no harmonization feasible**

- **(Complete) Payment execution on 17<sup>th</sup> Business Day fully depends on timely funding by CSD participants**

Exception handling process currently under discussion

- **Currencies challenges: monthly payments will occur in various currencies (potentially more than 40 in case of ICSDs), increasing operational burden and cash management obligations**

ESMA SDR Q&A #3e: *“The net amounts of cash penalties referred to in Article 17 of the RTS on Settlement Discipline should be calculated per settlement currency and should not be converted into Euros.”*

# ECSDA Penalties Framework: Next steps

**Publication** of the latest version on *Wednesday 20 November 2019*

Still various **challenges in the area of penalties payments management**, making compliance with SDR by November 2020 ambitious for many (I)CSDs, especially in a cross-CSD payments context

Further **SWIFT messages changes** (MT537) may be required in SWIFT Release November 2020

- Potential impacts on CSDs and participants with short adaptation timeline

