



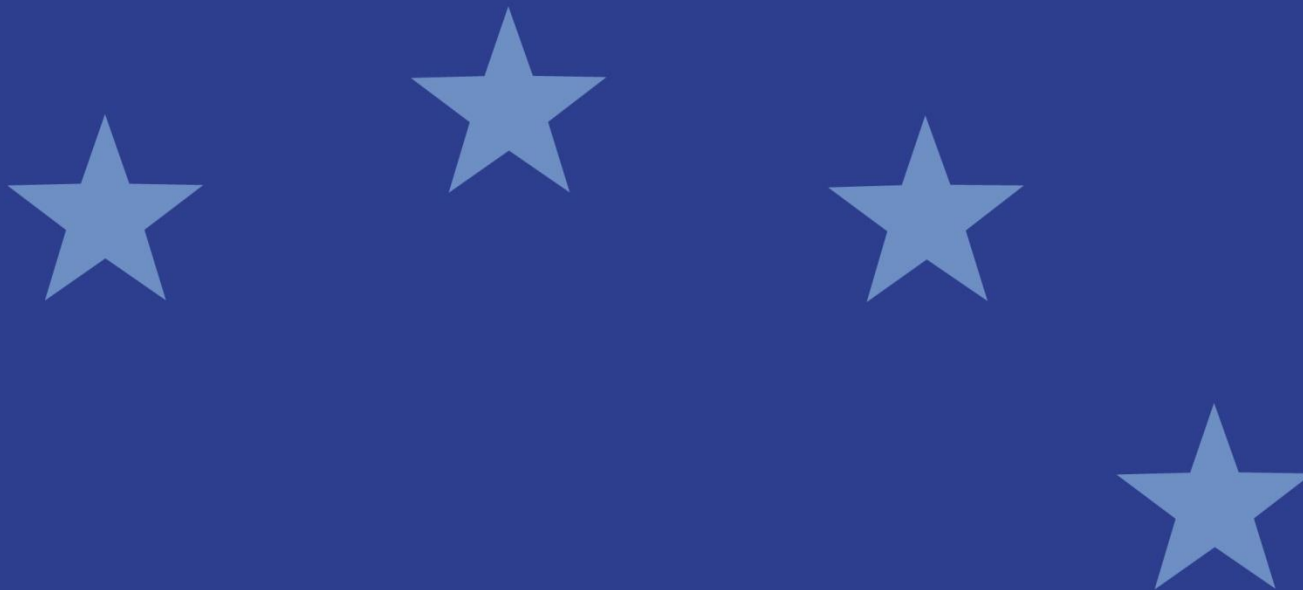
European Securities and
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Update on ESMA work on Post-trading

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1. ESMA post-trading priorities
2. CSDR implementation status
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4. CSDR: what's next?
5. Cross-sectorial issues
 - Crypto-assets
 - Cyber security
 - Use of cloud services providers



1. ESMA Post-trading Priorities

Supervisory convergence

- On CCPs and clearing (peer review, opinions, Guidelines, Q&As)
- Coordination across CCP colleges
- On CSDR: CSD settlement discipline, CSD cross-border provision of services, internalised settlement (Guidelines, Q&As, coordination of supervisors of CSDs in T2S)

Single rulebook

- EMIR 2.2 technical advice
- Brexit-related work (RTS on novation, bilateral margining)
- To come: EMIR Refit reporting, CCP Recovery and Resolution

Assessing risks

- EU-wide CCP stress tests
- Cyber security/cloud computing

Supervision

- TRs/SFTR supervision
- Recognition of third-country CCPs and third-country CSDs
- Temporary recognition of UK CCPs and UK CSD in a no-deal Brexit scenario



2. CSDR Implementation Status

CSDR Level 1

Publication in the OJ
28 Aug 2014



Entry into force
17 Sep 2014



Application
- Directly applicable
- Depending on Level 2

- On ISD or prior to ISD **dematerialisation** in a CSD - transactions in transferable securities on a **trading venue** or transferred under **financial collateral arrangements** (Art 3(2) CSDR)
- ISD **settlement** for a range of financial instruments (Art 5(1) CSDR)

17 Sep 2014

- T+2 settlement** for transactions in transferable securities executed on a trading venue (Art 5(2) CSDR)

1 Jan 2015/
1 Jan 2016

- Dematerialisation** (Art 3(1) CSDR) for **newly issued** transferable securities first, then **all** transferable securities

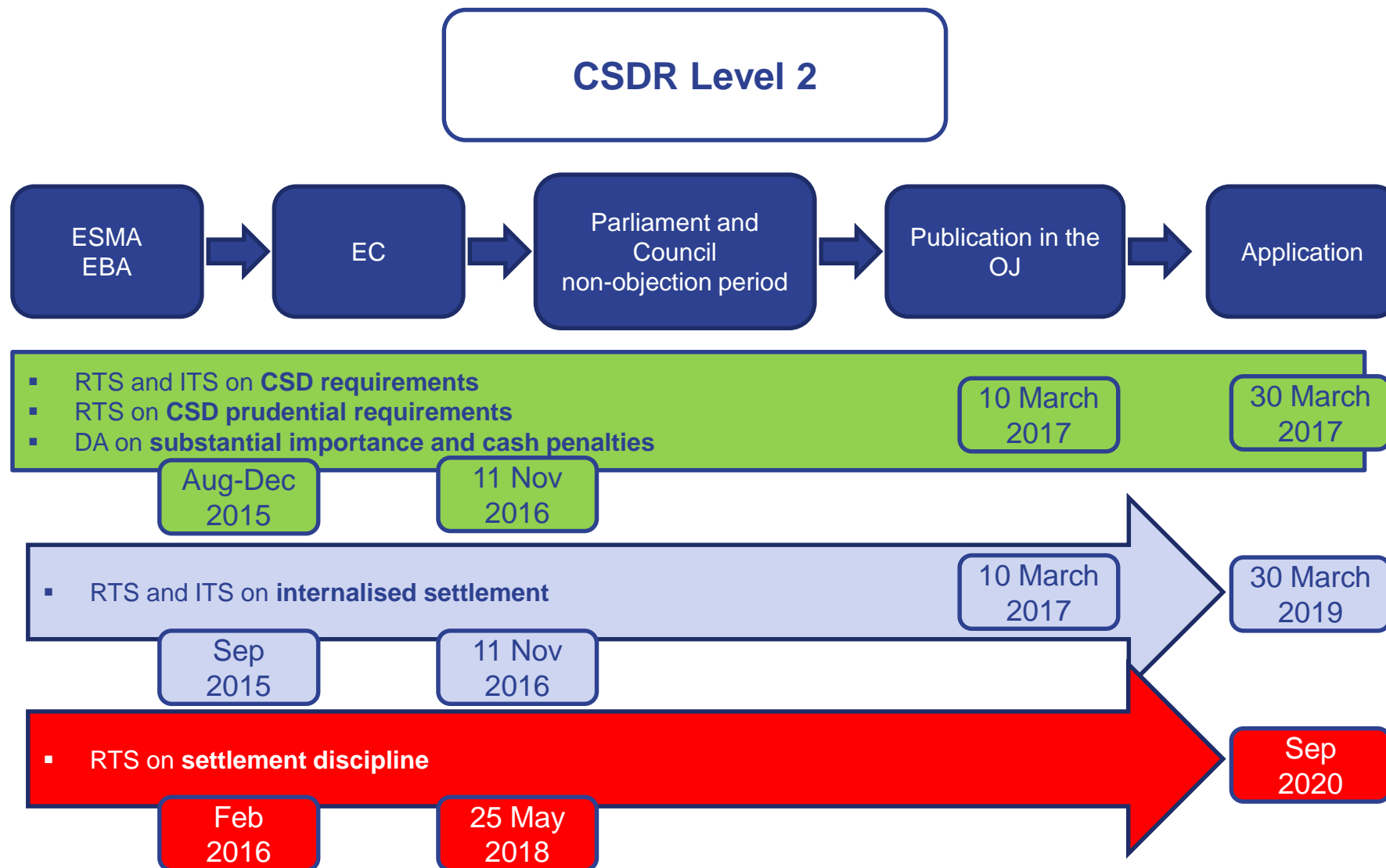
1 Jan 2023/
1 Jan 2025

- CSDR requirements depending on Level 2 application

Next slide



2. CSDR Implementation Status (cont'd)





3. CSDR Supervisory convergence

CSDR Level 3

Published guidelines

- Access by a CSD to the transaction feeds of a CCP or a trading venue
- Rules and procedures for managing a CSD participant's default
- Collection of data for calculation of indicators to determine the substantial importance of a CSD for host Member States
- Collection of data for calculation of indicators to determine the most relevant currencies in which settlement takes place
- Internalised settlement reporting
- Cooperation arrangements between authorities
- Standardised procedures and messaging protocols to be used by investment firms to limit the number of settlement fails (Art 6(2) of CSDR)



3. CSDR Supervisory convergence

Guidelines: on-going work

- **Guidelines on settlement fails reporting** (Art 7(1) CSDR)
 - Public consultation conducted in Q1 2019
 - Publication expected in Q1 2020
 - ➔ **ESMA IT project** to facilitate reporting to ESMA and data sharing among authorities
 - ➔ XML format, conforming with an agreed candidate ISO 20022 message definition XSD schema, to be published by ESMA
- **Guidelines on supervisory practices** for the enforcement of settlement discipline regime (Art 8 CSDR)
 - Publication expected for end 2020



3. CSDR Supervisory convergence

Q&As

- Regular updates
- More than 70 Q&As already published
- Focus now on settlement discipline
- Liaising with industry, through industry workshops and on-going exchanges with the trade associations



3. CSDR Supervisory convergence

Internalised settlement reporting

- ✓ Quarterly **Internalised Settlement reports** submitted by CAs to ESMA, based on reports submitted by SetlIns to CAs
 - **ISO 20022 XSD derived message for internalised settlement reporting under CSDR** is available at [MyStandards platform](#) within the [ESMA group publishing space](#)
- ✓ Quarterly **Potential Risk reports** submitted by CAs to ESMA
- ✓ First reports from SetlIns in July 2019
- ✓ ESMA Report to European Commission in 2022



4. CSDR: What's next?

Review of CSDR

- 2019 too early
 - Needs to be evidence-based
 - All CSDs not yet authorised
 - Settlement discipline not yet entered into force
- In 2020, ESMA to work on reports to the EC on a number of topics, based on available information on
 - Authorisation process
 - Provision of cross-border services
 - Access to CSDs
 - Provision of banking-type ancillary services
 - Fintech (also cross-sectoral approach)



4. CSDR: What's next?

Review of CSDR: preliminary views

- **Authorisation process:** takes much longer time than expected
>>> Need for more coordination and transparency/sharing of information
- **Cross-border provision of services:** very complex process
>>> Need to assess if achieves objective of creating an internal market for CSD services
- **Provision of banking-type ancillary services:** difficult to comply with requirement to settle in central bank money or providing service itself or through limited purpose credit institution
>>> Need to assess proportionality of the requirement, in particular for small CSDs
- **New technologies:** given developments in Fintech since 2014, in particular in the post-trading processes + ESAs Review gives us a mandate to consider technological innovations in all aspects of ESMA work
>>> Need to assess if and how this can be addressed in the regulation – also with a cross-sectoral approach



5. Technological innovations: cross-sectoral issues

• Crypto-assets

- January 2019: ESMA Advice on Initial Coin Offerings and Crypto-Assets
 - Legal status of crypto-assets?
 - Novelty of crypto-assets -> monitor evolving business models
 - Gaps and issues in the rules within ESMA's remit when crypto-assets qualify as financial instruments
 - Unaddressed risks when crypto-assets do not qualify as financial instruments

• Cyber - in response to the EC FinTech Action Plan:

- In 2018, ESMA and NCAs carried out a **mapping of existing supervisory practices** around ICT security and governance: a majority of NCAs want to see further harmonisation through new rules and/or supervisory convergence.
- Joint ESAs Advice of 10 April 2019 to the EC on case for EU-wide **resilience-testing framework** across financial sector calls for NCAs to work with ESAs to achieve a baseline of cyber resilience in proportion to entities' needs
- Joint ESAs Advice of 10 April 2019 to the EC on **legislative improvements** on cybersecurity

• Cloud

- ESMA will develop **cross-sectorial guidelines** on cloud service providers
- NCA task force set up and public consultation expected in H1 2020



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Thank You!

Questions?

