ECSDA Comments on ESMA's Discussion Paper on Draft Technical Standards for CSDR

In a response to the European Securities and Markets Authority (ESMA) public consultation on technical standards on the CSD Regulation (CSDR), the European Central Securities Depositories Association (ECSDA) has put forward recommendations for an efficient European framework.

The recommendation paper is split into two parts:

Part 1 – covers questions 1 to 20 of the consultation mainly concerning settlement disciplines, along with additional comments. Some of the recommendations include that:

- The future European standards must be proportionate given the level of settlement efficiency in Europe is already high;
- The timing for rolling out settlement discipline measures under CSDR should be phased;
- There should be a single European methodology for CSDs to report settlement fails;
- The matching of settlement instructions should be compulsory;
- Straight-Through-Processing (STP) and the use of ISO standards should be promoted;
- CSDs cannot be expected to identify the underlying cause of unmatched instructions or the ultimate counterparties responsible for settlement fails; and
- CSDs, given their low risk profile, should not be involved in the execution of buy-ins.

Part 2 – covers questions 21 to 54 of the consultation, which primarily relates to the authorisation framework for CSDs. Within the paper, ECSDA notes that European CSDs support a truly harmonised authorisation process and warns against imposing additional requirements by national regulators on top of European rules. In addition, ECSDA also warns against the disproportionate restrictions on CSD participations in other legal entities, and excessive recordkeeping requirements. ECSD believes that an appropriate transition period must be given, in particular for the following standards:

- Settlement discipline - CSDs, market participants and other infrastructures should be given up to three years to comply with the new rules for buy-ins and penalties for late settlement;
- Recordkeeping - a transition period of 14 months will have to be determined to enable CSDs to develop the required functionalities; and
- Requirements on a secondary processing site - for CSDs that are required to set-up a secondary site, they should be given at least 6 months to achieve this compliance after the technical standards enter into force .

For further, more detailed information, on ECSD's response to the public consultation, please click here: Part 1 and Part 2

Market Information Impact

Global

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CSD Risk Impact

Global (Global)

CSD Rating: -
CSD Flash Impact: Stable

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Related Flash: ESMA Launches Discussion Paper on Draft Technical Standards for CSDR, 20/03/2014 (click to view)

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