

# Central Securities Depositories Regulation

## WHAT IS CSDR?

The Central Securities Depositories Regulation (CSDR) belongs to a set of European regulations aiming at harmonising the securities landscape in Europe together with MIFID and EMIR.

Being applicable since 2017, CSDR is now reaching its last phase with the Settlement Discipline Regime (SDR), a key regulatory element of CSDR, coming into force in February 2022. The Settlement Discipline Regime aims to increase the safety and efficiency of securities settlements within the EU.

## SETTLEMENT DISCIPLINE REGIME IN BRIEF

In order to enforce a general T+2 settlement period over the European markets and to reduce the number of failed trades, SDR highlights a set of rules in the area of Trade Allocation & Confirmation, Prevention of Settlement fails, and Monitoring & Reporting of fails. Finally yet importantly, SDR also introduces Cash Penalties, and a Buy-In Regime in case of failed trades due to non-delivery or late delivery. The controversial buy-in regime, initially part of the SDR requirements, has been recently delayed to another date to be confirmed.

Although CSDR is an EU regulation, it will impact any firm that executes trades for settlement in the European market, wherever they are located.

## CHALLENGES

SDR will entail the financial industry to put in place measures to reduce settlement delays, to monitor and prevent failed trades, and to anticipate possible issues to mitigate the risk of penalties. As such, these requirements will raise the need for more visibility, transparency, and control in the area of new ISO 15022 / 20022 fields' management (e.g. penalties sequence), real-time reconciliation, monitoring and reporting, and investigation on settlement issues.

## HOW WE CAN HELP?

The Settlement Discipline Regime, introducing consequences such as penalties, and later buy-ins, will require both to control the incoming communication regarding the penalties and failed trades, and also to anticipate issues that could drive to failure, through the careful and automated monitoring of the settlement process.

Our proposition addresses both aspects at several levels from messaging to reconciliation, monitoring to exception management & forecasting, and data feed.

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## MESSAGING

Our messaging gateway supports all SWIFT messages, whatever the format (ISO 15022 and/or ISO 20022), and it provides multiple alternate off-the shelf rails (SWIFTNet FIN, InterAct, SECOM, CREST) to allow our customers to send/receive fully compliant messages with their counterparts in the context of SDR.

## RECONCILIATION

Our reconciliation tool supports all the required messages including trades (MT 502, 515, 518), holdings (MT 535), and intra-day securities transactions reconciliation (MT 536, 537, 578, 586, 54x, semt\*, sese\*, semt.044). A specific care has been taken to the specific new field's required by CSDR (e.g. penalties sequence in MT 537 / 548), offering an easy way to collect, interpret and visualize the penalties.

While the daily reconciliation of holdings is usually already in place in banks, SDR will also put forward the intra-day reconciliation as a key function to monitor possible issues, to react quickly, and to avoid ageing settlement that will drive to penalties.

The reconciliation solution also provides dedicated functionalities for investigation and escalation, including predefined claims & queries for a fast reactivity in case of issues.

## Use Case

Your institution is currently managing advices manually or via printing, and you are not matching intra-day settlement yet. This drives to non STP-flows and it makes difficult and time-consuming to forecast possible issues in advance. The reconciliation module for intra-day reconciliation will help you to gain visibility and control on settlement statuses in real-time to limit the risk of failed trades.

## MONITORING

The reconciliation dashboard displays key indicators such as ageing settlement, trading volume, open items, partial settlement for a quick overview on the possible issues. Indicators and statuses can be also used in report to feed the operational management with transparency and visibility.

## DATA FEED

In case of penalties, the appropriate amount has to be calculated and verified. Our Market Data solution enables retrieval of important information at the time of the penalty to ensure that the calculation is correct.

## BENEFITS

The features described above ensures speed to compliance with SDR, an improved visibility and control on settlement with limited impact on existing systems.



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