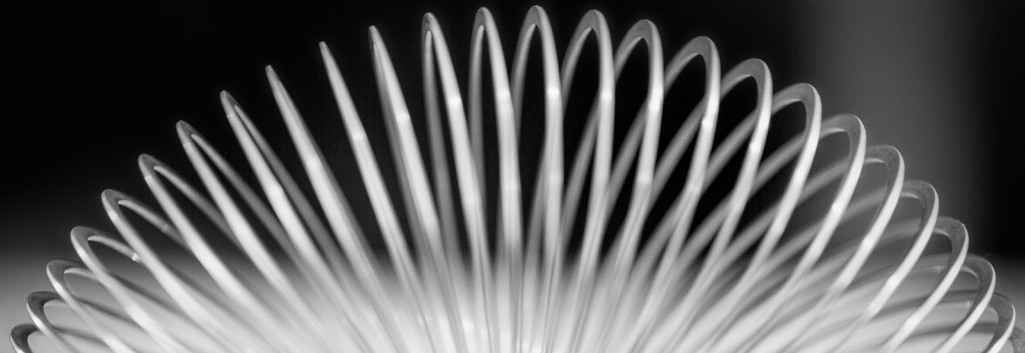




SIX Flex®

CSDR

Your Reliable Source for All Required Data to
Calculate Cash Penalties and Report Settlement Fails



Challenge

The Settlement Discipline Regime (SDR) of the Central Securities Depository Regulation (CSDR) will enter into force in the European Union on 14 September 2020. The aim of the CSDR is to harmonize certain aspects of the settlement cycle and settlement discipline and to provide a set of common requirements for CSDs operating securities settlement systems across the EU. The new requirements include, amongst others, the obligation to calculate cash penalties for settlement fails and to provide settlement fails reports. Additionally, CSDR will require participants to settle their transactions on intended settlement dates and requires CSDs to take measures in order to:

- Encourage the timely settlement of transactions by its participants.
- Monitor settlement fails and provide regular reporting to the national competent authorities.
- Prevent and address settlement fails through mandatory cash penalties and buy-in mechanism.

CSDs do have the obligation to provide settlement fails reports according to the Annexes of the "Commission Delegated Regulation (EU) 2018/1229 of 25 May 2018 supplementing Regulation (EU) No 909/2014 of the European Parliament and of the Council with regards to regulatory technical standards on settlement discipline" to the

National Competent Authority (NCA) on a daily, monthly and annual basis. Also a public disclosure on settlement fails is foreseen, where the CSDs shall publish the information set out in Annex III of Regulation (EU) 2018/1229 for the securities settlement system it operates on their website. The relevant amounts are to be made available in EUR and national currency as well.

Furthermore, the cash penalties referred to in Article 7(2) of Regulation (EU) No 909/2014 shall be calculated and applied by CSDs for each settlement instruction that fails to settle at the end of each business day. CSDs shall provide each relevant participant with the calculation details of the penalties for each failed settlement instruction on a daily basis.

The major pain points for the industry, especially for the CSDs being in the driving seat to implement the requirements, are:

- The sourcing of the required high quality price and reference data.
- The determination of the market value in order to calculate the cash penalties.
- To have a reliable single source for the required price and reference data between the CSDs and their participants.

Primary Audience

CSDs, CCPs, Custodians and Financial Institutions.

Common Use Cases

Asset servicing, issuance and settlement services, trade and transaction processing.

Available Content

SIX will support clients in their compliance efforts under CSDR-SDR with its data offering by concentrating on the key areas of CSDR-SDR – cash penalties calculation and settlement fails reporting. SIX carries around 1.5 million financial instruments with CSDR data points.

Due to increasing customer requests, especially from the custodian side, SIX decided to additionally support the Internalized Settlement reporting obligations by providing a marker for Instruments in scope for Internalized Settlement reporting, Issuer CSD information like name and LEI. The Internalized Settlement reporting to national competent authorities started on 12 July 2019.

Key CSDR-SDR data sets (including Internalized Settlement Reporting).

Core Reference Data

- Marking of EU registered and recognized third country CSDs.
- Marking of recognized/authorized CSDs by ESMA. Information is being used amongst others to identify instruments inscope for the internalized settlement reporting.
- FX Rates of the ECB – for the conversion of non-EUR settlement fails amounts into EUR.
- Instrument type classification.

Core Reference Data

for Settlement Discipline Regime only

- Marking of instruments in scope of the CSDR-SDR
- Buy-in extension periods and timeframes (Article 36 and 37)**

Core Reference Data for Internalized Settlement only

- Marking of instruments in scope of the Internalized Settlement (IS).
- Issuer CSD.
- Issuer CSD LEI.

Market value determination

(used for calculation of cash penalties) according to: Article 32(3)(a)**:

- Indication of the Most Relevant Market in the EU.
- Closing Price of the Most Relevant Market in the EU.

Article 32(3)(b)**:

- Closing Price of the Trading Venue within the EU with the highest turnover OR

If no compliant prices according to the Articles 32(3)(a)/32(3)(b) are available then:

- Closing Price of the Trading Venue in the EU where the Instrument was First Admitted for Trading OR
- Closing Price of the Trading Venue within the EU where the Instrument was First Traded OR
- For debt instruments, e.g. nominal value OR
- For non-debt instruments e.g. issue price.

Instrument Category Penalty Rate assignment

- CFI.
- Liquidity indicator.
- SME growth market indicator.
- Penalty rate.
- Discount rates (settlement failures due to lack of cash)
 - in case of settlement fail due to a lack of cash the official interest rate for overnight credit charged by the central bank issuing the settlement currency must be applied as penalty rate.

Features and Associated Benefits

- Identification of instruments that are in-scope for the calculation of cash penalties, settlement fails reporting and internalized settlement.
- Provision of a reliable source for closing price information and reference data in order to fulfill the obligations to calculate cash compensations and to report settlement fails.
- Efficient calculation and reconciliation of cash penalties based on the application of penalty rates on ISIN level, dependent on the instrument classification, the liquidity indication and the identification of an instrument that is admitted for trading on a SME growth market.
- Integrate our CSDR data into your database by using standard identifiers such as ISIN, FISN, CFI, LEI and MIC.

**COMMISSION DELEGATED REGULATION (EU) .../... of 25.5.2018 supplementing Regulation (EU) N° 909/2014 of the European Parliament and of the Council with regards to technical standards on settlement discipline.

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