

ESMA secretariat  
103 Rue de Grenelle  
75007 Paris, France

Amsterdam/London, 21 May 2014

Comments EuroCCP on "ESMA discussion paper 'Draft Technical Standards on the Regulation on improving securities settlement in the European Union and on central securities depositories (CSD)' – ESMA/2014/299"

Dear Mrs., Dear Mr.,

We would like to thank you for the opportunity to give feedback on the ESMA discussion paper regarding the draft technical standards on the Regulation CSD (ESMA/2014/299).

We support the detailed comments made in a separate submission prepared by the European Association of Clearing Houses (EACH) on this subject. In addition we would like to emphasize our points of view relating to the matters covered below.

**Q5: Do you agree with the above proposals? What kind of disincentives (other than monetary incentives such as discounts on matching fees) might be envisaged and under which product scope?**

Response EuroCCP: Section 23 refers to the end of ISD-2 for matching of transactions in the CSD. Once Regulation CSD is adopted, ISD-2 will equal the transaction date. An obligation to match on transaction date will then give little room for reconciliation between parties. Or is the intention to change to ISD-1 when the settlement cycle will be T+2?

CCP's currently send trades to CSD's late on Trade date due to netting taking place after the market close, resulting in a T+1 status update being sent back post the CSD batch being run. The market needs to be careful not to penalize CCP's if an earlier matching fine practice is adopted.

Section 25: We expect all CSD's to use MT548 standard ISO Messaging to advise clients with a reason code for pending or failing instructions. Furthermore we expect that all CSD's will allow matched instructions to be sent by all CCP's to the CSD (T2S DCP allows this but this is still 2 years away and what about markets outside T2S?). CCPs are important infrastructures and should all be offered a standardized instructions process by the CSD's.

In relation to disincentives being used other than monetary, we believe the Danish VP CSD process is proven where an average settlement efficiency is used to monitor clients and if they drop below a certain rate they will be penalised. Since the introduction of this new method they have experienced a rise in settlement efficiency to on average over 98%.

**Q6: In your opinion, should CSDs be obliged to offer at least 3 daily settlements/batches per day? Of which duration? Please elaborate providing relevant data to estimate the cost and benefit associated with the different options.**

Response EuroCCP: Yes with a minimum of 3 but preferable as many as possible to increase the possibility of settlement on intended settlement date. Furthermore it would be helpful that auto-splitting should be offered by all CSD's to increase liquidity and settlement efficiency in the market. All CCP's at least should be offered this auto-split facility and not have to cancel the original trade, with the parent trade just being partialled down (mirroring the UK Crest model).

**Q8: Do you agree with this view? If not please elaborate on how such arrangements could be designed and include the relevant data to estimate the costs and benefits associated with such arrangements. Comments are also welcome on whether ESMA should provide for a framework on lending facilities where offered by CSDs.**

Response EuroCCP: Yes, we agree with this view. Note that special attention should be given to the working of the lending facility when a corporate action in the security takes place during the lending period.

**Q10: What are your views on the information that participants should receive to monitor fails?**

We think it is important for the participants to receive this information. We further suggest that for each failed transaction the participant is advised of the reason for failing (e.g. insufficient cash, unmatched transaction, etc.).

**Q11: Do you believe the public information should be left to each CSD or local authority to define or disclosed in a standard European format provided by ESMA? How could that format look like?**

Response EuroCCP: We would prefer a harmonised approach so each CSD distributes the same information in the same format.

**Q15: Under what circumstances can a buy-in be considered not possible? Would you consider beneficial if the technical standard envisaged a coordination of multiple buy-ins on the same financial instruments? How should this take place?**

Response EuroCCP: A CCP should use a minimum of 2 buy-in sources and if no security is available then a cash compensation is used the next business day to settle the trade. We do not see it beneficial for CCP cleared trades if coordination of multiple buy-ins on the same instruments would take place as this would require a lot of coordination for a process that is currently working fine without such coordination.

With kind regards,

European Central Counterparty N.V.



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