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Additional Information

Level 1 Regulation
Central Securities Depositories Regulation (CSDR) Regulation (EU) No 909/2014- PTR-CSDR

Topic
Settlement discipline - Other topics

Subject Matter
Matching settlement instructions

Question
(a) How often should the exchange rate used to determine the tolerance level for settlement instructions in other currencies than EUR (referred to in Article 6 of the RTS on Settlement Discipline) be updated?
(b) Are “delivery without matching” instructions (“dump” instructions) allowed under the RTS

on Settlement Discipline? In the case of such instructions, there would be no matching at the level of the securities settlement system operated by the CSD, i.e. the delivery of the financial instruments would be settled by the CSD by generating a receipt instruction for settlement and booking into the receiving participant's securities account, as mentioned in the delivering participant's instruction, without any prior matching taking place.
(c) Is "passive matching" allowed under the RTS on Settlement Discipline? In such a case, participants can give a standing instruction on single account level whether or not they should send a "Receive Free of Payment" instruction whenever another participant submits a "Deliver Free of Payment" instruction against the given account of participant who is supposed to receive the financial instruments. The "passive matching" creates the corresponding required matching instruction for the receiving participant, which is based on the instruction of the delivering participant.

ESMA Answer

03-12-2019

Original language

[ESMA70-156-4448 CSDR Settlement Discipline Q&A 1]

(a) ESMA considers that the exchange rate should be updated annually. To ensure consistency across CSDs, CSDs should use the same exchange rates. Therefore, CSDs should use the official exchange rates of the ECB, where available, valid on 1 January of the respective calendar year.

(b) Only dump instructions involving transfers of financial instruments between different accounts opened in the name of the same participant or managed by the same account operator would still be allowed once the RTS on Settlement Discipline enters into force. Such instructions would be captured under point c) of Art 5(2) of the RTS on Settlement Discipline.

(c) The "passive matching" as described above is in line with the RTS on Settlement Discipline, given that matching takes place at the level of the securities settlement system operated by the CSD prior to settlement.