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| 18 December 2014 |

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| Reply form for the  Technical Standards under the CSD Regulation |
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| Date: 18 December 2014 |

Responding to this paper

The European Securities and Markets Authority (ESMA) invites responses to the specific questions listed in the ESMA Consultation Paper - Technical Standards under the CSD Regulation, published on the ESMA website.

***Instructions***

Please note that, in order to facilitate the analysis of the large number of responses expected, you are requested to use this file to send your response to ESMA so as to allow us to process it properly. Therefore, please follow the instructions described below:

1. use this form and send your responses in **Word format**;
2. do not remove the tags of type <ESMA\_QUESTION\_TS\_CSDR\_1> - i.e. the response to one question has to be framed by the 2 tags corresponding to the question; and
3. if you do not have a response to a question, do not delete it and leave the text “TYPE YOUR TEXT HERE” between the tags.

Responses are most helpful:

1. if they respond to the question stated;
2. contain a clear rationale, including on any related costs and benefits; and
3. describe any alternatives that ESMA should consider

**Naming protocol:**

In order to facilitate the handling of stakeholders responses please save your document using the following format:

ESMA\_ TA\_CSDR \_NAMEOFCOMPANY\_NAMEOFDOCUMENT.

E.g. if the respondent were ESMA, the name of the reply form would be ESMA\_TS\_CSDR\_AIXX\_REPLYFORM or ESMA\_CE\_TS\_CSDR\_AIXX\_ANNEX1

Responses must reach us by **19 February 2015**.

All contributions should be submitted online at [www.esma.europa.eu](http://www.esma.europa.eu) under the heading ‘Your input/Consultations’.

***Publication of responses***

All contributions received will be published following the end of the consultation period, unless otherwise requested. **Please clearly indicate by ticking the appropriate checkbox in the website submission form if you do not wish your contribution to be publicly disclosed. A standard confidentiality statement in an email message will not be treated as a request for non-disclosure.** Note also that a confidential response may be requested from us in accordance with ESMA’s rules on access to documents. We may consult you if we receive such a request. Any decision we make is reviewable by ESMA’s Board of Appeal and the European Ombudsman.

***Data protection***

Information on data protection can be found at [www.esma.europa.eu](http://www.esma.europa.eu) under the heading ‘Disclaimer’.

# General information about respondent

|  |  |
| --- | --- |
| Are you representing an association? | Yes |
| Activity: | Central Securities Depository |
| Country/Region | Denmark |

##### Do you think the proposed timeframes for allocations and confirmations under Article 2 of the RTS on Settlement Discipline are adequate?

##### If not, what would be feasible timeframes in your opinion?

##### Please provide details and arguments in case you envisage any technical difficulties in complying with the proposed timeframes.

<ESMA\_QUESTION\_TS\_CSDR\_1>

TYPE YOUR TEXT HERE.<ESMA\_QUESTION\_TS\_CSDR\_1>

##### Do you agree with the cases when matching would not be necessary, as specified under Article 3(2) of the draft RTS?

##### Should other cases be included? Please provide details and evidence for any proposed case.

<ESMA\_QUESTION\_TS\_CSDR\_2>

VP is a member of ECSDA and generally supports ESCDA’s answer to all questions. The answers below supplements the answer ECSDA’s answer where relevant for VP.

As regard Q2, VP generally recommends EU-harmonised matching criteria and tolerance values as defined in the Eurosystem T2S project, also as regards non-T2S markets in EU. Suggestions for additional match criteria or different tolerance values than defined in the T2S project should be avoided.

<ESMA\_QUESTION\_TS\_CSDR\_2>

##### What are your views on the proposed approach under Article 3(11) of the draft RTS included in Chapter II of Annex I?

##### Do you think that the 0.5% settlement fails threshold (i.e. 99.5% settlement efficiency rate) is adequate? If not, what would be an adequate threshold? Please provide details and arguments.

##### Do you think that the 2,5 billion EUR/year in terms of the value of settlement fails for a securities settlement system operated by a CSD is adequate? If not, what would be an adequate threshold? Please provide details and arguments.

<ESMA\_QUESTION\_TS\_CSDR\_3>

VP generally supports efforts to achieve high settlement efficiency rates, hereunder via incentives for early settlement. However, a fixed settlement fail threshold, e.g. on 0.5 % as suggested on Q3 in our opinion is not an adaquant instrument to be addressed in legislation, and also the suggested settlement rate on 0.5 % in our opinion is too low compared to current settlement market level in Europe, herunder also in the Danish market and may have unintended consequences. For your information the current settlement efficiency rate with VP approx. 97 % and the settlement efficiency rate on bonds is close to but less than 99.5 %.

Furthermore, VP recommends ESMA to consider introducing a harmonised method for calculation of settlement efficiency..<ESMA\_QUESTION\_TS\_CSDR\_3>

##### What are your views on the proposed draft RTS included in Chapter II of Annex I?

<ESMA\_QUESTION\_TS\_CSDR\_4>

Please see our comments to Q2 above on standardised matching fields.

VP recommends avoiding an absolute figure on the maximum value of settlement fails with a CSD, which may pose unnecessary restricts on CSD’s with high settlement volume. For your information, the total settlement volume for VP in 2014 was equal EUR 5,9 trillion – out of this volume EUR 47 billion failed equal to an average settlement fail rate of 0,8 %. Introducing as suggested in Q4 an absolute maximum settlement fail value of EUR 2,5 billion pr. year would equal to a settlement fail rate with VP of no more than 0,04 % which we consider unrealistic. <ESMA\_QUESTION\_TS\_CSDR\_4>

##### What are your views on the proposed draft RTS on the monitoring of settlement fails as included in Section 1 of Chapter III of Annex I?

<ESMA\_QUESTION\_TS\_CSDR\_5>

VP generally supports transparency on monitoring of settlement fails. Any cost should, however, be proportionate to the benefits of the investment and should not incentivise instructing parties to consider transfer of their settlement instructions to less-regulated alternatives. As settlement discipline regulation is mainly designed to optimise behaviour in professional (wholesale) markets, VP recommends ESMA to consider introducing exemption for retail securities markets which in the Nordic markets normally settle via CSDs.

Please find for the purpose of the cost/benefit analysis with ESMA a contribution below on the estimated cost with VP for implementation of additional monitoring and reporting features held in the suggested monitoring system.

VP estimates that the suggested monitoring of settlement of fails would require an initial cost of EUR 990.000 and an annual running cost of EUR 25.000. For your information this estimate is held in the joint cost estimate held in the ECSDA answer. .<ESMA\_QUESTION\_TS\_CSDR\_5>

##### What are your views on the proposed draft RTS related to the penalty mechanism? Do you agree that when CSDs use a common settlement infrastructure, the procedures for cash penalties should be jointly managed?

<ESMA\_QUESTION\_TS\_CSDR\_6>

VP generally supports a harmonised penalty mechanism. Any cost should, however, be proportionate to the benefits of the investment and should not incentivise instructing parties to consider transfer of their settlement instructions to less-regulated alternatives.   
Please find for the purpose of the cost/benefit analysis with ESMA a contribution below on the estimated cost with VP for implementation of the suggested penalty mechanism.

VP estimates that the suggested penalty mechanism would require an initial cost of EUR 975.000 and an annual running cost of EUR 75.000. For your information this estimate is held in the joint cost estimate held in the ECSDA answer. <ESMA\_QUESTION\_TS\_CSDR\_6>

##### What are your views on the proposed draft RTS related to the buy-in process?

##### In particular, what are your views on applying partial settlement at the end of the extension period? Do you consider that the partialling of the settlement instruction would impact the rights and obligations of the participants?

##### What do you think about the proposed approach for limiting multiple buy-in and the timing for the participant to provide the information to the CSD?

<ESMA\_QUESTION\_TS\_CSDR\_7>

VP in general supports incentives that will contribute to reducing settlement fails. Mandatory buy-in, however, may not necessarily be an optimal instrument to ensure this, and VP therefore recommends careful use of this instrument. This is in particular relevant for the Nordic markets that hold some very liquid but also many low-liquid securities (equities, investment funds as well as bonds) to whom a buy-in process will not be an adequate instrument of remedy in case of settlement failure.

As regards roles and liabilities in the buy-in process, VP fully shares the ECSDA point of view that CSDs should not granted additionally mandatory roles in relation to buy-ins. Some of the suggested roles will expose VP to processes outside of VP’s control and thereby introduce VP to additional liability and require substantial operational/systemic changes.

Please find for the purpose of the cost/benefit analysis with ESMA a contribution below on the estimated cost with VP for implementation of the suggested buy-in process.

VP estimates that the suggested buy-in process would require an initial cost of EUR 250.000 and an annual running cost of EUR 50.000. For your information this estimate is held in the joint cost estimate held in the ECSDA answer.

<ESMA\_QUESTION\_TS\_CSDR\_7>

##### What are your views on the proposed draft RTS related to the buy-in timeframe and extension period?

<ESMA\_QUESTION\_TS\_CSDR\_8>

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##### What are your views on the proposed draft RTS related to the type of operations and their timeframe that render buy-in ineffective?

<ESMA\_QUESTION\_TS\_CSDR\_9>

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##### What are your views on the proposed draft RTS related to the calculation of the cash compensation?

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##### What are your views on the proposed draft RTS related to the conditions for a participant to consistently and systematically fail?

<ESMA\_QUESTION\_TS\_CSDR\_11>

Allowing a difference of 10 % (value/volume) will have a large impact on the overall settlement performance and VP considers the threshold as too high. VP recommends ESMA to consider a differentiation of benchmarks pr. security type and to avoid rules that may incentivise settlement failure mitigation as a potential competitive parameter between CSDs (“CSDs should not compete on risk”)..<ESMA\_QUESTION\_TS\_CSDR\_11>

##### What are your views on the proposed draft RTS related to the settlement information for CCPs and trading venues?

<ESMA\_QUESTION\_TS\_CSDR\_12>

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##### What are your views on the proposed draft RTS related to anti-avoidance rules for cash penalties and buy-in?

<ESMA\_QUESTION\_TS\_CSDR\_13>

VP agrees with the proposal; there should not be differences between the markets.<ESMA\_QUESTION\_TS\_CSDR\_13>

##### Do you agree that 18 months would be an appropriate timeframe for the implementation of the settlement discipline regime under CSDR? If not, what would be an appropriate timeframe in your opinion? Please provide concrete data and evidence justifying a phase-in for the settlement discipline measures and supporting your proposals.

<ESMA\_QUESTION\_TS\_CSDR\_14>

VP fully supports the ESMA proposal for a later implementation deadline of the sanction regime. This will ensure alignment with inter alia the T2S project. As VP will migrate its DKK settlement to T2S by end of 2018, we recommend an implementation deadline for the CSDR sanction regime by medio 2019..<ESMA\_QUESTION\_TS\_CSDR\_14>

##### What are your views on the proposed draft RTS on CSD authorisation (Chapter II of Annex II) and draft ITS on CSD authorisation (Chapter I of Annex VI)?

<ESMA\_QUESTION\_TS\_CSDR\_15>

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##### What are your views on the proposed draft RTS on CSD review and evaluation (Chapter III of Annex II) and draft ITS (Chapter II of Annex VI)?

<ESMA\_QUESTION\_TS\_CSDR\_16>

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##### What are your views on the proposed draft ITS on cooperation arrangements as included in Chapter III of Annex VI?

<ESMA\_QUESTION\_TS\_CSDR\_17>

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##### What are your views on the proposed draft RTS on CSD recognition (Chapter IV of Annex II)?

<ESMA\_QUESTION\_TS\_CSDR\_18>

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##### What are your views on the proposed approach regarding the determination of the most relevant currencies?

<ESMA\_QUESTION\_TS\_CSDR\_19>

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##### What are your views on the proposed draft RTS on banking type of ancillary services (Chapter VI of Annex II) and draft ITS on banking type of ancillary services (Chapter IV of Annex VI)?

<ESMA\_QUESTION\_TS\_CSDR\_20>

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##### What are your views on the proposed draft RTS on CSD participations (Chapter II of Annex III)?

<ESMA\_QUESTION\_TS\_CSDR\_21>

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##### What are your views on the proposed draft RTS on CSD risk monitoring tools (Chapter III of Annex III)?

<ESMA\_QUESTION\_TS\_CSDR\_22>

ESMA suggest that the functions of 1) Chief Risk Officer, 2) Chief Compliance Officer and 3) Chief Technical Officer shall be managed by different persons. VP is aware that other regulation allows the Risk and Compliance functions to be performed by the same person if this person is independent of the organisation. To avoid unnecessary cost with small and medium sized CSDs, VP suggests the possibility that a single person could manage all of these three functions.<ESMA\_QUESTION\_TS\_CSDR\_22>

##### What are your views on the proposed draft RTS on CSD record keeping (Chapter IV of Annex III) and draft ITS on CSD record keeping (Annex VII)?

<ESMA\_QUESTION\_TS\_CSDR\_23>

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<ESMA\_QUESTION\_TS\_CSDR\_23>

##### What are your views on the types of records to be retained by CSDs in relation to ancillary services as included in the Annex to the draft RTS on CSD Requirements (Annex III)? Please provide examples regarding the formats of the records to be retained by CSDs in relation to ancillary services.

<ESMA\_QUESTION\_TS\_CSDR\_25>

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##### What are your views on the proposed draft RTS on reconciliation measures included in Chapter V of Annex III?

<ESMA\_QUESTION\_TS\_CSDR\_25>

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##### Do you believe that the proposed reconciliation measures where other entities are involved in the reconciliation process for a certain securities issue within the meaning of Article 37(2) of CSDR are adequate? Please explain if you think that any of the proposed measures would not be applicable in the case of a specific entity. Please provide examples of any additional measures that would be relevant in the case of specific entities.

<ESMA\_QUESTION\_TS\_CSDR\_26>

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##### What are your views on the proposed reconciliation measures for corporate actions under Article 15 of the draft RTS included in Chapter V of Annex III?

<ESMA\_QUESTION\_TS\_CSDR\_27>

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##### What are your views on the proposed draft RTS on CSD operational risks included in Chapter VI of Annex III?

<ESMA\_QUESTION\_TS\_CSDR\_28>

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##### What are your views on the proposed draft RTS on CSD investment policy (Chapter VII of Annex III)?

<ESMA\_QUESTION\_TS\_CSDR\_29>

As mentioned during the first ESMA public consultation in 2014, VP offers ancillary services to issuers of shares on inter alia registrar services, annual general meeting services, and proxy voting. To facilitate this, the VP ancillary service company owns one share in each of the companies that it provide services to. This allows the VP ancillary service to receive information similar to other investors which is an important feature for VP to provide the necessary services the issuers. VP recommends that such shares are not considered as investment under the suggested investment policy rules.<ESMA\_QUESTION\_TS\_CSDR\_29>

##### What are your views on the proposed draft RTS on access (Chapters I-III of Annex IV) and draft ITS on access (Annex VIII)?

<ESMA\_QUESTION\_TS\_CSDR\_30>

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##### What are your views on the proposed draft RTS on CSD links as included in Chapter IV of Annex IV?

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##### What are your views on the proposed draft RTS on internalised settlement (Annex V) and draft ITS on internalised settlement (Annex IX)?

<ESMA\_QUESTION\_TS\_CSDR\_32>

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