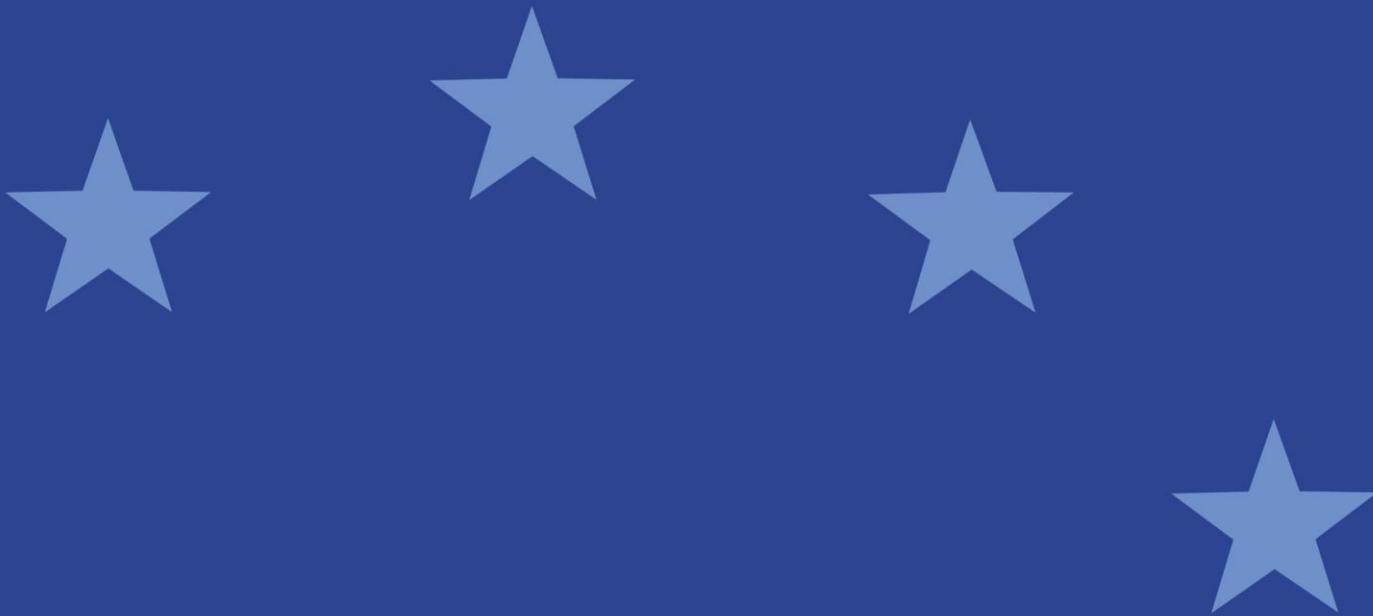




European Securities and  
Markets Authority

# Consultation Paper

**Guidelines on standardised procedures and messaging protocols used between investment firms and their professional clients under Article 6(2) of CSDR**



## Responding to this paper

ESMA invites comments on all matters in this paper and in particular on the specific questions summarised in Annex 1. Comments are most helpful if they:

1. respond to the question stated;
2. indicate the specific question to which the comment relates;
3. contain a clear rationale; and
4. describe any alternatives ESMA should consider.

ESMA will consider all comments received by **20 February 2019**.

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

### Instructions

In order to facilitate analysis of responses to the Consultation Paper, respondents are requested to follow the below steps when preparing and submitting their response:

1. Insert your responses to the questions in the Consultation Paper in the present response form.
2. Please do not remove tags of the type <ESMA\_QUESTION\_CSDR\_1>. Your response to each question has to be framed by the two tags corresponding to the question.
3. If you do not wish to respond to a given question, please do not delete it but simply leave the text "TYPE YOUR TEXT HERE" between the tags.
4. When you have drafted your response, name your response form according to the following convention: ESMA\_CSDR\_nameofrespondent\_RESPONSEFORM. For example, for a respondent named ABCD, the response form would be entitled ESMA\_CSDR\_ABCD\_RESPONSEFORM.
5. Upload the form containing your responses, in Word format, to ESMA's website ([www.esma.europa.eu](http://www.esma.europa.eu) under the heading "Your input – Open consultations" → "Consultation on Securitisation Repositories Application Requirements").

## Publication of responses

All contributions received will be published following the close of the consultation, unless you request otherwise. Please clearly and prominently indicate in your submission any part you do not wish to be publically disclosed. A standard confidentiality statement in an email message will not be treated as a request for non-disclosure. 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 not to disclose the response is reviewable by ESMA's Board of Appeal and the European Ombudsman.

The collection of confidential responses is without prejudice to the scope of Regulation (EC) No 1049/2001<sup>1</sup>. Possible requests for access to documents will be dealt in compliance with the requirements and obligations laid down in Regulation (EC) No 1049/2001.

## Data protection

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

## Who should read this paper

All interested stakeholders are invited to respond to this consultation. In particular, this paper may be specifically of interest to investment firms and professional clients as referred to in Article 6 of Regulation (EU) No 909/2014<sup>2</sup>(CSDR).

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<sup>1</sup> Regulation (EC) No 1049/2001 of the European Parliament and of the Council of 30 May 2001 regarding public access to European Parliament, Council and Commission documents , (OJ L 145, 31.5.2001, p. 43–48)

<sup>2</sup> Regulation (EU) No 909/2014 of the European Parliament and of the Council of 23 July 2014 on improving securities settlement in the European Union and on central securities depositories and amending Directive 98/26/EC and 2014/65/EU and Regulation (EU) No 236/2012 (OJ L 257, 28.8.2014, p. 1-72).



## General information about respondent

Name of the company / organisation	The Investment Association
Activity	Investment Services
Are you representing an association?	<input checked="" type="checkbox"/>
Country/Region	UK

## Introduction

*Please make your introductory comments below, if any*

<ESMA\_COMMENT\_CSDR\_1>

The [Investment Association](#) (IA) is the trade body that represents investment managers based in the UK, whose 255 members collectively manage over GBP 7.7 trillion on behalf of clients. The UK is the second largest investment management centre in the world.

Key statistics about the IA's membership:

- GBP 3.1 trillion managed for overseas clients (up 19% since 2016)
- GBP 1.8 trillion managed for European clients
- 35% of all assets under management in Europe are managed in the UK
- 1 in 5 people employed in the UK industry are international workers, with 1 in 10 coming from EU member states

Our principal concerns in this response are (a) to ensure that the current electronic post-trade solutions, which we believe are capable of meeting the regulatory objectives of CSDR Article 6(2), are not disrupted; and (b) that the Guideline provided clarity as to what is expected of an investment firm to enable its professional clients to meet what is required of them.

<ESMA\_COMMENT\_CSDR\_1>



## Summary of questions

- 1. : Do you have any additional comments or suggestions regarding the proposed guideline? Please provide arguments supporting your comments and suggestions.**

<ESMA\_QUESTION\_CSDR\_1>

Investment managers transact with brokers as agent for their clients (typically investment funds, pensions funds and insurance undertakings) and are themselves the client of the broker in the transactions they execute for the underlying client. As such we understand them to be in the role of the professional client for the purposes of Article 6(2).

Although paragraph 13 indicates that investment firms who face each other in a transaction should consider their respective roles, we believe it would be helpful for the avoidance of doubt if Guideline 1 stated explicitly that the party that places the order or requests to trade shall be considered to be the professional client.

<ESMA\_QUESTION\_CSDR\_1>

- 2. : Do you have any additional comments or suggestions regarding the proposed guideline? Please provide arguments supporting your comments and suggestions.**

<ESMA\_QUESTION\_CSDR\_2>

We have no comments on Guideline 2.

<ESMA\_QUESTION\_CSDR\_2>



**3. : Do you agree with the workflow described here? Should other steps be recommended? If so, please specify.**

<ESMA\_QUESTION\_CSDR\_3>

We agree that the workflow described is consistent with the requirements of Article 2(1) of the RTS, although the allocation flows will not always include the associated settlement details, especially in the two manual scenarios. In these instances, the information would be sent separately for each trade or provided in advance, either to the investment firm to hold as static data or to a central repository (eg. DTCC ALERT) from which the investment firm can retrieve it. It would be helpful to include a note to this effect in the annex.

In addition, we believe a key aspect of the central matching model, which is not clear from the CTM illustration is that both the professional client and the investment firm are able to see that the system has been able to match and agree their respective inputs. We would suggest that the diagram be enhanced to include this aspect.

Given the above enhancements to the Annex, we believe Guideline 3 should state that each of the flows illustrated is able to deliver an outcome that would satisfy ESMA's expectations with regard to provision of the information and confirmations required of each party by Article 2 of the RTS.

In particular, we ask that the Guideline confirms that a successful match in a central matching system such as CTM may be regarded as confirmation from the client that it accepts the terms of the transaction; and from the firm that it has received the client's allocation instructions and acceptance.

<ESMA\_QUESTION\_CSDR\_3>

**4. :**  
**(a) Do you have any additional comments or suggestions regarding the proposed guideline? Please provide arguments supporting your comments and suggestions.**

<ESMA\_QUESTION\_CSDR\_4a>

Article 2(1) of the RTS requires that investment firms offer the professional client the option to provide their allocation and confirmation of acceptance by electronic means. We believe it should be implicit, should the client choose this option, that the investment firm should use the same electronic means to confirm the allocations and provide the final economics of the transaction; and would urge ESMA to use Guideline 4 to indicate an expectation that this will be the case.

<ESMA\_QUESTION\_CSDR\_4a>



**(b) Do you see a need to develop a template for written allocation and confirmations not sent electronically?**

<ESMA\_QUESTION\_CSDR\_4b>

We would not encourage the development of a template for believe provision of a template to assist with physical written communications, which we believe might undermine the incentive to move to electronic means.

<ESMA\_QUESTION\_CSDR\_4b>

**5. : Is any clarification needed in respect of the content of certain items? If so, please indicate. For instance, should the information to be communicated under fields (f) “trade price of the financial instrument” or (i) “total amount of cash that is to be delivered or received”, or any other field be further specified?**

<ESMA\_QUESTION\_CSDR\_5>

We have no comments to raise concerning the clarity of the list, but please see our response to Question 6 concerning how some of the information may be provided.

<ESMA\_QUESTION\_CSDR\_5>

**6. : Do you believe any additional information should be required by the investment firm for facilitating the settlement of the transaction? If so, please specify.**

<ESMA\_QUESTION\_CSDR\_6>

We do not believe that any additional information would be required by the investment firm to settle the transaction.

It would be helpful, however, if Guideline 4 were expanded to clarify that the investment firm and client may agree that provision of access to a repository (eg. DTCC ALERT) where certain of the information may be found, such as the location and identity of the settlement accounts, would satisfy the obligation set out in Article 2(1) of the RTS

<ESMA\_QUESTION\_CSDR\_6>

**7. : Do you have any additional comments or suggestions regarding the proposed guideline? Please provide arguments supporting your comments and suggestions.**

<ESMA\_QUESTION\_CSDR\_7>



We believe it would be helpful if Guideline 5 included an expectation that the investment firm should agree with the professional client deadlines by which the firm will provide the final economic terms for each allocation to enable the client to deliver its confirmation of acceptance within the timeframes set out in Article 2(2) of the RTS. Such agreement would need to take into account whether their respective trade details are to be matched by a central utility, or locally by each party through a sequential exchange of communications.

<ESMA\_QUESTION\_CSDR\_7>

**8. : Do you have any additional comments or suggestions regarding the proposed guideline? Please provide arguments supporting your comments and suggestions.**

<ESMA\_QUESTION\_CSDR\_8>

We have no comments on Guideline 6, but please see our response to Question 7.

<ESMA\_QUESTION\_CSDR\_8>