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| Response Form to the Consultation Paper on the amendement of Article 19 of CSDR RTS on Settlement Discipline |
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**Responding to this paper**

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

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

ESMA will consider all comments received by **9 September 2022**

**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. Use this form and send your responses in Word format (**pdf documents will not be considered except for annexes**);
3. Please do not remove tags of the type <ESMA\_QUESTION \_SETD\_1>. Your response to each question has to be framed by the two tags corresponding to the question.
4. 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.
5. When you have drafted your response, name your response form according to the following convention: ESMA\_SETD\_nameofrespondent\_RESPONSEFORM. For example, for a respondent named ABCD, the response form would be entitled ESMA\_SETD\_ABCD\_RESPONSEFORM.
6. Upload the form containing your responses, **in Word format**, to ESMA’s website (www.esma.europa.eu under the heading “Your input – Open Consultations” -> Consultation Paper on the clearing and derivative trading obligations in view of the benchmark transition”).

**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.

**Data protection**

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

**Who should read this paper**

All interested stakeholders are invited to respond to this consultation paper. In particular, this paper may be specifically of interest to CCPs, CSDs and their clients.

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**General information about respondent**

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| Name of the company / organisation | Euronext |
| Activity | Other Financial service providers |
| Are you representing an association? |[ ]
| Country/Region | Europe |

**Questions**

1. Do market participants support removing the special process of collection and distribution of penalties by CCPs for cleared transactions? Please provide justifications, if possible supported by quantitative data.

<ESMA\_QUESTION\_SETD\_1>

Yes. Euronext CSDs and Euronext Clearing welcome the ESMA proposal to remove the separate process established in Article 19 of the Delegated Regulation (EU) 2018/1229 for the collection and distribution of the cash penalties in relation to settlement fails on cleared transactions to let the CSDs run the entire process of collection and distribution of penalties.

We believe that the current provision creates an inefficient duplication of the process that subsequently duplicates the operative costs for the management of cash penalties for the two market infrastructures.

Therefore, Euronext CSDs and Euronext Clearing are in favor of such amendments as we do not see any difficulties in the implementation of the proposed new mechanism to collect and distribute cash penalties in case of transactions fails to be handled entirely by the CSD. Indeed, the process would not change in its substance.

Finally, whilst set-up costs have already been paid and the mechanism for the management of cash penalties has already been implemented, the removal of the duplication of process will delete the ongoing operative costs while minimizing the operative risk of the entire process as well.

<ESMA\_QUESTION\_SETD\_1>

1. Do market participants support amending Article 19 of the CDR on Settlement Discipline as suggested in Annex IV? Please provide justifications, if possible supported by quantitative data.

<ESMA\_QUESTION\_SETD\_2>

Euronext CSDs and Euronext Clearing support the proposed amendments to Article 19 of Delegated Regulation (EU) 2018/1229, as they are in line with the purpose of simplifying the process.

To this end, it is worthwhile clarifying that cash penalties related to cleared operations could be subject to a netting mechanism with other non-cleared operations to carry out a single payment.

As regards the recovery of cash penalties in case of imbalances for the CCP, we support ESMA proposal.

Indeed, Euronext Clearing has already in place rules and mechanisms to manage the imbalances. Therefore, it will not be necessary to amend these rules as they are also well-known by clearing members.

<ESMA\_QUESTION\_SETD\_2>

1. Do market participants support delaying the application of the envisaged amendment by six months after the publication of the amending RTS in the Official Journal of the EU? If not, what would be appropriate implementation period in your view? Please provide explanations.

<ESMA\_QUESTION\_SETD\_3>

We support the application of the envisaged amendment, but we would welcome an extended timeline as the six months are barely sufficient to deliver the implementation of the required technical changes. Six months should be considered as the minimum period for handling the amendments. Indeed, we should take into account the internal and external tests and high-level analysis that should be conducted at CSDs and CCPs level.

<ESMA\_QUESTION\_SETD\_3>