Reply Form

**to the Consultation Paper on Technical Advice on the Scope of CSDR Settlement Discipline**

Responding to this Consultation Paper

ESMA invites comments on all matters in this Consultation Paper and in particular on the specific questions summarised in Annex 1. 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 2024.**

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:

• Insert your responses to the questions in the Consultation Paper in this reply form.

• Please do not remove tags of the type < ESMA\_QUESTION\_SETD\_0>. Your response to each question has to be framed by the two tags corresponding to the question.

• 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.

• When you have drafted your responses, save the reply form according to the following convention: ESMA\_CP1\_ SETD\_nameofrespondent.

For example, for a respondent named ABCD, the reply form would be saved with the following name: ESMA\_CP1\_ SETD\_ABCD.

• Upload the Word reply form containing your responses to ESMA’s website (**pdf documents will not be considered except for annexes**). All contributions should be submitted online at *www.esma.europa.eu* under the heading *‘Your input - Consultations’.*

**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 publicly 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 ‘[Data protection](https://www.esma.europa.eu/about-esma/data-protection)’.

**Who should read this paper?**

All interested stakeholders are invited to respond to this consultation paper. In particular, ESMA invites market infrastructures (CSDs, CCPs, trading venues), their members and participants, other investment firms, credit institutions, issuers, fund managers, retail and wholesale investors, and their representatives to provide their views to the questions asked in this paper.

# General information about respondent

|  |  |
| --- | --- |
| Name of the company / organisation | Association of German Public Banks |
| Activity | Credit institution |
| Are you representing an association? |  |
| Country / Region | Germany |

# Questions

1. Do you agree with ESMA’s proposal regarding the underlying causes of settlement fails that are considered as not attributable to the participants in the transactions? Please specify which cases you agree with and which cases you don’t agree with (if applicable). Please justify your answer and provide examples and data where available.

<ESMA\_QUESTION\_SETD\_1>

We, the Association of German Public Banks, representing more than 60 banking institutions in Germany (including Landesbanken, DZ Bank and KfW), agree that in order to ensure a smooth and orderly functioning of the financial markets concerned, the settlement discipline regime should not automatically penalize every individual settlement fail regardless of the context or the parties involved. Therefore, we greatly welcome the fact that Article 7 (3) a) and b) of CSDR, as amended by CSDR Refit, provides that settlement fails whose underlying cause is not attributable to the participants in the transaction, as well as operations that are not considered as trading, will no longer be subject to the rules of settlement discipline in the future.

In general, we have the following remarks:

* We agree that settlement fails not subject to cash penalties should not be included in settlement fails reporting. We also agree that settlement fails not subject to cash penalties should also not be subject to mandatory buy-ins, should a mandatory buy-in regime be reintroduced by legislators. However, we believe that, in the case of mandatory buy-ins, additional transactions should be exempted from the regime where a buy-in would serve no purpose or would be damaging to the functioning of the market. We therefore strongly encourage that, in the future event that the introduction of mandatory buy-ins is reconsidered, a separate consultation is issued prior to implementing mandatory buy-ins to identify additional scenarios which should be out of scope specifically of the mandatory buy-in regime
* Sufficient lead time must be granted to all stakeholders for their IT to implement and enact any system changes. The implementation period should begin at the earliest with the publication in Official Journal, last at least 24 months and take into account the points in time of the go-live of the two annual main releases of T2S.

The cases mentioned in items 17 and 18 of the consultation paper are- with the exception of point b under item 17 the situations that should be excluded from the scope of settlement discipline. This is because, in these instances, the fails cannot be attributed to either of the parties involved. The nature of these situations is such that neither party has direct control or responsibility over the occurrence of the fail. However, it is important to note that this list is not exhaustive, and other scenarios should also be considered for exclusion (please refer to our answer to Question 3).

For cases falling under b) related to ISIN suspension from trading, it is important to note that CSDs do not have access to such information, which is managed at stock exchange / trading venue level. Lacking such data, no exemption could be applied by CSDs and T2S and CSDs would reject the appeal of the participants since the legitimacy of the exemption cannot be verified.

<ESMA\_QUESTION\_SETD\_1>

1. ESMA would like to ask for the stakeholders’ views on the costs and benefits of the implementation of the respective exemptions from settlement discipline (based on the underlying causes of settlement fails that are considered as not attributable to the participants in the transactions). Please use the table below. Where relevant, additional tables, graphs and information may be included in order to support some of the arguments or calculations presented in the table below.

|  |  |  |
| --- | --- | --- |
| **ESMA’s proposal - underlying causes of settlement fails that are considered as not attributable to the participants in the transactions** |  | |
|  | **Qualitative description** | **Quantitative description/ Data** |
| **Benefits** |  |  |
| **Compliance costs:**  **- One-off**  **- On-going** |  |  |
| **Costs to other stakeholders** |  |  |
| **Indirect costs** |  |  |

<ESMA\_QUESTION\_SETD\_2>

|  |  |  |
| --- | --- | --- |
| **ESMA’s proposal - underlying causes of settlement fails that are considered as not attributable to the participants in the transactions** |  | |
|  | **Qualitative description** | **Quantitative description/ Data** |
| **Benefits** | Efficiency: Avoids the generation and processing of cash penalties which will not incentivise improved settlement efficiency.  Clarity: Provides greater certainty on the scope of application of cash penalties. |  |
| **Compliance costs:**  **- One-off**  **- On-going** | Changes to systems: CSDs will need to make updates to penalty calculation mechanisms. These same changes may need to be replication by other market participants who are predicting/monitoring penalties. |  |
| **Costs to other stakeholders** |  |  |
| **Indirect costs** |  |  |

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<ESMA\_QUESTION\_SETD\_2>

1. Do you have other suggestions regarding the underlying causes of settlement fails that are considered as not attributable to the participants in the transactions? Please justify your answer and provide examples and data where available.

<ESMA\_QUESTION\_SETD\_3>

We consider that a practical example is CSD-generated instructions. Where the instruction is created by the CSD itself with a back-dated intended settlement date, it is clearly outside the control of the participants. Neither participant can be fairly penalised for the failure to settle on intended settlement date.

However, we note that the typical examples of CSD-generated instructions, such as market claims, are generally captured by ESMA as scenarios deemed operations not considered as trading.

We are of the view, that the following additional cases also should be considered and exempted from the settlement discipline regime. We do not believe that these cases can be covered under clause d) in item 17 (*technical impossibilities at the CSD level that prevent settlement*):

* **Missing master data**: Another scenario that can lead to delays is when the I(CSD, issuer etc.) lacks the necessary master data for a particular instrument. There might be multiple reasons for the scenario, one of which is the following: In cases where the I(CSD) has not yet recorded the master data of an instrument in its systems, an instruction that would otherwise be accurate will be rejected. This rejection, due to missing data, can cause delays in the settlement process. The instructing party, having provided a correct instruction based on available information, cannot be held responsible in these cases. Thus, such delays should not be attributed to the transaction participants, as they are beyond their control.
* Within the context of **T2S realignment operations**, these should specifically be left out of scope. Similarly, the transfer of securities from one CSD account to another CSD account that does not imply a change of ownership should be deemed equivalent to T2S realignments, therefore not in scope. Since these would be effected under the same legal entity, debit and credit should offset, thus not causing an economic impact.
* **Use of settlement instruction type “PFOD”:** Some CSD processes make use of PFOD (Payment Free of Delivery) settlement, e.g. to credit tax refunds, interest payments or securities cash redemptions to the participants. These are “cash only” but no securities transactions.

In such cases, the PFOD instructions are generated by the CSD vs. the participant´s account. In some instances, an Intended Settlement Date (ISD) in the past (e.g. the value date of the tax refund payment received by the CSD) is applied to the PFOD that leads to the application of late matching penalties.

It can be reasonably argued that at least PFODs generated by CSDs for their own processing towards participants should generally be exempted from the application of the settlement discipline regime.

**Preferably, any PFODs should be to systematically excluded** as they are not always offered for use by the participants and represent very small transaction volumes in a CSD in any case.

* **Deletion of instructions by the CSD:** Sometimes, an instruction may be deleted by the CSD due to “errors” in the master data of the original instruction which, however, arise only subsequently. In such instances, the instructing party is required to re-enter the instruction, which may lead to a delay and potential imposition of a late matching fee. However, this "error" cannot always be attributed to the instructing party. For example, there can be situations where the place of safekeeping for the securities changes after the instruction has been sent. Given that settlement typically occurs on T+2 (two days after the transaction), there is a possibility that the place of safekeeping may change between the time the instruction was initially entered on T+0 and the actual settlement day. The instructing party could not have anticipated this change at T+0, and thus, the instruction was accurate at the time it was submitted. However, due to subsequent changes, the instruction may become incorrect. If late matching fees are then imposed on the instructing party, this would effectively penalize the party for making a timely instruction. This outcome is counterproductive and contrary to the goal of enhancing settlement efficiency. The CSD, with access to its data, can determine that the instruction was initially correct and only became incorrect due to factors beyond the instructing party's control. Consequently, any delays in settlement arising from such situations should not be attributed to the parties involved in the transaction. At least it should be ensured that the original sequence of the instructions should be maintained.
* **Multi-listed securities and required transfers:** In the case of multi-listed securities, there are instances where a transfer of securities is required, i. e. the securities need to be moved from one depository to another. Sometimes these depositories, e. g. due to tax reasons, freeze the securities, causing a delay in their transfer. This situation can result in a delay in the settlement process. The participants involved in the transaction have no influence over such decisions or the timing of these transfers, as these are determined by external factors. Therefore, any delays caused by such situations should not be considered the responsibility of the transaction participants.

In conclusion, these additional scenarios highlight the complexities involved in settlement processes and underscore the need for a more nuanced approach in the application of settlement discipline. It is crucial to recognize situations where the fails are not due to the actions or negligence of the parties involved but rather external factors that are beyond their control and what is even not (always) visible or assessable for CSDs.

<ESMA\_QUESTION\_SETD\_3>

1. If you have answered yes to the previous question, please specify what costs and benefits you envisage related to the implementation of your proposal. Please use the table below. Where relevant, additional tables, graphs and information may be included in order to support some of the arguments or calculations presented in the table below.

|  |  |  |
| --- | --- | --- |
| **Respondent’s proposal** (if applicable) |  | |
|  | **Qualitative description** | **Quantitative description/ Data** |
| **Benefits** |  |  |
| **Compliance costs:**  **- One-off**  **- On-going** |  |  |
| **Costs to other stakeholders** |  |  |
| **Indirect costs** |  |  |

<ESMA\_QUESTION\_SETD\_4>

|  |  |  |
| --- | --- | --- |
| **Respondent’s proposal** (if applicable) |  | |
|  | **Qualitative description** | **Quantitative description/ Data** |
| **Benefits** | Efficiency: Avoids the generation and processing of cash penalties which will not incentivise improved settlement efficiency.  Clarity: Provides greater certainty on the scope of application of cash penalties. |  |
| **Compliance costs:**  **- One-off**  **- On-going** | Changes to systems: CSDs will need to make updates to penalty calculation mechanisms. These same changes may need to be replicated by other market participants who are predicting/monitoring penalties. |  |
| **Costs to other stakeholders** |  |  |
| **Indirect costs** |  |  |

For most points referred to in Q3, we believe no major cost would be incurred by recalibrating the penalty mechanism or fails reporting scope definitions.

<ESMA\_QUESTION\_SETD\_4>

1. Do any of the exemption proposed above breaks the immunization principle? Please provide arguments.

<ESMA\_QUESTION\_SETD\_5>

In limited cases, it is possible that these exemptions could break the immunization principle. Typically, this would be in cross-border scenarios, whereby offsetting transactions are instructed for settlement at different CSDs. By way of example:

Example 1: Sanctions regulation could be interpreted or applied differently by different CSDs.

Example 2: A CSD-specific technology issue could prevent settlement at one CSD, whilst other CSDs operate as normal.

<ESMA\_QUESTION\_SETD\_5>

1. Which of the exemptions proposed above do you think can be filtered out before penalties are applied in an automated way? And which ones can only be exempted ex-post, as part of the already existing appeal mechanism at CSDs?

**Please provide details regarding the cost for ex-ante filtering compared to ex-post exemption via the appeal mechanism.**

<ESMA\_QUESTION\_SETD\_6>

As a general remark, none of the exceptions should ideally end up in the appeal mechanism at CSDs. This means that the exceptions should be clearly defined and easy for the CSD to implement. Based on past experience, the appeal process is a lengthy and costly endeavor. We, therefore, find it very unfortunate that ESMA seems to consider the appeal process as a regular procedural step.

<ESMA\_QUESTION\_SETD\_6>

1. For exemptions that can be filtered out in advance, do you think that a CSD would prefer to implement this filter or not? Also considering the very large number of appeals they might have to deal with and also the costs it will entail.

<ESMA\_QUESTION\_SETD\_7>

Ex-ante exemption must be the rule to avoid manual intervention needs across all stakeholders.

“Appeals” are and must remain restricted to rare exception handling.

<ESMA\_QUESTION\_SETD\_7>

1. Do you agree with ESMA’s proposal regarding the circumstances in which operations are not considered as trading? Please specify which cases you agree with and which cases you don’t agree with (if applicable). Please justify your answer and provide examples and data where available.

<ESMA\_QUESTION\_SETD\_8>

**Free of Payment (FoP) securities transfers to securities accounts at CSDs in the context of the (de)mobilisation of collateral.**

We agree if this includes the specific process involving the European Central Bank and national central banks, such as ECMS and other similar (central) systems.

We do not agree to exempt generally the movement of collateral between market participants from the scope of cash penalties as this is a risk management function for which it is important that settlement takes place on a timely basis.

From our perspective, it is crucial to ensure that any delays in collateralization are appropriately addressed within the penalty regime. Collateralization is a fundamental aspect of maintaining financial stability and ensuring that all parties meet their obligations. If collateral is not provided in a timely manner, it can impact the overall risk management and settlement efficiency of the transaction. Given the importance of timely collateralization, we believe that such delays should not be exempt from the penalty regime. Exempting these cases might undermine the effectiveness of the settlement discipline framework and could potentially lead to a lack of accountability for delays in providing collateral.

In addition, we would strongly recommend widening the scope (please also refer to our answer to Q 10). In principle, all transactions without a change of the beneficial owner should be excluded.

**Market claims, corporate actions on stock such as cash distributions (e.g. cash dividend, interest payment), securities distributions (e.g. stock dividend; bonus issue), reorganisations (e.g. conversion, stock split, redemption, tender offer).**

We are supportive of this proposed exemption. A market claim is an example of securities markets operations distinct from a transaction in a financial instrument. For this reason, it should not be subject to the penalties regime. The pending underlying transaction will be subject to a penalty where applicable. In the vast majority of cases, market claims are automatically detected and generated by the CSD itself and therefore not the result of a transfer order initiated by the trading parties of the original transaction. With respect to corporate actions on stock, we note that these instructions are already exempted from cash penalties as general practice under the ECSDA framework.

**The process of technical creation of securities, meaning the transfer from the CSD’s issuance account to the issuer’s CSD account)**

We are supportive of this exemption. However, we do not support the general exemption of primary market transactions from trading.

The potential criteria for CSDs and T2S to be able to clearly identify such transactions are yet to be assessed by all stakeholders.

**Creation and redemption of fund units on the primary market (i.e., the technical creation and redemption of fund units, except for ETFs).**

We are generally supportive of this exemption.

For ETFs in particular, we note the following considerations:

* The primary market transaction (i.e., the transfer between the transfer agent and the authorized participant) should be in scope of cash penalties.
* The mark-up/mark-down (i.e., the funds issued or redeemed on the fund issuance account of the transfer agent at the CSD/ depository) should be out of scope of the cash penalty mechanism as we understand this to be part of the process for the technical creation of securities.

**Realignment operations**

Within the context of T2S realignment operations, these should specifically be left out of scope. Similarly, the transfer of securities from one CSD account to another CSD account that does not imply a change of ownership should be deemed equivalent to T2S realignments, therefore not in scope. Since these would be effected under the same legal entity, debit and credit should offset, thus not causing an economic impact.

In addition, we would like to raise the following issue (please also refer to Q 15): From an operational perspective, the primary consideration is whether the type of operation proposed to be exempted:

* 1. can be identified unequivocally, and
  2. can be filtered ex-ante by the penalty mechanism (i.e. built into the design), in order to be operationally manageable given the potential volumes of instructions to exempt.

Hence, we would like to emphasize the importance of a clear and unambiguous communication regarding the applicability of these exceptions to the CSDs. The manner in which this information is conveyed is vital because, in many situations, the CSD will lack the necessary information to determine whether a transaction should be considered as “trading” or as falling under an exemption. For instance, without explicit communication, the CSD might not be aware that a particular transaction stems from a corporate actions or realignment rather than traditional trading activities.

To address this issue, we propose that the correct designation of the parties involved should be established as a matching criterion. This means that all parties involved in the transaction must clearly indicate the nature of the transaction. Such transparency will help ensure that the CSD can accurately identify whether the transaction qualifies for an exception under the settlement discipline rules.

This responsibility for using the correct trade types does not solely rest on the parties directly involved in the transaction. It also extends equally to any intermediaries, such as custodians or agents, that may be involved in the process. These intermediaries play a critical role in the chain of communication and settlement, and their accurate classification of transactions is essential to avoid unnecessary appeals and disputes that could arise from ambiguities or misunderstandings.

<ESMA\_QUESTION\_SETD\_8>

1. ESMA would like to ask for the stakeholders’ views on the costs and benefits of the implementation of the respective exemptions from settlement discipline (based on the circumstances in which operations are not considered as trading). Please use the table below. Where relevant, additional tables, graphs and information may be included in order to support some of the arguments or calculations presented in the table below.

|  |  |  |
| --- | --- | --- |
| **ESMA’s proposal - circumstances in which operations are not considered as trading** |  | |
|  | **Qualitative description** | **Quantitative description/ Data** |
| **Benefits** |  |  |
| **Compliance costs:**  **- One-off**  **- On-going** |  |  |
| **Costs to other stakeholders** |  |  |
| **Indirect costs** |  |  |

<ESMA\_QUESTION\_SETD\_9>

|  |  |  |
| --- | --- | --- |
| **ESMA’s proposal - circumstances in which operations are not considered as trading** |  | |
|  | **Qualitative description** | **Quantitative description/ Data** |
| **Benefits** | Efficiency: Avoids the generation and processing of cash penalties which will not incentivise improved settlement efficiency.  Clarity: Provides greater certainty on the scope of application of cash penalties. |  |
| **Compliance costs:**  **- One-off**  **- On-going** | Changes to systems: CSDs will need to make updates to penalty calculation mechanisms. These same changes may need to be replication by other market participants who are predicting/monitoring penalties. |  |
| **Costs to other stakeholders** |  |  |
| **Indirect costs** |  |  |

<ESMA\_QUESTION\_SETD\_9>

1. Do you have other suggestions regarding circumstances in which operations are not considered as trading? Please justify your answer and provide examples and data where available.

<ESMA\_QUESTION\_SETD\_10>

We believe that the scope is currently too wide as it goes beyond the settlement of trading activity and covers as well participants´ “internal” and other specific transactions.

Hence, we strongly recommend reducing the scope of transactions subject to the settlement discipline regime for ESMA to focus actions on data that is truly relevant regarding settlement and financial risk aspects and exclude the “*operations that are not considered as trading*” listed below from the scope of application of the settlement discipline regime in future.

It should be noted that such transactions do not negatively impact another participant´s trading activity.

1. Share registration bookings (specifically relevant for CBF/ German market where regularly failed DE registered shares (“CASCADE RS”) “high value” free of payment share registration orders occur that negatively impact the settlement efficiency rates of individual participants and being the main reason why they occur as “Top 10 failing” participants” in CBF´s monthly fails reporting to ESMA;
2. Any transfer without change of beneficial ownership, e.g.

* Portfolio transfers (PORT),
* any transfers labelled by CSD participants as not representing a change in the Final Beneficial Owner (NCBO).

We believe that CSDs should not be passing on the credits/debits derived from these operations and they should be taken out of the calculation completely. Such transfers are internal movements that do not involve the broader market or external counterparties. They are often carried out for operational reasons such as account rebalancing or administrative adjustments, rather than for trading or settlement purposes. These “internal” transfers do not impact the market's settlement efficiency or create additional risk. In order to exclude such transactions, CSDs need to be able to clearly identify them, e.g. based on dedicated and identical SWIFT qualifiers in the relevant settlement instructions.

As result, we request ESMA to ensure that in future such transactions should neither be made subject to penalties and mandatory buy-ins nor be considered in the settlement efficiency rates calculation of CSDs.

<ESMA\_QUESTION\_SETD\_10>

1. If you have answered yes to the previous question, please specify what costs and benefits you envisage related to the implementation of your proposal. Please use the table below. Where relevant, additional tables, graphs and information may be included in order to support some of the arguments or calculations presented in the table below.

|  |  |  |
| --- | --- | --- |
| **Respondent’s proposal** (if applicable) |  | |
|  | **Qualitative description** | **Quantitative description/ Data** |
| **Benefits** |  |  |
| **Compliance costs:**  **- One-off**  **- On-going** |  |  |
| **Costs to other stakeholders** |  |  |
| **Indirect costs** |  |  |

<ESMA\_QUESTION\_SETD\_11>

|  |  |  |
| --- | --- | --- |
| **Respondent’s proposal** (if applicable) |  | |
|  | **Qualitative description** | **Quantitative description/ Data** |
| **Benefits** | Efficiency: Avoids the generation and processing of cash penalties which will not incentivise improved settlement efficiency.  Clarity: Provides greater certainty on the scope of application of cash penalties. |  |
| **Compliance costs:**  **- One-off**  **- On-going** | Changes to systems: CSDs will need to make updates to penalty calculation mechanisms. These same changes may need to be replication by other market participants who are predicting/monitoring penalties. |  |
| **Costs to other stakeholders** |  |  |
| **Indirect costs** |  |  |

<ESMA\_QUESTION\_SETD\_11>

1. Do any of the exemption proposed above breaks the immunization principle? Please provide arguments.

<ESMA\_QUESTION\_SETD\_12>

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<ESMA\_QUESTION\_SETD\_12>

1. Which of the exemptions proposed above do you think can be filtered out before penalties are applied in an automated way? And which one can only be exempted ex-post, as part of the already existing appeal mechanism at CSDs?

**Please provide details regarding the cost for ex-ante filtering compared to ex-post exemption via the appeal mechanism.**

<ESMA\_QUESTION\_SETD\_13>

As a general remark, none of the exceptions should ideally end up in the appeal mechanism at CSDs. This means that the exceptions should be clearly defined and easy for the CSD to implement. Based on past experience, the appeal process is a lengthy and costly endeavor. We, therefore, find it very unfortunate that ESMA seems to consider the appeal process as a regular procedural step.

<ESMA\_QUESTION\_SETD\_13>

1. For exemptions that can be filtered out in advance, do you think that a CSD would prefer to implement this filter or not? Also considering the very large number of appeals they might have to deal with and also the costs it will entail.

<ESMA\_QUESTION\_SETD\_14>

Ex-ante exemption must be the rule to avoid manual intervention needs across all stakeholders.

“Appeals” are and must remain restricted to rare exception handling.

<ESMA\_QUESTION\_SETD\_14>

1. Which transaction types based on the codes allowed by T2S (or potentially other codes such as ISO transaction codes) should be exempted from settlement discipline measures? Please provide the codes, their definition and arguments to justify the exemption.

<ESMA\_QUESTION\_SETD\_15>

Considering our responses to Q8 and Q10, for CSDs or T2S to be able to systematically exempt transactions from settlement discipline regime, both participants´ settlement instructions must contain a dedicated identical (SWIFT) qualifier. The use if these ISO transaction types has to be used by all CSDs in the same and standardized way.

This concerns *inter alia* the following identifiers

* “CLAI”/“TRAN” for market claims/transformations; “CORP” for Corporate Actions on stock
* “REDM”, “SUBS”, “for Investment Funds redemption/ subscription/ orders;
* “OWNI”/ “OWNE” for DE share registrations (CASCADE RS);
* “COLI” / “COLO”
* “PORT” for portfolio transfers;
* “ISSU” for primary issuance settlement;
* “REAL” for position realignments

In addition, considering our responses to Q8 and Q10, all transaction without a change of beneficial owner should be exempted. Such transactions, when flagged by CSD participants as such, can be identified via the SWIFT qualifier 22F in sequence E with “BENE//NBEN” (no change of beneficial owner) or “BENE//YBEN” (change of beneficial owner).

In order to cover implementation costs a default indicator should be implemented, we suggest to use BENE//YBEN in general as a default. In case of no input and empty field BENE//YBEN should apply, i.e. such instructions would be considered as being in Settlement Discipline Regime scope.

In the case of no change of beneficial owner the indicator BENE/NBEN has to be set.

<ESMA\_QUESTION\_SETD\_15>