Reply Form

Consultation Paper on the Amendments to the RTS on 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 **14 April 2025.**

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\_CSDC\_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\_ CSDC\_nameofrespondent.

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

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**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 | German Banking Industry Committee |
| Activity | Other |
| Are you representing an association? |[x]
| Country / Region | Germany |

# Questions

**3.1.1 Timing of allocations and confirmations**

1. Do you agree with the proposed amendments to Articles 2(2) and 3 of CDR 2018/1229?

<ESMA\_QUESTION\_CSDC\_1>

<ESMA\_QUESTION\_CSDC\_1>

1. Would you see merit in introducing an obligation for investment firms to notify their professional clients the execution details of their orders as soon as these orders are fulfilled (in a way that allows STP)? If yes, should it be cumulative to the proposed amendments to Articles 2(2) and 3 of CDR 2018/1229?

<ESMA\_QUESTION\_CSDC\_2>

Yes, we agree. It should be cumulative.

<ESMA\_QUESTION\_CSDC\_2>

1. If you support an obligation for investment firms to notify their professional clients the execution as soon as the orders are fulfilled, do you think that clients should be allowed a maximum number of business hours for the allocations and confirmations from the moment of notification by investment firms, instead of having fixed deadlines? If yes, how many hours would be necessary for that?

<ESMA\_QUESTION\_CSDC\_3>

We support fixed deadline. Otherwise it would be too complex.

<ESMA\_QUESTION\_CSDC\_3>

1. Should CDR 2018/1229 further specify the term ‘close of business’ for the purpose of Article 2(2)? If yes, how should this take into account the business day at CSD level?

<ESMA\_QUESTION\_CSDC\_4>

No. From our perspective there is no need to further specify the term “close of business”. In particular, it would be rather complex to find a common specification considering all entities involved in the trading and settlement process of securities (counterparties, clearinghouses, CSDs, etc.). Furthermore, this point in time is usually not relevant at all for the settlement process.

In addition, terms such as the trade or execution date are sufficiently defined by various other regulatory provisions, such as MiFIR (e. g. Art. 26).

As a general remark we would like to emphasise that from our point of view not everything needs to be regulated by law; in many cases, market standards or industry best practices may be sufficient. Overregulation can sometimes lead to unintended consequences, including disadvantaging certain individuals or businesses. Laws that are too rigid may not account for the nuances of specific situations and could limit flexibility where a more dynamic approach would be beneficial.

<ESMA\_QUESTION\_CSDC\_4>

1. Should the 10:00 CET deadline for professional clients in different time zones and retail clients be brought forward to 07:00 CET on T+1, to be aligned with the UK deadline?

<ESMA\_QUESTION\_CSDC\_5>

<ESMA\_QUESTION\_CSDC\_5>

1. Can you suggest any other means to achieve the same objective? If yes, please elaborate

<ESMA\_QUESTION\_CSDC\_6>

No. As a general remark, in order to avoid settlement delays with the upcoming shortening of the settlement cycle, a faster delivery of information should be pursued. As a general principle, the information to be provided should be standardised to the largest extent possible in order for the market participants to be able to meet the required deadlines. Whenever possible, standardized processes should be used, such as standard delivery channels and account details. Also, it might help if ESMA were to set up some sort of “golden source”, i.e. a centralized hub in Europe, for all SSIs which is also easily accessible.

<ESMA\_QUESTION\_CSDC\_6>

**3.1.2 Means for sending allocations and confirmations**

1. Do you agree to make the use of electronic and machine-readable format that allow for STP mandatory for written allocations?

<ESMA\_QUESTION\_CSDC\_7>

Yes, we agree. Next to the format it would also be very useful to have a standard for the relevant dataset to be included in the confirmation.

We understand that “machine-readable” refers to Art. 2 No. 4 of Regulation 2023/2859 (ESAP-Regulation, to which also MiFID refers): “machine-readable format” means a machine-readable format as defined in Article 2(13) of Directive (EU) 2019/1024.

Accordingly: ‘machine-readable format’ means a file format structured so that software applications can easily identify, recognise and extract specific data, including individual statements of fact, and their internal structure. It might, thus, be helpful to include a reference to this definition.

Data or information that is structured in a format that can be easily processed and understood by computers without human intervention. This typically involves the use of standardised formats such as XML, JSON or CSV. The exchange of information via email despite being sent in an electronic format, can clearly not be considered as “machine-readable”.<ESMA\_QUESTION\_CSDC\_7>

1. Would you see merit in introducing optionality for investment firms to set deadlines based on whether an electronic, machine-readable format of the communication is used? In such case, do you agree that an earlier deadline could be set for non-machine readable formats, so clients are disincentivised to use them? Which should be such deadline?

<ESMA\_QUESTION\_CSDC\_8>

 As outlined in our response to Q7, allocations and confirmations should be sent in electronic machine-readable format. Hence, we do not support the general introduction of optionality for investment firms to set deadlines based on the format of communication. Professional clients should all be obliged to use electronic, machine-readable formats. Allowing participants the choice to send non-machine-readable formats risks reinforcing fragmentation in communication standards, which could potentially lead to more mismatches, processing delays, and inefficiencies in settlement processes. We consider that the industry should prioritise the adoption of structured, electronic, and machine-readable formats to improve automation, reduce manual intervention, and enhance overall settlement efficiency.

However, there is merit in introducing the optionality for investment firms to set deadlines based on whether an electronic, machine-readable format of the communication is used for other clients than professional clients. Allowing for an earlier deadline for non-machine-readable formats should act as a disincentive. But it would allow for in particular smaller, not so sophisticated market participants to be able to adapt at a slower pace. It might also be difficult to force customers onto the relevant, privately organized platforms – not least because this is associated with costs. Also, those platforms, like CTM or others, are not accessible for everyone. There are probably enough small firms or firms with little volumes in trading were changing to STP -processing will not be worth it for cost-benefit reasons.

<ESMA\_QUESTION\_CSDC\_8>

1. Please provide quantitative evidence regarding the use of non-machine readable formats for written allocations and confirmations.

<ESMA\_QUESTION\_CSDC\_9>

In general, electronic communication already predominates in the market. However, the small amounts of non-electronic communication require a significant manual effort.

<ESMA\_QUESTION\_CSDC\_9>

1. Would it be necessary to introduce a similar obligation in other steps of the settlement chain? If yes, please elaborate.

<ESMA\_QUESTION\_CSDC\_10>

Everywhere non-electronic communication occurs, similar steps could be beneficial. However, we would like to question whether this need to be prescribed by law. It can be assumed that against the background of T+1, all market participants are striving for the highest possible level of automation - which includes the use of machine readable formats. And there might be the need to fall back on non-machine-readable formats in case of manual handling of exceptional cases or in case of a backup process.

<ESMA\_QUESTION\_CSDC\_10>

1. Can you suggest any other means to achieve the same objective? If yes, please elaborate

<ESMA\_QUESTION\_CSDC\_11>

As per Q 8 the use of machine-readable formats could be incentivised by different price schedules which will serve as a motivation to change the formats.

<ESMA\_QUESTION\_CSDC\_11>

**3.1.3 The use of international open communication procedures and standards for messaging and reference data to exchange allocations and confirmations**

1. Do you agree with the proposed amendment to Article 2 of CDR 2018/1229?

<ESMA\_QUESTION\_CSDC\_12>

No. We are strongly opposed to introducing this obligation for investment firms.

We believe that the decision on how investment firms receive allocation and confirmation messages should remain a matter of agreement between the firm and its clients, provided that the chosen method ensures Straight-Through-Processing (STP) and is sent in a machine-readable format.

<ESMA\_QUESTION\_CSDC\_12>

1. Do you agree that settlement efficiency would improve if all parties in the transaction and settlement chain used the latest international standards, such as the ISO 20022 messaging standards, in particular whenever A2A messages and data are exchanged? If not, please elaborate. How long would it take for all parties to adapt to ISO20022?

<ESMA\_QUESTION\_CSDC\_13>

No, such technical issues should not be prescribed by law but left to the market. In principle, the use of a standardised and compatible format is desirable. Standards are essential for overall processing efficiency. However, this does not necessarily have to be ISO 20022. The considerations regarding settlement efficiency also apply to the existing ISO 15022 standard. The potential benefits do not outweigh the costs of transitioning to a new standard. If a transition were to take place, a timeframe of a minimum of five years would be realistic for the financial industry, as other requirements, including regulatory obligations, also need to be implemented. Hence, switching from already existing standardized formats to another format will not be beneficial to settlement efficiency. It will most likely lead to lower efficiency rates as the market will have to adapt. This would hinder a smooth transition to T+1 and be detrimental to the desired objective.

In addition, ISO 20022 is not the only possible solution. Most allocations and confirmations currently utilise FIX, CTM, and other existing protocols. The focus should be on improving automation by leveraging the existing technologies rather than imposing the use of certain messaging standards.

<ESMA\_QUESTION\_CSDC\_13>

1. Can you provide figures (by number and type of financial entities, jurisdictions) regarding the current use of international open communication procedures and standards such as: a) ISO 20022, b) ISO 15022, c) others (please specify)?

<ESMA\_QUESTION\_CSDC\_14>

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<ESMA\_QUESTION\_CSDC\_14>

1. Do you agree with the proposal of the EU Industry Task Force whereby allocation requirements should be aligned with CSD-level matching requirements? If not, please elaborate.

<ESMA\_QUESTION\_CSDC\_15>

We generally agree with the proposal. The main data elements should be aligned and matched as early as possible (e.g. PSET). In addition it is necessary to increase the data quality from the beginning of the trade lifecycle as the given timeframe will be significantly shorter under T+1. Hence, major differences should not become apparent earlier than during settlement. They should be identified as early as possible. However, some data elements will only need to be specified at a later point in time (e. g. matching of settlement instructions at CSD-level).

However, pre-matching should not be a pre-condition for settlement. If this were the case and many more elements will be included in the matching process, this could delay the transmission of instructions to the market. Hence, it should remain possible to send the instructions to the market in parallel. Even though, in theory, there is the risk that the instruction deviates from the final matching.

<ESMA\_QUESTION\_CSDC\_15>

1. Can you suggest any other means to achieve the same objective? If yes, please elaborate.

<ESMA\_QUESTION\_CSDC\_16>

No, but we would like to point out that affirming broker confirmations, a process that has been made mandatory in the US market, do not per se contribute to settlement efficiency. It should also be noted that the DTCC tool TradeSuite is subject to a fee. This is another reason why these tools should not be required by law. This must remain a decision for the market participants.

The key for successful and efficient settlement is to instruct as early as possible using standardized formats and data for the settlement instructions. It would be, thus, more beneficial to reduce complexity due to several different formats for settlement instruction as every single CSD today has its own format / requirement.

<ESMA\_QUESTION\_CSDC\_16>

**3.1.4 Onboarding of new clients**

1. Do you agree with the proposed regulatory change to introduce an obligation for investment firms to collect the data necessary to settle a trade from professional clients during their onboarding and to keep it updated? If not, please explain.

<ESMA\_QUESTION\_CSDC\_17>

We do not support mandating investment firms to collect trade settlement data during the onboarding process. The data collected during the step of onboarding may become stale or outdated by the time the client engages in their first transaction. Investment firms typically request and verify trade settlement data at the time of the first trade, rather than relying solely on the information gathered during the onboarding process. Furthermore, the collection of data that is not required at the time of onboarding could violate data protection regulations. Investment firms should therefore be free to choose the timing of their data collection.

<ESMA\_QUESTION\_CSDC\_17>

1. Can you suggest any other means to achieve the same objective? If yes, please elaborate.

<ESMA\_QUESTION\_CSDC\_18>

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<ESMA\_QUESTION\_CSDC\_18>

**3.1.6 Partial settlement**

1. Do you agree with the proposed amendment to Article 10 of CDR 2018/1229? If not, please elaborate.

<ESMA\_QUESTION\_CSDC\_19>

<ESMA\_QUESTION\_CSDC\_19>

1. Do you agree with the deletion of Article 12 of CDR 2018/1229? If not, please elaborate.

<ESMA\_QUESTION\_CSDC\_20>

Yes, we agree.

<ESMA\_QUESTION\_CSDC\_20>

1. Do you have other suggestions to incentivise partial settlement? If yes, please elaborate.

<ESMA\_QUESTION\_CSDC\_21>

Regarding point 91 we note that “auto-splitting” (shaping) is today not applied by CSDs but “upstream”, i.e. CSDs accept any settlement quantity in a participant´s settlement instruction. This is confirmed e.g. by the UK AST that recommends to apply the current market practice rather than creating new CSD shaping services. Point 98 refers to fees applied by CSDs – we fail to see the rationale of this statement as participants can actively manage the minimum quantities and amounts to be settled partially to avoid “micro-partials”. Therefore, we support to allow the application of minimum partial quantities/ values definitions should partials become the norm rather than an option.  In the end it should be the standard to settle complete as it is an obligation out of the trade. Partial settlement can be used to minimize risks as well as penalties or costs.

We recommend the development and promotion of industry best practices to encourage the use of partial settlement functionality. These best practices should focus on:

• Agreeing and defining on standardised partial settlement thresholds to ensure alignment across market participants.

• Providing operational guidance on when and how partial settlement should be utilised to optimise settlement efficiency.

• Improving transparency around the benefits of partial settlement, including the reduction of penalties and optimisation of liquidity.Moreover, CSDs should encourage and support partial settlement in the interest of market efficiency. Therefore, we recommend that CSDs fee structures consider to limit costs associated with the processing of partials.

<ESMA\_QUESTION\_CSDC\_21>

1. Do you think that some types of transactions should not be subject to partial settlement? If yes, could you provide a list and the supporting reasoning?

<ESMA\_QUESTION\_CSDC\_22>

 No.

<ESMA\_QUESTION\_CSDC\_22>

**3.1.7. Auto-collateralisation**

1. Do you agree with the introduction of an obligation for CSDs to facilitate the provision of intraday cash credit secured with collateral via an auto-collateralisation facility? If not, please elaborate.

<ESMA\_QUESTION\_CSDC\_23>

It is worth noting that within T2S the “auto-coll.” service is actually offered by the Central Banks (or Payment Banks), but not CSDs who only facilitate the processing of collateral transfers via the respective settlement instructions. The T2S auto-collateralisation functionality is available to all T2S CSDs with a T2S currency (EUR and DKK), but T2S CSDs and non-T2S CSDs with a local non-T2S currency should be mandated to agree with their local central banks on a similar service for an intraday credit in central bank money against central bank eligible collateral.

We support the proposed amendment of Article 11 to incorporate the mandate for CSDs to facilitate intraday cash credit in central bank money via an auto-collateralisation facility. We note that auto-collateralisation represents an efficient way to create additional intra-day liquidity, thereby supporting overall market stability and efficiency. CSD participants should be free to make use of this auto-collateralisation service. CSDs should not be mandated to offer anything similar for intraday liquidity in commercial bank money.

<ESMA\_QUESTION\_CSDC\_23>

1. Can you suggest any other means to achieve the same objective? If yes, please elaborate.

<ESMA\_QUESTION\_CSDC\_24>

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<ESMA\_QUESTION\_CSDC\_24>

**3.1.8 Real-time gross settlement versus batches**

1. Should CDR 2018/1229 be amended to require all CSDs to offer real-time gross settlement for a minimum window of time of each business day as well as a minimum number of settlement batches? Please provide arguments to justify your answer.

<ESMA\_QUESTION\_CSDC\_25>

Yes. Due to the shortening of settlement cycles and the corresponding reduction in cut-off times, central securities depositories (CSDs) must offer either real-time settlement and multiple settlement batches per day to meet the required deadlines. This is especially crucial in trading and settlement chains (e.g., purchase and immediate resale) and in light of the requirement not to use "external" holdings for deliveries. To ensure timely processing, multiple settlement cycles must be made available. The services are available in T2S. T2S CSDs should align to the nighttime batches and daytime RTS-windows of T2S. Many CSDs that are not connected to T2S (AFME report: 11) do not yet offer real-time settlement or settlement batches. For those non T2S CSDs a minimum number of batches a minimum RTS-window should be determined.

<ESMA\_QUESTION\_CSDC\_25>

1. What should be the length of the minimum window of time of each business day for real-time gross settlement and the minimum number of settlement batches that should be offered, per business day? Please provide arguments to justify your answer.

<ESMA\_QUESTION\_CSDC\_26>

At this time, this should not be regulated by law. : These are questions discussed and analysed under operational timetable within the EU T+1 The Industry Committee . The results should be awaited. There is no need to include this in a regulation and it should be left to the industry to come up with a reasonable timetable.

<ESMA\_QUESTION\_CSDC\_26>

1. Can you suggest any other means to achieve the same objective? If yes, please elaborate.

<ESMA\_QUESTION\_CSDC\_27>

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<ESMA\_QUESTION\_CSDC\_27>

**3.1.9 Reporting top failing participants**

1. Do you agree with the proposed amendments to Table 1 of Annex I of CDR 2018/1229? If not, please elaborate.

<ESMA\_QUESTION\_CSDC\_28>

<ESMA\_QUESTION\_CSDC\_28>

1. Should top 10 failing participants be reported both in absolute terms (current approach) and in relative terms (according to the proposed amendments to Table 1 of Annex I of CDR 2018/1229)?

<ESMA\_QUESTION\_CSDC\_29>

<ESMA\_QUESTION\_CSDC\_29>

1. Do you have additional suggestions regarding the requirements for CSDs to report settlement fails data specified in Annex I and Annex II of CDR 2018/1229? If yes, please elaborate.

<ESMA\_QUESTION\_CSDC\_30>

<ESMA\_QUESTION\_CSDC\_30>

**3.1.10 Reporting the reasons for settlement fails**

1. Do you agree with the proposed amendments to Article 13(1)(a) of CDR 2018/1229? Or can you suggest alternative options so that CSDs have visibility of the root causes of settlement fails at participants level?

<ESMA\_QUESTION\_CSDC\_31>

No, we do not agree. The custodian does not know the reasons for a fail and acts solely based on customer instructions. The customer is not obligated to provide information about the reason for a fail. Therefore, the responsibility cannot lie with the custodian. In addition, we are of the view that the obligation of the CSDs under Article 13(2) of CDR 2018/1229 suffice in order to detect the main causes of settlement fails.

<ESMA\_QUESTION\_CSDC\_31>

1. Based on the experience since the implementation of the settlement discipline regime under CSDR, please describe the main root causes of settlement fails identified so far. Please specify the relevant categories in more granular terms, going beyond “lack of securities”, “lack of cash” and “instructions put on hold”.

<ESMA\_QUESTION\_CSDC\_32>

CSDs do not have further knowledge about the reasons for a fail. Each customer would have to be asked individually throughout the entire custody chain why they could not deliver. This would entail significant effort. Moreover, customers are not obligated to respond.In general, the following have been identified in the past as examples for root causes of settlement fails

* Inventory management/ delayed realignments: multi-listed securities with split holdings: moving positions between countries and clearing houses can be challenging, particularly when different time zones are involved
* Data quality: missing standardization in the formats across different CSDs and missing or complex SSIs format and requirements (“mixing” of codes, account numbers, BICs), incomplete static data.
* missing instructions of the counterparty
* mismatches of the settlement instructions
* **The transfer of certificates**: eg. when investment fund shares are held both by a capital management company and are also traded on the stock exchange. In such cases, physical or electronic certificates must be transferred from the KVG to Clearstream to ensure proper booking of the holdings.
* **New issuances:** can also cause delays if they are not delivered on time by the issuer.
* Counterparyt behaviour: Information that is necessary for the timely processing and settlement of a transaction is provided by the counterparty: in a non-standard format; in an incomplete or inaccurate manner; or late
* Workflow management: Delays or fails attributed to internal workflow inefficiencies, non-straight through processing (STP) processes, manual booking errors or technology issues that occur within an internal system

Structural issues: Lack of harmonised CSD standards / practices

<ESMA\_QUESTION\_CSDC\_32>

1. According to Article 13(2) of the CDR, CSDs shall establish working arrangements with their top failing participants to analyse the main reasons for settlement fails. Do you believe that this provision has proven useful in analysing the root causes of fails and in preventing them? Do you have suggestions on other actions which CSDs could take with respect to top failing participants?

<ESMA\_QUESTION\_CSDC\_33>

We fully support the current process of “working arrangements” applied by the German central securities depository, which is a member of a GBIC-association, in agreement with our NCAs and believe that it has proven very successful in achieving the participants´ commitment to analyse reasons for settlement fails and take mitigating actions. However, we understand that the current procedures are not harmonised across all NCAs, hence, we plead for regulatory convergence in this regard to achieve a level playing field.

<ESMA\_QUESTION\_CSDC\_33>

**3.1.11 CSDs’ public disclosure on settlement fails**

1. Do you agree with the proposed amendments to Table 1 of Annex III of CDR 2018/1229 to include information on the breakdown of the settlement fails per asset class? If not, please elaborate.

<ESMA\_QUESTION\_CSDC\_34>

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<ESMA\_QUESTION\_CSDC\_34>

1. Do you think that CSDs should publish additional information on settlement fails? If yes, please specify.

<ESMA\_QUESTION\_CSDC\_35>

No, we see no reason for this.

<ESMA\_QUESTION\_CSDC\_35>

1. Should the frequency of publication of settlement fails data by CSDs increase? Which should be the right frequency?

<ESMA\_QUESTION\_CSDC\_36>

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<ESMA\_QUESTION\_CSDC\_36>

**3.2.1 Unique transaction identifier (UTI)**

1. Do you agree that the use of UTI should not be made mandatory through a regulatory change?

<ESMA\_QUESTION\_CSDC\_37>

Yes we agree, that the UTI should not be made mandatory. Even though using the UTI might have its advantages, there are enormous efforts to be considered regarding formats, time to implement and to agree how it should be used. At most, it could be dealt with within a market practice. It could be a part of the reconciliation systems and processes.

Further assessment is required in the settlement space in order to support a wider adoption of UTIs across the industry, including the need for standards for its operational use, which should cover items such as who generates the UTI and when, and for which transaction types.

<ESMA\_QUESTION\_CSDC\_37>

1. What are your views on the use of UTI in general and in the case of netted transactions specifically?

<ESMA\_QUESTION\_CSDC\_38>

The use/ usability of UTIs requires further industry discussions; at this stage, we cannot conclude to what extent the UTI would be beneficial for settlement (efficiency) purposes or if it would only represent another factor to increase settlement cost overall. It is more important to improve the quality of data. The UTI just makes the settlement more expensive. Please also see our answer to question 37.

<ESMA\_QUESTION\_CSDC\_38>

**3.2.2 SSIs format**

1. Should the market standards for the storage and exchange of SSIs be left to the industry or is regulatory action at EU level necessary?

<ESMA\_QUESTION\_CSDC\_39>

Market standards for the storage and exchange of SSIs should be left to the industry, as this is a current process between counterparties.

We propose the introduction of a baseline regulatory framework for the storage and exchange of SSIs, which should set out the requirement for this to be done “in an electronic and machine-readable format”. Industry best practices can play a key role in supporting market participants in achieving efficient and effective compliance with regulatory requirements by establishing clear recommendations and standardised methodologies for the secure and automated exchange of SSIs.

<ESMA\_QUESTION\_CSDC\_39>

**3.2.3 Place of settlement (PSET) as mandatory field of written allocations**

1. How can the PSET contribute to improve settlement efficiency and reduce settlement fails? Do you have suggestions on how to make the use of PSET more consistent across the market? If yes, please elaborate.

<ESMA\_QUESTION\_CSDC\_40>

A central hub or golden source of information could be helpful. It should be easy to access for all market participants. Beside that a single and standardized use of the PSET aligned and agreed by all CSDs + T2S would be key for success. For example, there should be only 2 rules for using the PSET: 1x Rule for domestic settlements and 1 rule for cross-border settlements.

<ESMA\_QUESTION\_CSDC\_40>

1. Do you agree that the PSET should not be made a mandatory field of written allocations under Article 2(1) of CDR 2018/1229? If you have a different view, please elaborate.

<ESMA\_QUESTION\_CSDC\_41>

PSET should be a mandatory matching field in all allocation and pre-settlement matching tools and that the CSDR RTS should mandate this, supported by market standards to ensure a uniform application across all sectors of the industry.

<ESMA\_QUESTION\_CSDC\_41>

**3.2.4 Place of safe keeping (PSAF) and place of settlement (PSET) as mandatory fields of settlement instructions**

1. Do you agree that the decision to use the PSAF and the PSET in the settlement instructions should be left to the industry?

<ESMA\_QUESTION\_CSDC\_42>

Yes, we agree. Place of Safekeeping (PSAF) and Place of Settlement (PSET) should not become a regulatory field within settlement instructions. Their usage and should be developed by the industry through established market practices. However, we are of the opinion that the PSET agreed in the allocation and confirmation messages should be the same as the PSET in the settlement instruction.

<ESMA\_QUESTION\_CSDC\_42>

1. What are the current market practices regarding the use of PSAF and PSET, in particular in the case of netting along the trading and settlement chain?

<ESMA\_QUESTION\_CSDC\_43>

Mostly used within settlement instructions is PSET. PSAF is normally not used within the instruction as this is relevant for safekeeping or custody but not for settlement. To simplify and not to create too complex settlement instructions this practice should be kept. From our point of view the current practice of using PSET and up to 5 party levels should be sufficient for a standardized and harmonized settlement.

<ESMA\_QUESTION\_CSDC\_43>

**3.2.5 Transaction type**

1. Do you agree that the transaction type should not become a mandatory matching field under Article 5(4) of CDR 2018/1229?

<ESMA\_QUESTION\_CSDC\_44>

Transaction Type should not become a matching criterion.

<ESMA\_QUESTION\_CSDC\_44>

1. Do you think the lists mentioned in Article 2(1)(a) and Article 5(4) of CDR 2018/1229 should be updated? If yes, please specify.

<ESMA\_QUESTION\_CSDC\_45>

Depending on the decision (see Q44) the lists should be extended.

<ESMA\_QUESTION\_CSDC\_45>

**3.2.6 Timing for sending settlement instructions to the securities settlement system (SSS)**

1. What are your views on whether market participants should send settlement instructions intra-day rather than in bulk at the end of the day?

<ESMA\_QUESTION\_CSDC\_46>

Settlement instructions should be sent intra-day and not in bulk at the end of the day. The earlier the settlement instructions reaches the depository, the earlier mismatches can be detected and the staff will have more time to fix them before settlement starts. With the use of the hold and release functionality all market participants should be able to send their instructions during the day in order to get earliest matching feedback.

<ESMA\_QUESTION\_CSDC\_46>

1. Do you consider it necessary to introduce a deadline for the submission of settlement instructions through a regulatory amendment to CDR 2018/1229? If yes, what should be such a deadline? Please provide arguments to justify your answers.

<ESMA\_QUESTION\_CSDC\_47>

It should be left to the industry. The market or the depository should set these requirements. It is not necessary to regulate this in CDR 2018/1229.

<ESMA\_QUESTION\_CSDC\_47>

**3.2.7 Alignment of CSDs’ opening hours, real-time/night-time settlement and cut-off times**

1. Do you agree that CSDs’ business day schedule should be left to the industry? If not, please elaborate.

<ESMA\_QUESTION\_CSDC\_48>

It should be left to the industry. Harmonization is desirable when it comes to central bank money.

<ESMA\_QUESTION\_CSDC\_48>

1. What would be, in your view, the ideal business day schedule for CSDs taking also into account real-time settlement, night-time settlement and cut-off times? Should they be aligned? Please provide arguments.

<ESMA\_QUESTION\_CSDC\_49>

Several factors must be considered when establishing a common schedule. One key aspect is foreign currency settlements, which primarily depend on FX processing deadlines.

In an optimal business day schedule first trading should be concluded, followed by sufficient time to process trading results (e.g., allocation, confirmation, settlement instructions). Only then should settlement begin. Attempting to process these steps in parallel would likely introduce complexity and dependencies, potentially leading to unintended consequences — e. g. settlement occurring before a valid complaint could have been addressed to the stock exchange.

<ESMA\_QUESTION\_CSDC\_49>

**3.2.8 Shaping**

1. Do you agree that shaping should be adopted as best practice? If you do not agree and believe that it should be adopted as regulatory change, please indicate which should be the most adequate size to shape transactions per type of financial instrument.

<ESMA\_QUESTION\_CSDC\_50>

Yes, we agree that shaping should be adopted as best practice. We do not believe that it should be adopted as regulatory change.

In markets where partial settlement exists, shaping is not necessary due to additional settlement costs and implementation costs.

<ESMA\_QUESTION\_CSDC\_50>

**3.2.9 Automated securities lending**

1. Do you see the need for a regulatory action in this area? If yes, please elaborate.

<ESMA\_QUESTION\_CSDC\_51>

No, we don’t see a need for that.

<ESMA\_QUESTION\_CSDC\_51>

**3.2.10 Other proposals regarding settlement discipline measures and tools to improve settlement efficiency**

1. Do you have other proposals regarding settlement discipline measures and tools to improve settlement efficiency in areas not covered in the previous sections? Please give examples and provide arguments and data where available. If relevant, please also include the specific proposed amendments to CDR 2018/1229.

<ESMA\_QUESTION\_CSDC\_52>

No, we don’t see a need for that

<ESMA\_QUESTION\_CSDC\_52>

**3.2.11 Costs and Benefits**

1. For all the topics covered in this CP please provide your input on the envisaged costs and benefits using the table below. Please include any operational challenges and the time it may take to implement the proposed requirements. Where relevant, additional tables, graphs and information may be included in order to support the arguments or calculations presented in the table below.

|  |  |
| --- | --- |
| **ESMA or respondent’s proposal**  |   |
|   | **Qualitative description** | **Quantitative description/ Data** |
| **Benefits** |  |   |
| **Compliance costs:****- One-off****- On-going** |  |   |
| **Costs to other stakeholders** |  |   |
| **Indirect costs** |  |  |

<ESMA\_QUESTION\_CSDC\_53>

Without a detailed analysis for each single topic it is not possible to answer this question properly.

<ESMA\_QUESTION\_CSDC\_53>