



OTP Bank Group

Market: EU/EEA

Date: 28 December 2021

References/Useful website links for CSDR Regulation and Settlement Discipline Regime implementation in February 2022

ESMA Q&As:

https://www.esma.europa.eu/sites/default/files/library/esma70-708036281-2_csd_r_qas_0.pdf

(Post Trading –Q&A on CSDR)

ECSDA Framework:

https://ecsd.eu/wp-content/uploads/2021/10/2021_10_05_ECSDA_CSDR_Penalties_Framework.pdf

AFME guidelines for bilateral claim management

<https://www.afme.eu/Portals/0/CSDR%20Settlement%20Discipline%20-%20Bilateral%20Penalty%20Claims%20August%202021.pdf?ver=2021-09-02-091345-440>

CSDR Level I Text:

<https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32014R0909&from=EN>

CSDR Level II Text (RTS):

<https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32017R0392&from=EN>

ESMA Guidelines on allocations/confirmations:

<https://www.esma.europa.eu/press-news/esma-news/esma-publishes-final-report-csdr-guidelines-standardised-procedures-and>

ESMA guidelines on Penalties / Buy-ins:

Not published yet

CSDR Settlement penalties (RTS):

<https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32018R1229&from=EN>

Cash penalties calculation:

<https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32017R0389&from=EN>



ESMA Consultation on Standardised procedures and messaging protocols used between Investment firms and their professional clients:

https://www.esma.europa.eu/sites/default/files/library/esma70-151-1847_cp_on_csd_r_gl_on_art_6_standardised_procedures_and_messaging_protocols.pdf

Impact: implementation of measures to prevent settlement fails (cancellation mechanism, hold and release mechanism, recycle mechanism, partial settlement, tolerance level), and measures to address the settlement fails (cash penalties for late matching –LMFP, and cash penalties for late settlement – SEFP).

Required actions: In order to prepare for the Settlement Discipline Regime, the following steps are recommended:

- review of the fail rates of transactions settlement with your brokers;
- review of operational processes and flows for weaknesses, inefficiencies and other flaws in relation to affirmation, allocation and transaction confirmation;
- review of the buy-in policies;
- decide whether or not to bear the costs of cash penalties (for LMFP & SEFP) on behalf of investment funds
- agree on new contractual arrangements with brokers in order to prevent and address settlement fails;
- agree on the monthly payment method for late matching/settlement penalties and consider the impact on the cash flow;
- engage a buy-in agent for possible buy-ins in the year 2022.

Application date: 1 February 2022

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