

# CSDR AND SETTLEMENT DISCIPLINE REGIME – ARE YOU READY?

BNP PARIBAS SECURITIES SERVICES

December 2021



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## AGENDA

- 1 **Overview: the current situation**  
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- 2 **Changes and impact on our custody product**  
—
- 3 **Annex**  
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# 1 - Overview: the current situation

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- SDR implementation date
- next legislative steps
- accompanying you through the change



# SDR implementation date and next legislative steps

The settlement discipline regime is due to be implemented on **1 February 2022**. Based on the current version of the regulation, this includes:

- measures to prevent settlement fails (measures on allocation and confirmation of trades);
- monitoring of settlement fails;
- measures to address settlement fails – cash penalties;
- measures to address settlement fails – mandatory buy-ins.

Nevertheless, in September 2021, ESMA issued a letter to the European Commission to confirm its view on the way forward on settlement discipline in the context of the CSDR review ([esma70-156-4963 letter - esma to ec on csdr settlement discipline.pdf \(europa.eu\)](#)).

In this letter, ESMA highlighted the challenges of the buy-in regime and the need for clarity regarding some open questions necessary for the implementation of the buy-in requirements and therefore called for an urgent action to delay the implementation deadline so that sufficient time is given for the CSDR review to thoroughly consider the mandatory buy-in framework.

Following such letter, the Commission decided to tag legislative changes relating to settlement discipline (i.e. propose to delay the implementation of the mandatory buy-in framework) in the DLT Pilot Regime text, for which the legislators were close to reaching an agreement.

The EU Council Presidency presented a buy-in regime amendment and reached an agreement with the EU Parliament on the postponement of the CSDR mandatory buy-in regime at the DLT Trilogue meeting held on 24 November.

A more detailed communication on the agreement is yet to be published, allowing ESMA to address practical issues for the postponement of the mandatory buy-ins provisions due on 1 February 2022.



# CSDR: accompanying you through the change



## SUPPORT DOCUMENTS

- CSDR handbook
- CSDR podcasts
- CSDR webinars
- CSDR toolkit
- CSDR webpage
- NeoLink guideline
- CSDR Market and Client updates



## PARTNER APPROACH

- Dedicated CSDR Client Updates on settlement efficiency, internalised settlement reporting.
- Dedicated calls with CSDR experts
- Connectivity, on demand, with external providers for CSDR related services
- Support to accomplish UAT and Dry run testing
- Completion of CSDR questionnaires and forecast of penalties amounts

### GLOBAL OVERSIGHT



## INDUSTRY EFFORTS

- AFME and AGC membership
- SMPG Co-chair of settlement & reconciliation working group
- Representation on several CSDR industry taskforces
- Contribution to Industry discussions and review/creation of market practices (e.g. partial settlement, penalties reporting, etc.)
- Local presence (on site) in local market committees and banking associations



## SERVICE EVOLUTION

- Adaptation of IT infrastructure to comply with new messaging standards (i.e. MT537 PENA, MT530) and processes
- Enhancement and development of our NeoLink web portal to provide alternative solutions to clients not using SWIFT reporting
- Pro-active and flexible solutions to provide you with a unique CSDR approach despite divergent approaches of local CSDs
- Proposal for a customised set up in our tools to meet your expectation and ensure a smooth roll out from live date

### LOCAL EXPERTISE





## 2 - Changes and impact on our custody product

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- Product evolution to support CSDR
- Standard daily and monthly reporting
- Optional value added reporting
- Buy-in reporting
- Penalties collection and re-distribution
- Internalised settlement service



# PRODUCT EVOLUTIONS TO SUPPORT CSDR



## SETTLEMENT EFFICIENCY

- Hold and release
- Partial settlement
- Partial release capabilities
- Connection to GC Direct for SSI management
- Monitor your settlement fails via our NeoLink dashboard
- Real time MT548 messages
- MT548 APIs



## PENALTIES MANAGEMENT

- Capture of daily accruals and monthly penalties from sub custodians/ ICSDs and CCPs.
- Association of each accrual to your settlement instructions in our books
- Investigation in case of any discrepancy between daily and monthly reporting



## BUY-IN ALERT & REPORTING

- Buy-in alert report to clients, available upon subscription and only for our proprietary markets
- Processing of the buy-in trade, collection of buy-in results via MT599 message and reporting to the relevant sub custodian / ICSDs



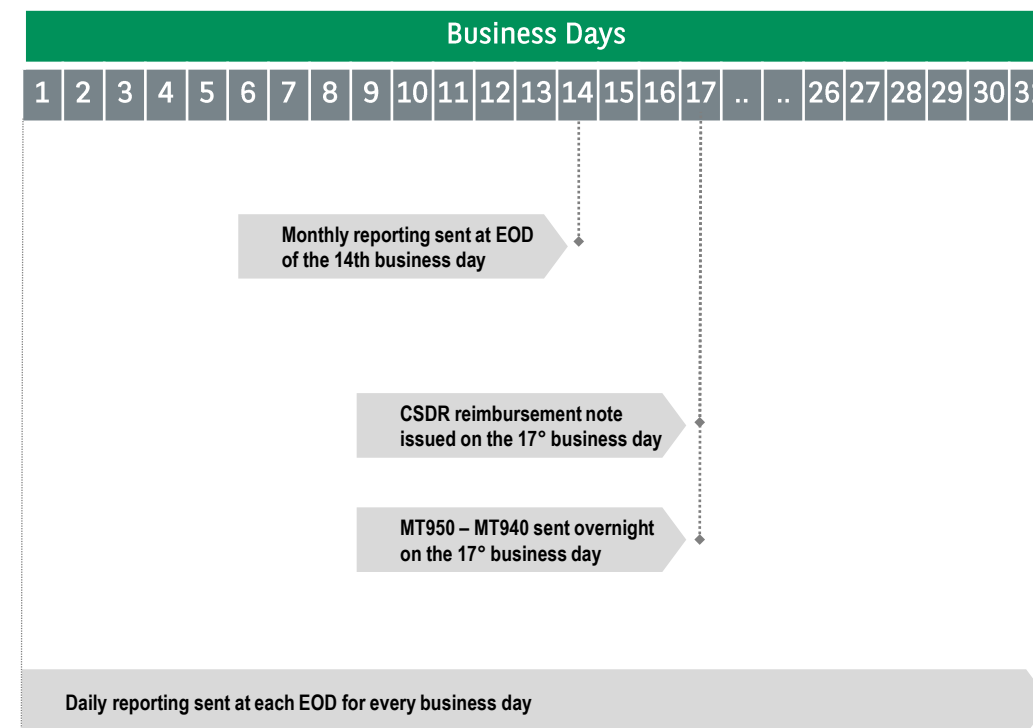
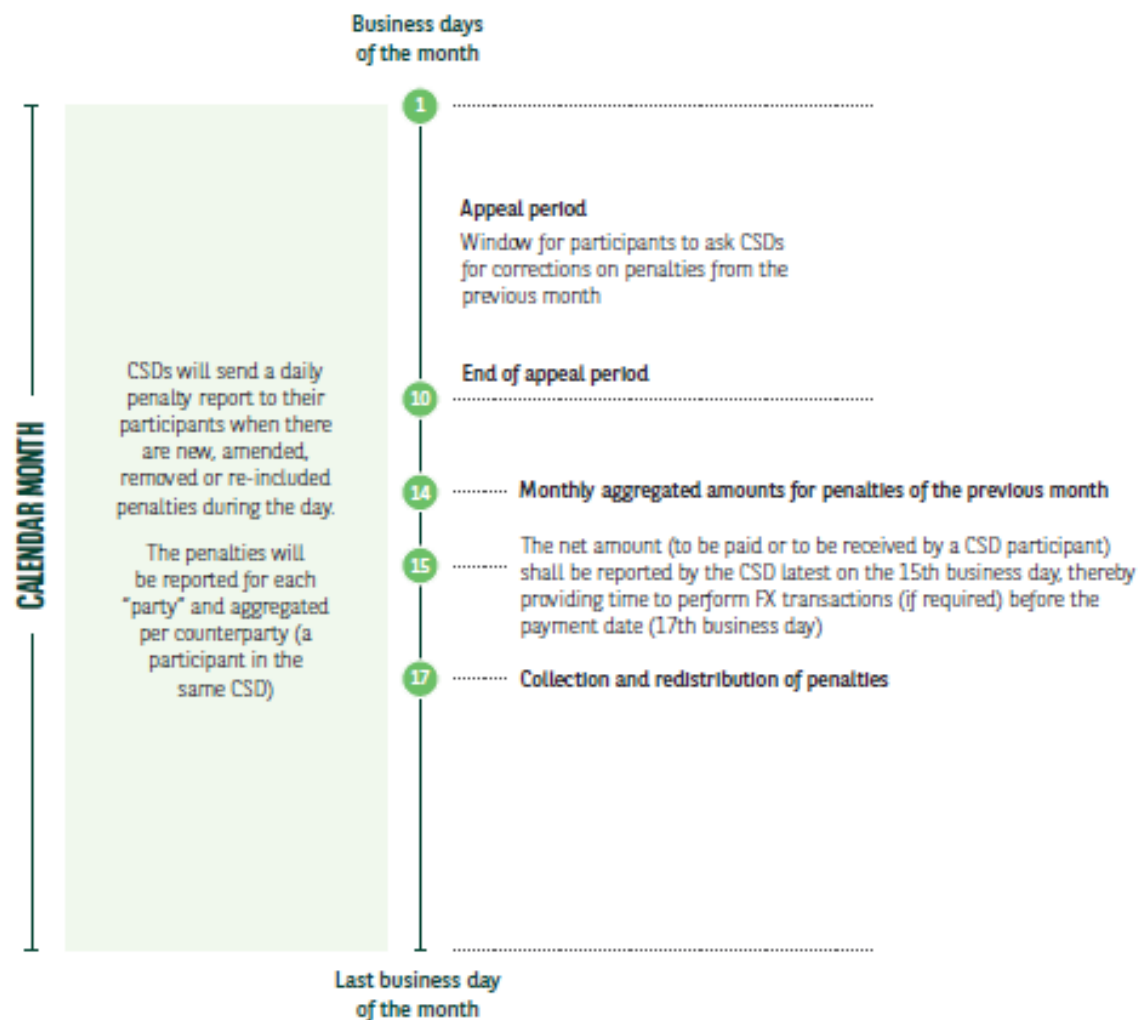
## REPORTING NEEDS

- Daily and monthly SWIFT reporting of penalties
- NeoLink dashboard and NeoLink on demand reporting for daily and monthly penalties
- MIS metrics to ease your reconciliation process



# Penalties calendar and reporting

Penalties calendar and reporting



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# Standard penalties reporting - DAILY

## SWIFT

:98A::STAT// - Statement date

:22F::SFRE// - Specifies the frequency of the statement (daily or monthly)

:98A::DACO// - Date on which the instruction fails to settle and for which a penalty is calculated

:19A::GBNT// - Global net amount for a party

:19A::AGNT// - Bilateral net amount for a party and counterparty

:20C::PCOM// - A unique reference assigned by the calculating CSD to the penalty

:20C::PREF// - A unique reference assigned by the calculating CSD to the penalty. For a party at fault, the reference is the penalty common reference (PCOM) preceded by "F". For a party not at fault, the reference is the penalty common reference (PCOM) preceded by "N"

:22H::PNTP// - Indicates the type of penalty: LMFP = Late matching fail penalty and SEFP = settlement fail penalty

:19A::AMCO// - Amount of the penalty calculated

SOLUTIONS MARKET INFORMATION SUPPORT FAVOURITES									
ALL DETAILS PER COUNTERPARTY PER CURRENCY									
DAILY SETTLEMENT PENALTIES									
Views Default SET AS DEFAULT RELOAD SAVE									
Filters CLEAR APPLY									
EXPORT SETTINGS									
Computation Date	Last update	Bank	Securities Account	Computed Amount	AMCO Currency	Client Reference	ISIN	Penalty Type	Failing Days Counter
13/01/2021	14/01/2021	PARBFR	41329000010000006811E	-27.45	EUR	1NFR16ZO02JUSQF	FR0013482791	SEFP	1
13/01/2021	14/01/2021	PARBFR	41329000010000006811E	12.57	EUR	1NFQ8YKN02JLKC7	FR0013482791	LMFP	2
13/01/2021	14/01/2021	PARBFR	41329000010000006811E	-27.45	EUR	1HGM042102JLS4D	FR0013482791	SEFP	1
13/01/2021	14/01/2021	PARBFR	41329000010000006811E	12.57	EUR	1NFR2SDS02JVAHF	FR0013258662	LMFP	2
14/01/2021	14/01/2021	PARBFR	41329000010000006811E	-27.45	EUR	1NFR16ZO02JUSQF	FR0013482791	SEFP	1
14/01/2021	14/01/2021	PARBFR	41329000010000006811E	12.57	EUR	1NFQ8YKN02JLKC7	FR0013482791	LMFP	2
20/06/2021	20/06/2021	PARBFR	41329000010000006811E	-27.45	EUR	1NFR16ZO02JUSQF	FR0013482791	SEFP	1
20/06/2021	20/06/2021	PARBFR	41329000010000006811E	12.57	EUR	1NFQ8YKN02JLKC7	FR0013482791	LMFP	2



# Appeal process

- Appeals can be lodged by CSD participants at any time during the calendar month, as from the moment of computation and reporting of the penalty, and maximum until (and including) the 10th Penalty Business Day of the following month. The appeal period shall generally end on the 10th Penalty Business Day (included) of the following month.

## WHEN?

As from the moment of computation and reporting of the penalty the Appeal Request to BNP Paribas shall be sent no later than the **8th Penalty Business Day of the following month**

## HOW?

Appeal request needs to be sent to BNP Paribas via **MT599 or equivalent authorized media-in** including the minimum required information

## WHAT?

### Minimum required information\*:

- Reference of the related Penalty
- Appeal reason
- Expected penalty amount and calculation details to be applied
- CSD concerned in the penalty requirements.

*\* Without this information the Appeal request will not be processed. Any specific information requested by the relevant CSD will be enriched by BNP Paribas or requested to the client in compliance with the relevant CSD*

## BNP Paribas Appeal follow-up:

We will inform you about your appeal request's status :

- Appeal acknowledgment will be sent within 1 business day via email to client after the completion of internal checks;
- Appeal acceptance or rejection: each time that an appeal is accepted by a CSD, and a change is applied to a penalty, it will be reported on the following business day in the MT537.
- BNP Paribas will report to clients the amendment on a penalty in the following business day. If no update is received, the appeal needs to be considered as rejected.



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## Standard penalties reporting - MONTHLY

# SWIFT

:98A::STAT// - Statement date

:22F::SFRE// - Specifies the frequency of the statement (monthly)

:69A::STAT//The month the statement refers to

:95P::REPA//Agent's bank BIC of the counterparty of our client (e.g.PARBITMMXXX)

:95P::CASD//The CSD of the counterparty (e.g. Monte Titoli MOTIITMMXXX) as the CSD of your counterparty

:19A::GBNT// - Global net amount for a party

:19A::AGNT// - Bilateral net amount for a party and counterparty

:20C::PCOM// - A unique reference assigned by the calculating CSD to the penalty

:20C::PREF// - A unique reference assigned by the calculating CSD to the penalty. For a party at fault, the reference is the penalty common reference (PCOM) preceded by "F". For a party not at fault, the reference is the penalty common reference (PCOM) preceded by "N"

:22H::PNT// - Indicates the type of penalty:  
LMFP = Late matching fail penalty and SEFP =  
settlement fail penalty

:19A::AMCO// - Amount of the penalty calculated

# NeoLink

[SOLUTIONS](#)
[MARKET INFORMATION](#)
[SUPPORT](#)
[FAVOURITES](#)

[ALL DETAILS](#)
[PER COUNTERPARTY](#)
[PER CURRENCY](#)

MONTHLY SETTLEMENT PENALTIES

Views

Default

SET AS DEFAULT

RELOAD

SAVE

Filters

1 active criteria

CLEAR

APPLY

EXPORT

SETTINGS

<input type="checkbox"/>	Reporting Period	Payment Date	Last update	Bank	Securities Account	Global Net Amount	GBNT Currency	Related Party
<input type="checkbox"/>	01/05/2021 - 31/05/2021		01/10/2021	PARBFR	30026001000000724341N		30 EUR	030
<input type="checkbox"/>	01/05/2021 - 31/05/2021		01/10/2021	PARBFR	30026001000000724341N		18 GBP	030



## Optional value added reporting

- Our MIS monthly reporting will be also enhanced to focus on your CSDR metrics to ease your reconciliation process allowing you to have an overview per market, counterparty, security type. This MIS report will be available in the course of 2022 and you will be notified of its availability via Client update. No additional fee for this metrics.

Scope	Format	Frequency	Reporting Principle / Sample
Local & Global Custody Activity	Excel	Monthly	<b>Penalties Reporting</b> including: <ul style="list-style-type: none"><li>▪ Late settlement</li><li>▪ Late matching</li><li>▪ Per market or across markets</li><li>▪ Comprehensive view per counterparty/security type</li></ul> Note: Reporting can be aggregated across branches



# Penalties collection and redistribution

Invoice Sample

Invoice no. : P211000003

CSDR Test  
Cash Account : 0000000166

Penalties

CSDR Penalties	Period	Amount
Debit	Oct 2021	EUR 500.00
Credit	Oct 2021	EUR -1,000.00

Net AmountEUR-500.00

Account Number	46521Q	TQTC MEKC QGT
CSDR Penalties		Net Fees
Credit MOTI (EUR)		-1,000.00
Debit MOTI (EUR)		500.00
Total		-500.00

MT940 / MT950 Sample

{1:F01PARBITMMAXXX99999999999}  
{2:I940PARBFRPPXPBLN}  
{3:{108:MMI01931914HBXXX}}  
{4:  
:20:GL2111154048177  
:25:PARBITEUR802390200  
:28C:00226/00001  
:60F:D211112EURXXXXX  
:61:2203201115DR500,00 P211000003 //AC00000166





# BUY-IN REPORTING IN & OUT

## Clients' instruction

### BYIY trade Message sample

```
:16R:STAT
:25D::SETT//PENF
:16R:REAS
:24B::PENF//BYIY
:70D::REAS//BUY-IN NOTICE RECEIVED
Expiry date: 26/11/2021
:16S:REAS
:16S:STAT
:16S:GENL
:16R:SETTRAN
:35B:ISIN IE00BG0J8L59
TABULA/SHS CL-G EUR
:36B::SETT//UNIT/50,
:19A::SETT//EUR5293,
:97A::SAFE//64XXXX
:22F::SETR//TRAD
:22H::REDE//DELI
:22H::PAYM//APMT
:98A::SETT//20211117
:98A::TRAD//20211115
:16R:SETPRTY
```

## BNP Paribas receives the buy-in results via MT530 SWIFT message or via NeoLink

*We collect buy-in results to communicate them to the relevant CSD for their own record keeping purposes*

### SWIFT MT530 sample

```
:97A::SAFE//64XXXX
:16R:REQD
:20C::PREV//AEMM192172UYNNYY
:22F::BYIY//BSSY
:35B:35B:ISIN IE00BG0J8L59 TABULA/SHS CL-G EUR
:36B::SETT//UNIT/50,
:90B::BYIY//ACTU/EUR2540,
:19A::BCAM//EUR15387,
:98A::EFFD//2021XXXX
```

### NeoLink screen sample

**REPORT BUY-IN RESULTS**

SECURITIES CONFIRMATION

Bank	PARBLU	ISIN	ABC123456789
Securities account	051236547896541200		
Related Reference	CLT0123654785213145		

BUY-IN INFORMATION

Buy in reference	Price of financial instrument bought in	Buy in indicator	Cash compensation amount
BI01223654789654123	23	Partially Successful	23
Deferral indicator	Buy in Date	Quantity of financial instrument bought in	Currency
Placeholder		50	Placeholder



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# Internalised settlement

- Although CSDR and the delegated regulation 2018/1229 does not impose CSDR penalties on internalized settlement, we believe we should still calculate, report and account (upon receipt of authorisation from both parties to the transaction) penalties on such transactions. This is to ensure a fairness in the application of CSDR penalties and avoid incorrectly applying penalties to an entity who is not the failing party, simply because certain transactions in the chain of settlement haven't been sent to the CSD.

## WHEN?

You can subscribe to this service **at your convenience**

## HOW?

Completing and signing a **Standing Instruction\*** or via your usual **Account Opening Form\*** (AOF)

## WHAT?

**SLD/SLA shall be updated** to reflect the associated process

*\* Standing Instruction template and updated AOF will be shared with you in due time*

## BNP Paribas CSDR Default on Internalised settlement:

We will not apply cash penalties on internal settlement transactions unless we receive a proper instruction from you.



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### 3 - Annex

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- Settlement best practices
- Market and Client updates references across 2021



# Settlement best practices

## Your challenges

## Our solutions

### Preventing and monitoring settlement fails

Your instructions should include the transaction type ISO code (field 22F::SETR/) that most accurately reflects the underlying economics of the transaction. This is required to determine if a buy-in is applicable.

Manage accurate standing settlement instructions (SSIs)

Monitoring your transactions status updates

We process and pass onto CSDs and sub-custodians the field 22F::SETR// you instruct

We are connected to GC Direct that manage and share SSIs

We provide real time Swift and Neolink status reporting  
MT548 APIs are now also available  
Settlement Dashboard available for Neolink users

### Reducing late matching and settlement fail penalties

Prompt sending of instruction

Manage lack of securities

We support Hold & Release mechanism

We offer partial settlement and partial release

### Penalties management

Penalties allocations and reconciliation

Daily, monthly Swift and Neolink, reporting. New monthly metrics, appeal process to submit any appeal request to the relevant CSD on your behalf

Please make sure the proper set up is in place for any of the above solutions (e.g. GC Direct onboarding, APIs set up)



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# Support content

## TOOLKIT



[link](#)

## HANDBOOK



[link](#)

## WEBPAGE



[link](#)

## PODCAST



[link](#)

## REG MEMO



[link](#)

## WEBINAR



[link](#)



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# Market and Client updates reference

■ Reference of all Market and Client updates on CSDR

■ Will be emailed to all participants following the webinar

List of major CSDR Market and Client Updates as at 19/11/2021

Displayed in chronological order

- 11/05/2020 | Market Update: The European Commission endorse CSDR delay to February 2021  
The European Commission has endorsed ESMA's proposal to delay the implementation date of the settlement discipline regime to 1st February 2021.  
Click here to download: [MU20200788-EN.pdf](#)
- 25/08/2020 | Market Update: CSDR - The Delay of the Regulatory Technical Standards has been published in the Official Journal of the European Union  
The confirmation of the delay of the application of the settlement discipline provisions under CSDR to 1 February 2021 has been published in the Official Journal of the European Union. This step removes the September 2020 go-live date. The text will enter into force and become applicable on 27 August 2020.  
Click here to download: [MU20201245-EN.pdf](#)
- 26/10/2020 | Client Update: Client Update, EUROPE, CSDR toolkit- Technical guidelines in T2S markets via our Local Custody product  
In adapting to the Settlement Discipline Regime (SDR) within CSDR, we are enhancing our management of settlement instructions to include all the information required by CSDs. We are also implementing reporting for the new penalty and buy-in regime requirements (MT537PENA, MT530 for buy-in results). These enhancements will be available via SWIFT and our web portal NeoLink in the second quarter of 2021. This document has been designed for our clients and includes our guidelines and details for the new messages for T2S markets accessed via our local custody product.  
**Reminder:** This Toolkit has been designed for our clients on the T2S markets accessed via our local custody product (except for Switzerland and Greece).  
>> Sent to all LC T2S clients  
Click here to download: [CU20200616-EN.pdf](#)  
[CSDR Toolkit.pdf](#)
- 26/10/2020 | Market Update: Market Update, EUROPE, CSDR - European Commission endorsement of the proposed delay to the implementation of Settlement Discipline regime  
The European Commission endorsed the proposed delay to the implementation of CSDR Settlement Discipline to February 2022. The delay is now subject to a three months objection period by the European Parliament and Council.  
>> Sent to all LC Europe and GC clients  
Click here to download: [MU20201482-EN.pdf](#)
- 30/10/2020 | Client Update: CSDR - Key Publications on our website  
As you may be aware, Central Securities Depositories (CSD) Regulation (CSDR) affects all market participants, wherever located, active in securities settling in European CSDs (including ICSDs). It affects both direct and indirect CSD participants (including CCPs and settlement agents) and both buy and sell-side institutions. We are pleased to inform you that we have dedicated a section of our website to the CSDR topic in which will now be able to easily access our key publications and documentation.

Click here to download: [CU20200620-EN.pdf](#)

- 09/12/2020 | Market Update: CSDR - Consultation paper published by the European Commission  
The European Commission released a public consultation to review the Regulation on improving securities settlement in the European Union and on Central Securities Depositories. The response to this consultation paper will provide important guidance to the Commission when preparing, if considered appropriate, a formal proposal.  
Click here to download: [MU20201692-EN.pdf](#)
- 26/01/2021 | Client Update: CSDR toolkit- Technical guidelines for Global Custody – Europe and APAC booking centres  
In adapting to the Settlement Discipline Regime (SDR) within CSDR, we are enhancing our management of settlement instructions to include all the information required by CSDs and ICSDs. We are also implementing reporting for the new penalty and buy-in regime requirements (MT537PENA, MT530 for buy-in results). These enhancements will be available via SWIFT and our web portal NeoLink for February 2022. This document has been designed for our clients and includes our guidelines and details for the new messages for clients being booked in our European and APAC booking centres.  
Click here to download: [CU20210033-EN.pdf](#)
- 27/01/2021 | Market Update: CSDR - European Commission endorsed postponement of the Settlement Discipline to 1 February 2022  
Today, the EU delegated regulation postponing the entry in force of the CSDR Regulatory Technical Standards on Settlement Discipline was published in the EU Official Journal.  
**Training Local Client Line formation!!** Formation local to local  
Click here to download: [MU20210111-EN.pdf](#)
- 14/05/2021 | Client Update: CSDR - Testing strategy for our Local Custody Activity: Belgium, France, Germany, Italy, Netherlands, Portugal, Spain  
As part of our CSDR implementation roadmap, we are pleased to share our testing strategy concerning MT537 PENA and MT530 for buy-in reporting  
Click here to download: [CU20210745-EN.pdf](#)
- 02/08/2021 | Client Update: CSDR - Default Setup ("Setup") to report, collect and redistribute settlement discipline penalties.  
In view of CSDR implementation, we are pleased to inform you of the Setup we will be performing by default in our systems in order to manage the below features: Penalty reporting Buy-in reporting Penalty accounting Internalized settlement Proposed Setup has been built to match, as much as possible, your current profile in our books whether you are using SWFIT, NeoLink or both. The Setup will be implemented in our data base by end of October with no impact on your current activity. If the proposed Setup default does not meet your requirements we kindly request you to revert back to us as from September 13th by October 29th 2021. Contacts are at the bottom of this client update. Note: Penalties accounting for Fund Admin and Transfer Agent activities will be covered within a separate communication in due course since we are awaiting clarification from ongoing discussion at Industry level.



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