

**CIRCULAR TO THE FINANCIAL SERVICES INDUSTRY ON REGULATION (EU) N° 909/2014 OF
THE CENTRAL SECURITIES DEPOSITORY REGULATION ('CSDR')**

This circular is being addressed to Central Securities Depositories ('CSDs') and market participants on trading venues.

Readers will be updated on the latest developments relating to the European Securities and Markets Authority ('ESMA') Questions and Answers ('Q&A') on the implementation of the CSDR, and the adoption of the Regulatory Technical Standards the CSDR's settlement discipline regime.

1) ESMA Updates Q&A on CSDR Implementation

On the 30th May 2018, ESMA published an updated set of Q&As on CSD topics. This version continues to build upon the Q&As which were originally published on the 23rd March 2017. The overarching scope of the Q&A is to provide responses to questions raised by the general public, market participants and National Competent Authorities in relation to the practical application of the CSDR.

The latest update of the Q&A provides explanations on CSDs' investment policy and clarifies the requirement to have 'access to assets' on the same business day when a decision to liquidate those assets has been made.

A copy of this Q&A may be accessed through the following [link](#).

ESMA will continue to develop this Q&A in the coming months and will review and update them where required.

2) Regulatory Technical Standards on Settlement Discipline

On the 25th May 2018, the European Commission adopted a Commission Delegated Regulation (EU) supplementing Regulation (EU) N° 909/2014 of the European Parliament and of the Council with regard to regulatory technical standards on settlement discipline.

The CSDR *inter alia* introduces a mandatory buy-in and other settlement discipline measures to tackle settlement fails.

In this respect, the RTS provides details on:

- a. measures for preventing settlement fails, through various processes and functionalities, such as:
 - i. automated matching;
 - ii. partial settlement;
 - iii. hold and release mechanism.

- b. measures for monitoring and addressing settlement fails, in particular:
 - i. the cash penalties mechanism; and
 - ii. the buy-in process.

A copy of the above-mentioned RTS may be accessed through the following [link](#).

The above-mentioned RTS shall enter into force 24 months following the day of its publication in the Official Journal of the European Union, unless otherwise specified. This period intends to give enough time to relevant stakeholders to implement the changes needed to comply with the CSDR.

Contacts

Should you have any queries on the above, please do not hesitate to contact Mr Nathan Fenech, Analyst, Securities and Markets Supervision Unit (NFenech@mfsa.com.mt), or Ms Elena Jetcheva, Analyst, Securities and Markets Supervision Unit (EJetcheva@mfsa.com.mt) for any further clarifications.

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