

MFSA

MALTA FINANCIAL SERVICES AUTHORITY

CIRCULAR ON REGULATION (EU) N° 909/2014 - THE CENTRAL SECURITIES DEPOSITORIES REGULATION ('CSDR')

Consultation on Guidelines on Settlement Fails Reporting and Standardised Procedures and Messaging Protocols under the CSDR

This circular is being addressed to all interested stakeholders, in particular to investment firms and professional clients as referred to in Article 6 of the CSDR. This circular shall be read in conjunction with the CSDR, its Delegated Regulations and previous circulars issued by the Authority.

Consultation on Guidelines on Settlement Fails Reporting and Standardised Procedures and Messaging Protocols under the CSDR

The Authority would like to inform market participants that the European Securities and Markets Authority ('ESMA') has on 20 December 2018 published two consultation papers which seek stakeholders' views on [Settlement Fails Reporting](#) and [Standardised Procedures and Messaging Protocols](#) under Articles 6(2) and 7(1) of the CSDR. The consultation papers represent a first step in the development of the guidelines in these areas and remain open for feedback until 20 February 2019.

1. Draft guidelines on standardised procedures and messaging protocols under Article 6(2) of the CSDR

The guidelines drafted in terms of Article 6(2) of the CSDR, contribute to the early settlement of transactions on the intended settlement date and to the reduction of the number of instructions that fail to settle on the intended settlement date. Collectively, the new guidelines intend to specify the scope of this requirement and certain characteristics of the standardised procedures and messaging standards as part of the provisions required to be set up by investment firms with their professional clients in order to limit the number of settlement fails.

2. Draft guidelines on Settlement Fails Reporting under Article 7(1) of the CSDR

Furthermore, ESMA is consulting on the draft guidelines relating to the scope, reporting architecture and exchange of information between ESMA and National Competent Authorities ('NCAs') in relation to settlement fails, based on reports submitted by CSDs.

Article 7(1) of the CSDR provides that a CSD must, for each Securities Settlement System ('SSS') it operates, set up a system which monitors settlement failures in financial instruments. In addition, a CSD is required to provide reports on a regular basis to the NCA and other relevant authorities. Such reports

are expected to include the number and details of settlement fails and any other relevant information, including the measures taken by the CSD and its participants on improving settlement efficiency.

The guidelines intend to ensure a common, uniform and consistent application of Article 7(1) of the CSDR and the applicable provisions of the Commission Delegated Regulation (EU) 2018/1229 on settlement discipline.

The Authority urges stakeholders to contribute to the aforementioned consultation papers. All contributions should be submitted online at www.esma.europa.eu under the heading ‘Your input – Consultations’ by not later than 20 February 2019.

ESMA intends to finalise both sets of guidelines by July 2019.

Contacts

Should you have any queries on the above, please do not hesitate to contact Mr Nathan Fenech, Senior Manager, Securities and Markets Supervision (NFenech@mfsa.com.mt) or Mr Luca Caruana, Analyst, Securities and Markets Supervision (LCaruana@mfsa.com.mt) for any further clarifications.

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9 January 2019**