

16 July 2019

## Circular on Regulation (EU) No 909/2014 - the Central Securities Depositories Regulation (CSDR)

Updated ESMA Q&As relating to the implementation of the CSDR on Improving Securities Settlement in the European Union and on Central Securities Depositories (CSDs)

This circular is being addressed to all interested stakeholders, in particular to CSDs, investment firms and market participants trading on trading venues. This circular shall be read in conjunction with the CSDR, its Delegated Regulations and previous circulars issued by the Authority.

### Update to CSDR Q&As

On 11 July 2019, the European Securities and Markets Authority ('ESMA') has updated its **Questions & Answers** ('Q&As') on the implementation of the Regulation (EU) No 909/2014 on improving securities settlement in the EU and on central securities depositories, focusing on practical issues on the implementation of the new CSDR regime. The updated Q&As, included in Part IV of the Q&As, focus on clarifying aspects regarding the scope of internalised settlement reporting.

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

### *Scope of Internalised Settlement Reporting*

The updated Q&As:

- i. Discuss whether investment firms which forward settlement instructions to a custodian, should fall within scope of Article 9 of CSDR. According to the updated Q&As, an

investment firm does not need to report client orders where the investment firm does not execute the corresponding settlement instructions itself, which are forwarded in their entirety to a custodian. Even if the custodian is established outside the EEA and, as such, would not be required to report under Article 9 of CSDR, there remains no obligation for the investment firm to report as the investment firm does not execute the transfer orders itself, and, therefore, it does not fall under the definition of settlement internaliser as specified in point 11 of Article 2(1) of CSDR; and

- ii. Tackles issues related to trade netting and clarifies that investment firms conducting such activity do not fall with the meaning of settlement internaliser as specified in point 11 of Article 2(1) of the CSDR, given that, for an investment firm that does not provide safekeeping and administration of financial instruments for the account of clients, including custodianship, trade netting as such does not qualify as execution of transfer orders.

## 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](mailto:NFenech@mfsa.com.mt)) or Mr Luca Caruana, Analyst, Securities and Markets Supervision ([LCaruana@mfsa.com.mt](mailto:LCaruana@mfsa.com.mt)) for any further clarifications.