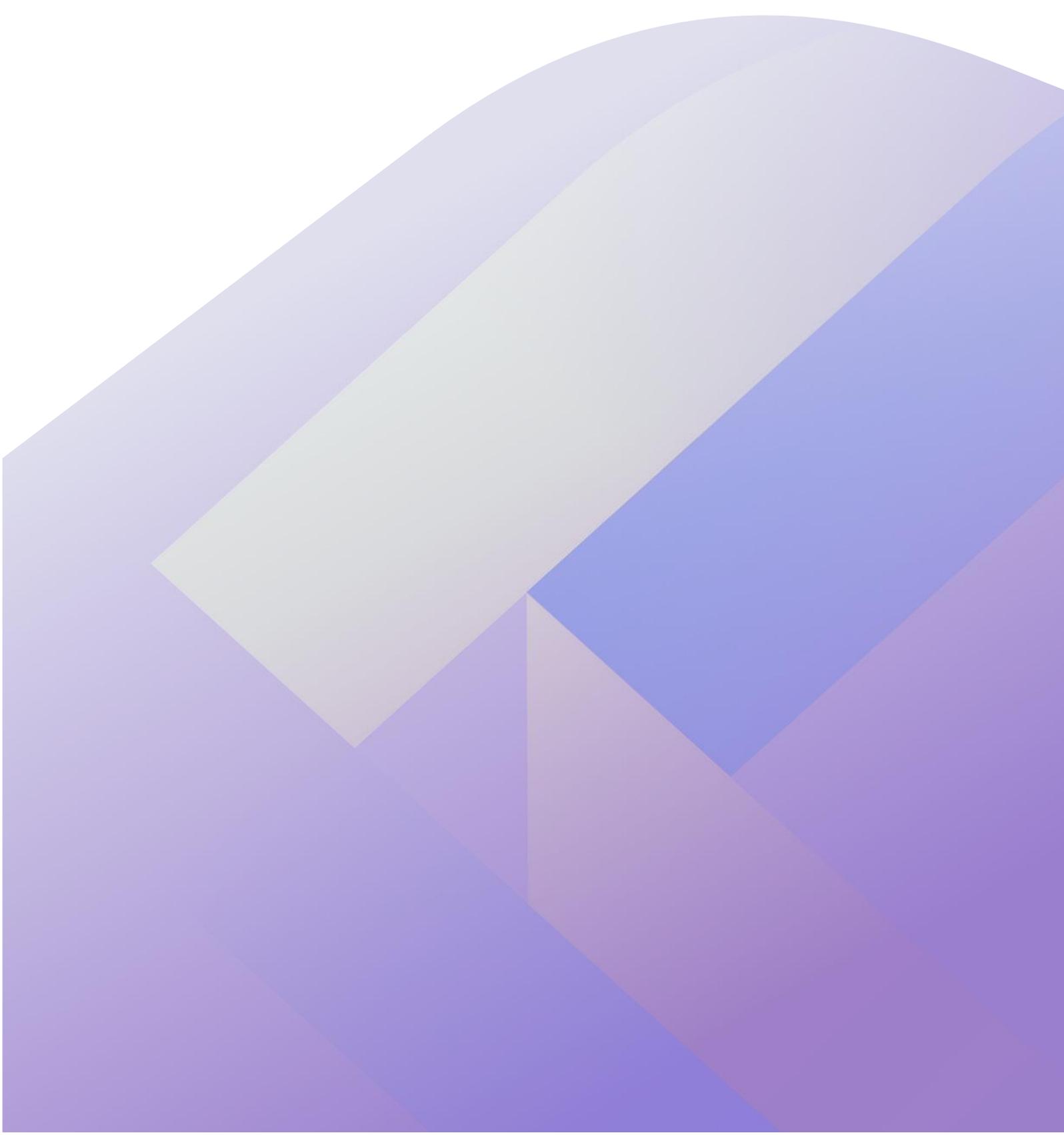


Reply Form

Consultation Paper on the Amendments to the RTS on Settlement Discipline



Responding to this Consultation Paper

ESMA invites comments on all matters in this Consultation Paper and in particular on the specific questions summarised in Annex 1. Comments are most helpful if they:

- respond to the question stated;
- indicate the specific question to which the comment relates;
- contain a clear rationale; and
- describe any alternatives ESMA should consider.

ESMA will consider all comments received by **14 April 2025**.

All contributions should be submitted online at www.esma.europa.eu under the heading 'Your input - Consultations'.

Instructions

In order to facilitate analysis of responses to the Consultation Paper, respondents are requested to follow the below steps when preparing and submitting their response:

- Insert your responses to the questions in the Consultation Paper in this reply form.
- Please do not remove tags of the type < ESMA_QUESTION_CSDC_0>. Your response to each question has to be framed by the two tags corresponding to the question.
- If you do not wish to respond to a given question, please do not delete it but simply leave the text "TYPE YOUR TEXT HERE" between the tags.
- When you have drafted your responses, save the reply form according to the following convention: ESMA_CP1_ CSDC_nameofrespondent.

For example, for a respondent named ABCD, the reply form would be saved with the following name: ESMA_CP1_ CSDC_ABCD.

- Upload the Word reply form containing your responses to ESMA's website (**pdf documents will not be considered except for annexes**). All contributions should be submitted online at www.esma.europa.eu under the heading 'Your input - Consultations'.

Publication of responses

All contributions received will be published following the close of the consultation, unless you request otherwise. Please clearly and prominently indicate in your submission any part you do not wish to be publicly disclosed. A standard confidentiality statement in an email message will not be treated as a request for non-disclosure. A confidential response may be requested from us in accordance with ESMA's rules on access to documents. We may consult you if we receive such a request. Any decision we make not to disclose the response is reviewable by ESMA's Board of Appeal and the European Ombudsman.

Data protection

Information on data protection can be found at www.esma.europa.eu under the heading '[Data protection](#)'.

Who should read this paper?

All interested stakeholders are invited to respond to this consultation paper. In particular, ESMA invites market infrastructures (CSDs, CCPs, trading venues), their members and participants, other investment firms, credit institutions, issuers, fund managers, retail and wholesale investors, and their representatives to provide their views to the questions asked in this paper.

1 General information about respondent

Name of the company / organisation	Deutsche Boerse Group
Activity	CCP (Eurex Clearing), CSD (Clearstream), Trading Venue (FWB)
Are you representing an association?	<input type="checkbox"/>
Country / Region	Europe

2 Questions

3.1.1 Timing of allocations and confirmations

Q1 Do you agree with the proposed amendments to Articles 2(2) and 3 of CDR 2018/1229?

<ESMA_QUESTION_CSDC_1>

We consider that the proposed amendments should be put in the context of the T+1 and related new operational timetable context.

We note that point 19. “Views from other consultations” refers to the US market “allocation/confirmation” model that, from settlement perspective, is not applicable in Europe and we believe there is no rationale to potentially consider mirroring the US model from an EU regulatory perspective.

<ESMA_QUESTION_CSDC_1>

Q2 Would you see merit in introducing an obligation for investment firms to notify their professional clients the execution details of their orders as soon as these orders are fulfilled (in a way that allows STP)? If yes, should it be cumulative to the proposed amendments to Articles 2(2) and 3 of CDR 2018/1229?

<ESMA_QUESTION_CSDC_2>

N/A

<ESMA_QUESTION_CSDC_2>

Q3 If you support an obligation for investment firms to notify their professional clients the execution as soon as the orders are fulfilled, do you think that clients should be allowed a maximum number of business hours for the allocations and confirmations from the moment of notification by investment firms, instead of having fixed deadlines? If yes, how many hours would be necessary for that?

<ESMA_QUESTION_CSDC_3>

N/A

<ESMA_QUESTION_CSDC_3>

Q4 Should CDR 2018/1229 further specify the term ‘close of business’ for the purpose of Article 2(2)? If yes, how should this take into account the business day at CSD level?

<ESMA_QUESTION_CSDC_4>

N/A

<ESMA_QUESTION_CSDC_4>

Q5 Should the 10:00 CET deadline for professional clients in different time zones and retail clients be brought forward to 07:00 CET on T+1, to be aligned with the UK deadline?

<ESMA_QUESTION_CSDC_5>

N/A

<ESMA_QUESTION_CSDC_5>

Q6 Can you suggest any other means to achieve the same objective? If yes, please elaborate

<ESMA_QUESTION_CSDC_6>

N/A

<ESMA_QUESTION_CSDC_6>

3.1.2 Means for sending allocations and confirmations

Q7 Do you agree to make the use of electronic and machine-readable format that allow for STP mandatory for written allocations?

<ESMA_QUESTION_CSDC_7>

N/A

<ESMA_QUESTION_CSDC_7>

Q8 Would you see merit in introducing optionality for investment firms to set deadlines based on whether an electronic, machine-readable format of the communication is used? In such case, do you agree that an earlier deadline could be set for non-machine readable formats, so clients are disincentivised to use them? Which should be such deadline?

<ESMA_QUESTION_CSDC_8>

N/A

<ESMA_QUESTION_CSDC_8>

Q9 Please provide quantitative evidence regarding the use of non-machine readable formats for written allocations and confirmations.

<ESMA_QUESTION_CSDC_9>

N/A

<ESMA_QUESTION_CSDC_9>

Q10 Would it be necessary to introduce a similar obligation in other steps of the settlement chain? If yes, please elaborate.

<ESMA_QUESTION_CSDC_10>

N/A

<ESMA_QUESTION_CSDC_10>

Q11 Can you suggest any other means to achieve the same objective? If yes, please elaborate

<ESMA_QUESTION_CSDC_11>

N/A

<ESMA_QUESTION_CSDC_11>

3.1.3 The use of international open communication procedures and standards for messaging and reference data to exchange allocations and confirmations

Q12 Do you agree with the proposed amendment to Article 2 of CDR 2018/1229?

<ESMA_QUESTION_CSDC_12>

N/A

<ESMA_QUESTION_CSDC_12>

Q13 Do you agree that settlement efficiency would improve if all parties in the transaction and settlement chain used the latest international standards, such as the ISO 20022 messaging standards, in particular whenever A2A messages and data are exchanged? If not, please elaborate. How long would it take for all parties to adapt to ISO20022?

<ESMA_QUESTION_CSDC_13>

Despite chapter 3.1.1 refers to “allocations and confirmations” messaging, in chapter 3.1.3.1. ESMA appears to widen the scope of the question Q13 to “*all parties in the entire transaction and settlement chain*” in regard to ISO 20022 messages, hence, even settlement instructions sent to CSDs. If that is indeed the intention, we refer to past and ongoing debates within the industry about the pre-conditions to replace ISO15022 by 20022 messages for settlement processing purposes and strongly disagree to mandate the use of 20022 messages through the SDR RTS amendment as a vehicle. It is not possible for us to judge “*how long it would take for all parties to adapt to ISO20022*”.

The requirement to implement ISO 20022 will in some cases complicate the transmission of information given the cost of the service and the need to implement such communication with end customers.

In particular we consider that:

- For settlement, ISO20022 brings no benefits compared to ISO15022 as same level of STP can already be achieved with ISO15022 and ISO20022 does not bring additional structure information
- Recent and ongoing migrations to ISO20022 in general meeting & payment domains has shown the complexity of implementing a coordinated migration. Unlike for settlement, ISO20022 in these domains really brings additional value compared to ISO20022 but the take-up remains low so far.
- The benefits for the industry to fully migrate to ISO20022 for settlement would be extremely limited compared to implementation cost and the risk linked to the migration of a business with very high volumes
- Migration in the asset servicing domain is ongoing (due to ECMS and AMI-SeCo recommendation), we recommend monitoring first how successful is this migration before imposing ISO20022 in the settlement domain.

<ESMA_QUESTION_CSDC_13>

Q14 Can you provide figures (by number and type of financial entities, jurisdictions) regarding the current use of international open communication procedures and standards such as: a) ISO 20022, b) ISO 15022, c) others (please specify)?

<ESMA_QUESTION_CSDC_14>

We understand Q14 refers to “allocations and confirmations” messaging, hence, this is not for CSDs to assess. Otherwise, please refer to our response to Q13.

<ESMA_QUESTION_CSDC_14>

Q15 Do you agree with the proposal of the EU Industry Task Force whereby allocation requirements should be aligned with CSD-level matching requirements? If not, please elaborate.

<ESMA_QUESTION_CSDC_15>

N/A

<ESMA_QUESTION_CSDC_15>

Q16 Can you suggest any other means to achieve the same objective? If yes, please elaborate.

<ESMA_QUESTION_CSDC_16>

N/A

<ESMA_QUESTION_CSDC_16>

3.1.4 Onboarding of new clients

Q17 Do you agree with the proposed regulatory change to introduce an obligation for investment firms to collect the data necessary to settle a trade from professional clients during their onboarding and to keep it updated? If not, please explain.

<ESMA_QUESTION_CSDC_17>

N/A

<ESMA_QUESTION_CSDC_17>

Q18 Can you suggest any other means to achieve the same objective? If yes, please elaborate.

<ESMA_QUESTION_CSDC_18>

N/A

<ESMA_QUESTION_CSDC_18>

3.1.6 Partial settlement

Q19 Do you agree with the proposed amendment to Article 10 of CDR 2018/1229? If not, please elaborate.

<ESMA_QUESTION_CSDC_19>

We suggest dropping the last part of the sentence referring to hold and release, i.e. “or a settlement instruction is put on hold.” Hold and release functionality is separate from partial settlement. Partial Settlement should be supported for all matched settlement instructions unless opted out. In addition, we consider that CSDs could also be required to offer “partial release” - potentially under Art.8.

<ESMA_QUESTION_CSDC_19>

Q20 Do you agree with the deletion of Article 12 of CDR 2018/1229? If not, please elaborate.

<ESMA_QUESTION_CSDC_20>

Agreed – Hold/Release/Partial Release and Partial settlement should be offered by all CSDs irrespective of the rate/value of settlement fails.

<ESMA_QUESTION_CSDC_20>

Q21 Do you have other suggestions to incentivise partial settlement? If yes, please elaborate.

<ESMA_QUESTION_CSDC_21>

We have no objections. Regarding point 91. we note that “auto-splitting” (shaping) is today not applied by CSDs but “upstream”, i.e. CSDs accept any settlement quantity in a participant’s settlement instruction. This is confirmed e.g. by the UK AST that recommends applying the current market practice rather than creating new CSD shaping services. Point 98. refers to fees applied by CSDs – we fail to see the rationale of this statement as participants can actively manage the minimum quantities and amounts to be settled partially to avoid “micro-partials”. Therefore, we support to allow the application of minimum partial quantities/ values definitions

should partials become the norm rather than an option. We also consider that CSDs could also be required to offer “partial release”, e.g. under Art.8.

<ESMA_QUESTION_CSDC_21>

Q22 Do you think that some types of transactions should not be subject to partial settlement? If yes, could you provide a list and the supporting reasoning?

<ESMA_QUESTION_CSDC_22>

Partial settlement should be supported for all types of transactions, incl. Intra-CSD, cross-CSD and conditional settlement. Nevertheless, it can be questioned if e.g. portfolio transfers (PORT) would indeed benefit from partial settlement.

<ESMA_QUESTION_CSDC_22>

3.1.7. Auto-collateralisation

Q23 Do you agree with the introduction of an obligation for CSDs to facilitate the provision of intraday cash credit secured with collateral via an auto-collateralisation facility? If not, please elaborate.

<ESMA_QUESTION_CSDC_23>

“Auto-collateralization” is a T2S service and it is worth noting that even within T2S “auto-coll.” is actually offered by the Central Banks (or Payment Banks) but not the CSDs, who only facilitate the processing of collateral transfers via the respective settlement instructions. Demanding non-T2S CSDs to offer auto-coll. is unreasonable if it goes beyond the pure settlement instructions processing.

(I)CSDs who offer cash credit lines to their participants requires the (I)CSDs to hold a banking license and we disagree to mandate via SDR RTS amendment the extension of CSDs’ liquidity services offering in this regard, at the same time, forcing participants to use such services. It is worth noting that the rate of settlement fails due to “lack of cash” is constantly low today and the benefits of such change would therefore be only marginal (and very likely be outweighed by the development cost).

Also note that ICSDs already offer a dedicated mechanism offering credit lines (the ICSD acting as the payment Bank, therefore requiring a banking license), so there is no benefit in offering a different mechanism to achieve the same objective. The same mechanism should not be imposed on all CSDs.

Some non-T2S CSDs with no banking license provide intraday cash facility together with their National Bank, however it is used as a last resort and as far as there is no issue with liquidity, it is generally not used, i.e. auto-collateralization is far beyond the demand from the market.

<ESMA_QUESTION_CSDC_23>

Q24 Can you suggest any other means to achieve the same objective? If yes, please elaborate.

<ESMA_QUESTION_CSDC_24>

N/A

<ESMA_QUESTION_CSDC_24>

3.1.8 Real-time gross settlement versus batches

Q25 Should CDR 2018/1229 be amended to require all CSDs to offer real-time gross settlement for a minimum window of time of each business day as well as a minimum number of settlement batches? Please provide arguments to justify your answer.

<ESMA_QUESTION_CSDC_25>

N/A

<ESMA_QUESTION_CSDC_25>

Q26 What should be the length of the minimum window of time of each business day for real-time gross settlement and the minimum number of settlement

batches that should be offered, per business day? Please provide arguments to justify your answer.

<ESMA_QUESTION_CSDC_26>

N/A

<ESMA_QUESTION_CSDC_26>

Q27 Can you suggest any other means to achieve the same objective? If yes, please elaborate.

<ESMA_QUESTION_CSDC_27>

None.

<ESMA_QUESTION_CSDC_27>

3.1.9 Reporting top failing participants

Q28 Do you agree with the proposed amendments to Table 1 of Annex I of CDR 2018/1229? If not, please elaborate.

<ESMA_QUESTION_CSDC_28>

While we fully agree with the rationale to not only consider the fail rate but as well the participants' settlement activity, we ask ESMA to clarify how the "ranking" should be actually applied by CSDs. We also note that the scenario described by ESMA would not be relevant for small CSDs with a low number of participants (like LuxCSD, for example).

From a Clearstream perspective, we rather suggest applying a "threshold" and only consider those participants that represent a certain share of all fails (not settlement volumes) within the SSS. Such threshold should be individually defined by the CSD according to its total settlement volume/ value and the actual number of participants.

As result, e.g. in case of a "minimum fail rate share" being set to 5%, participant A with a fail rate of 12% whose fails represent 3% of the total fails would not be reported while participant

B with a fail rate of 3% whose fails represent a share of 12% of the total fails in the SSS would be reported.

<ESMA_QUESTION_CSDC_28>

Q29 Should top 10 failing participants be reported both in absolute terms (current approach) and in relative terms (according to the proposed amendments to Table 1 of Annex I of CDR 2018/1229)?

<ESMA_QUESTION_CSDC_29>

Yes, we think this information should be relevant.

<ESMA_QUESTION_CSDC_29>

Q30 Do you have additional suggestions regarding the requirements for CSDs to report settlement fails data specified in Annex I and Annex II of CDR 2018/1229? If yes, please elaborate.

<ESMA_QUESTION_CSDC_30>

N/A

<ESMA_QUESTION_CSDC_30>

3.1.10 Reporting the reasons for settlement fails

Q31 Do you agree with the proposed amendments to Article 13(1)(a) of CDR 2018/1229? Or can you suggest alternative options so that CSDs have visibility of the root causes of settlement fails at participants level?

<ESMA_QUESTION_CSDC_31>

We recommend to clarify (strengthen) the importance of the role of CSD participants to support CSDs in relation to assessing reasons for settlement fails.

<ESMA_QUESTION_CSDC_31>

Q32 Based on the experience since the implementation of the settlement discipline regime under CSDR, please describe the main root causes of settlement fails identified so far. Please specify the relevant categories in more granular terms, going beyond “lack of securities”, “lack of cash” and “instructions put on hold”.

<ESMA_QUESTION_CSDC_32>

N/A

<ESMA_QUESTION_CSDC_32>

Q33 According to Article 13(2) of the CDR, CSDs shall establish working arrangements with their top failing participants to analyse the main reasons for settlement fails. Do you believe that this provision has proven useful in analysing the root causes of fails and in preventing them? Do you have suggestions on other actions which CSDs could take with respect to top failing participants?

<ESMA_QUESTION_CSDC_33>

We fully support the current process of “working arrangements” applied by Clearstream in agreement with our NCAs and believe that it has proven very successful in achieving our participants’ commitment to analyse reasons for settlement fails and take mitigating actions. However, we understand that the current procedures are not harmonised across all NCAs, hence, we plead for regulatory convergence in this regard to achieve a level playing field.

<ESMA_QUESTION_CSDC_33>

3.1.11 CSDs’ public disclosure on settlement fails

Q34 Do you agree with the proposed amendments to Table 1 of Annex III of CDR 2018/1229 to include information on the breakdown of the settlement fails per asset class? If not, please elaborate.

<ESMA_QUESTION_CSDC_34>

We do not believe there is much added value of such breakdown. In any case, we recommend continuing to provide the current “global” information should the breakdown be required (in addition) in future.

<ESMA_QUESTION_CSDC_34>

Q35 Do you think that CSDs should publish additional information on settlement fails? If yes, please specify.

<ESMA_QUESTION_CSDC_35>

We see no added value to publish further detailed data beyond what is provided already today (internally or publicly) in line with CSDR obligations.

<ESMA_QUESTION_CSDC_35>

Q36 Should the frequency of publication of settlement fails data by CSDs increase? Which should be the right frequency?

<ESMA_QUESTION_CSDC_36>

We see no added value to publish data more frequently.

<ESMA_QUESTION_CSDC_36>

3.2.1 Unique transaction identifier (UTI)

Q37 Do you agree that the use of UTI should not be made mandatory through a regulatory change?

<ESMA_QUESTION_CSDC_37>

Agreed. The obligation to include this information could delay the process and send time to the subsequent actor of the custody chain with a negative effect on the speed of information dissemination linked to the corresponding efficiency.

<ESMA_QUESTION_CSDC_37>

Q38 What are your views on the use of UTI in general and in the case of netted transactions specifically?

<ESMA_QUESTION_CSDC_38>

The use/ usability of UTIs requires further industry discussions; However, netting is a break in UTI usage as many single trades are combined to one or two settlement instructions. Therefore, for CCPs offering netting, the use of UTI does not make sense in the settlement instructions.

<ESMA_QUESTION_CSDC_38>

3.2.2 SSIs format

Q39 Should the market standards for the storage and exchange of SSIs be left to the industry or is regulatory action at EU level necessary?

<ESMA_QUESTION_CSDC_39>

Yes, we believe this should be left to the industry.

<ESMA_QUESTION_CSDC_39>

3.2.3 Place of settlement (PSET) as mandatory field of written allocations

Q40 How can the PSET contribute to improve settlement efficiency and reduce settlement fails? Do you have suggestions on how to make the use of PSET more consistent across the market? If yes, please elaborate.

<ESMA_QUESTION_CSDC_40>

CSDs support the use of SWIFT information, including PSET. The actual use by participants should be defined by market practice.

<ESMA_QUESTION_CSDC_40>

Q41 Do you agree that the PSET should not be made a mandatory field of written allocations under Article 2(1) of CDR 2018/1229? If you have a different view, please elaborate.

<ESMA_QUESTION_CSDC_41>

N/A

<ESMA_QUESTION_CSDC_41>

3.2.4 Place of safe keeping (PSAF) and place of settlement (PSET) as mandatory fields of settlement instructions

Q42 Do you agree that the decision to use the PSAF and the PSET in the settlement instructions should be left to the industry?

<ESMA_QUESTION_CSDC_42>

Yes, we agree that the decision to use the PSAF and the PSET in the settlement instructions should be left to the industry. Additionally, PSAF should not become mandatory in the settlement instructions as Eurex Clearing sends POA instructions on-behalf of clients. Eurex Clearing does not know the location where the instruments are safekept by the clients. PSET is already used today by Eurex Clearing.

<ESMA_QUESTION_CSDC_42>

Q43 What are the current market practices regarding the use of PSAF and PSET, in particular in the case of netting along the trading and settlement chain?

<ESMA_QUESTION_CSDC_43>

Eurex Clearing sends Place of Settlement (PSET) in settlement instructions according to the requirements of the CSDs. Eurex Clearing does not send the Place of safe keeping (PSAF).

<ESMA_QUESTION_CSDC_43>

3.2.5 Transaction type

Q44 Do you agree that the transaction type should not become a mandatory matching field under Article 5(4) of CDR 2018/1229?

<ESMA_QUESTION_CSDC_44>

Agreed. Adding an additional matching field would negatively impact the settlement efficiency and add more complexity to ensure matching the first time correctly.

Due to the different market practices setting up the transaction type as a mandatory matching field would have a significant impact on the matching rate, and subsequently, on the settlement efficient rate.

<ESMA_QUESTION_CSDC_44>

Q45 Do you think the lists mentioned in Article 2(1)(a) and Article 5(4) of CDR 2018/1229 should be updated? If yes, please specify.

<ESMA_QUESTION_CSDC_45>

We see no need for updates.

<ESMA_QUESTION_CSDC_45>

3.2.6 Timing for sending settlement instructions to the securities settlement system (SSS)

Q46 What are your views on whether market participants should send settlement instructions intra-day rather than in bulk at the end of the day?

<ESMA_QUESTION_CSDC_46>

For non-CCP trades, efficient settlement processes are supported. The Bilateral Aggregation functionality, which requires end-of-day processing, consolidates trades which results in a single end-of-day instruction, significantly reducing costs for clients.

For CCP cleared trades, netting is one of the key features of CCP. Hence, settlement instructions can be sent only after netting at the end of the trading day. Therefore, sending settlement instructions intra-day doesn't make sense from a CCP perspective.

However, the wording from the proposal (par. 172): "where possible and efficient to do so, send instructions intraday rather than in bulk at the end of the day." is acceptable.

<ESMA_QUESTION_CSDC_46>

Q47 Do you consider it necessary to introduce a deadline for the submission of settlement instructions through a regulatory amendment to CDR 2018/1229? If yes, what should be such a deadline? Please provide arguments to justify your answers.

<ESMA_QUESTION_CSDC_47>

We don't see a need to introduce a deadline for submission of settlement instructions. It should be possible to send settlement instructions at any time. In case of errors or delays in clearing processes, a deadline would restrict timely settlement.

<ESMA_QUESTION_CSDC_47>

3.2.7 Alignment of CSDs' opening hours, real-time/night-time settlement and cut-off times

Q48 Do you agree that CSDs' business day schedule should be left to the industry? If not, please elaborate.

<ESMA_QUESTION_CSDC_48>

The decision should be left to the individual CSDs but keeping in mind that those CSDs participating in T2S are dependent on an agreement amongst stakeholders based on the T2S governance framework.

<ESMA_QUESTION_CSDC_48>

Q49 What would be, in your view, the ideal business day schedule for CSDs taking also into account real-time settlement, night-time settlement and cut-off times? Should they be aligned? Please provide arguments.

<ESMA_QUESTION_CSDC_49>

As a starting point to this discussion, we should decouple the start of NTS from the efficiency of the settlement process. In other words, the start of NTS is not the same as the efficiency of settlement of the trading activity. DBG aims at finding a solution that would fulfil the business requirements of its different business areas to the best extent possible:

- T+1 scenario should enable late trading activity till 22:00 to be processed in the first T2S night-time cycle (first batch).
- Benefit from one batching process to allow for netting efficiency and to allow for higher liquidity.
- CCP instructions should be treated with a higher priority than OTC settlement instructions by T2S.
- It is important that settlement systems, including T2S, avoid long down times and allow for interaction with the system by market participants.
- It is important that settlement efficiency is upheld by appropriate measures such as keeping penalties for settlement failures in general.
- Additionally, for any proposed solution, the following metrics should be taken into account to measure their efficiency: Settlement efficiency; Efficient liquidity management; Operational efficiency/cost

<ESMA_QUESTION_CSDC_49>

3.2.8 Shaping

Q50 Do you agree that shaping should be adopted as best practice? If you do not agree and believe that it should be adopted as regulatory change, please indicate which should be the most adequate size to shape transactions per type of financial instrument.

<ESMA_QUESTION_CSDC_50>

We agree to apply shaping as best practice, when applicable, and already on the level of participants or their underlying clients rather than the CSDs – it should not be made mandatory, however. As stated in our response to Q21, we note that shaping is today not applied by CSDs but “upstream”, i.e. CSDs accept any settlement quantity in a participant’s settlement instruction. This is confirmed e.g. by the UK AST that recommends to apply the current market practice rather than creating new CSD shaping services.

Additionally, we would like to clarify that shaping and auto partial do not have the same aim, contrary to what is mentioned in paragraph 211. Indeed, while auto partial aims to settle part of an instruction when the seller does not have enough securities, shaping will also help reduce intraday liquidity needs and hence could allow more settlement velocity as smaller tickets would be settled and won’t be driven by a lack of cash or insufficient cash available.

From an Eurex Clearing perspective, it is already applying shaping for large repo transactions and large physical delivery transactions resulting from derivatives exercise/assignment and notification/allocation. Target size per instruction is EUR 50m or respective value in other currency. For trades from stock markets, shaping is not applied as value per transaction is usually lower than EUR 50m.

<ESMA_QUESTION_CSDC_50>

3.2.9 Automated securities lending

Q51 Do you see the need for a regulatory action in this area? If yes, please elaborate.

<ESMA_QUESTION_CSDC_51>

At least the “Top failing participants” should be required to assess if securities lending services could be used, when offered by a CSD. The outcome of such assessment should be made available to ESMA.

<ESMA_QUESTION_CSDC_51>

3.2.10 Other proposals regarding settlement discipline measures and tools to improve settlement efficiency

Q52 Do you have other proposals regarding settlement discipline measures and tools to improve settlement efficiency in areas not covered in the previous sections? Please give examples and provide arguments and data where available. If relevant, please also include the specific proposed amendments to CDR 2018/1229.

<ESMA_QUESTION_CSDC_52>

Clearstream:

We believe the tools defined by CSDR and specially the “working arrangements” as applied by Clearstream are fully sufficient and effective to trigger measures to increase settlement efficiency whenever feasible on the participants’ side.

Eurex/Eurex Clearing:

We would also like to reiterate some concerns that have already been raised to ESMA in the past, related to future products on fixed-income securities and the inclusion of such transactions in the scope of T+1 (as stipulated in the newly proposed Article 5(2) of CSDR).

We strongly believe that the settlement date for allocated physical deliveries in government bonds should ideally remain two business days after the last trading date of the fixed-income futures. This is due to the substantial size of these transactions, which already face tight timing constraints under the current T+2 settlement cycle. Reducing it further would add complexity and risk, particularly considering the funding and potential re-alignments required to ensure the completion of very large transactions.

The additional complexity and risk are further supported by the fact that, in practice, clearing members have clients in many countries (i.e. Asia/ Middle East/ USA), who will find this an issue to comply with due to different time zones. The increased logistic of moving bonds / cash in shorter period may discourage those clients from trading on Eurex and European markets. As reported by market participants, in the specific case of fixed-income futures, the settlement processes already operate at near 100% efficiency. Therefore, we believe that the scope for further improvement is minimal, and shortening the settlement cycle might inadvertently increase the risk of settlement failures.

In addition, we also believe that it is also crucial to consider in the context of the T+1 implementation project the fundamental differences in the settlement processes of bonds between the EU and the US/UK. In the US and UK, the delivery date can be chosen by the participant within a “delivery period” mechanism, providing flexibility. However, in Europe, the delivery occurs on a fixed “delivery day”, making the process more rigid, e.g. Eurex has a dedicated delivery day (10th calendar day). In the US, CME allows for similar exceptions with

the T+2 delivery period being defined in the Contract Specifications of the fixed-income futures and thus not considered a Trade. Moving to T+1 mandatorily will further require the change of Contract Specifications for the futures, as the last trading day for Eurex fixed-income futures is directly linked to the delivery day (“two exchange days prior to the delivery day”). During quarterly expiries, a significant volume of physical deliveries of European government bonds must be completed before the settlement cutoff time to avoid facing high penalties. Therefore, keeping the settlement cycle for such transactions to T+2 would ensure that the high level of settlement efficiency is maintained while mitigating the risks associated with those large transactions.

<ESMA_QUESTION_CSDC_52>

3.2.11 Costs and Benefits

Q53 For all the topics covered in this CP please provide your input on the envisaged costs and benefits using the table below. Please include any operational challenges and the time it may take to implement the proposed requirements. Where relevant, additional tables, graphs and information may be included in order to support the arguments or calculations presented in the table below.

ESMA or respondent's proposal		
	Qualitative description	Quantitative description/ Data
Benefits		
Compliance costs: - One-off - On-going		
Costs to other stakeholders		
Indirect costs		

<ESMA_QUESTION_CSDC_53>

ESMA or respondent's proposal		
	Qualitative description	Quantitative description/ Data
Benefits	Eurex Clearing: An extension of partial settlement esp. for conditional settlements, will lead to less manual intervention to enforce settlements (partially) before cut-off.	Eurex Clearing: Hard to quantify.
Compliance costs: - One-off - On-going		
Costs to other stakeholders		
Indirect costs		

<ESMA_QUESTION_CSDC_53>

