

Regulatory News Alert

Guidelines on internalised settlement reporting under Article 9 of CSDR

11 April 2018

Final Report

According to Article 9(1) of CSDR, settlement internalisers shall report on a quarterly basis to the competent authorities of their place of establishment the aggregated volume and value of all securities transactions that they settle outside securities settlement systems.

On 28 March 2018, ESMA published its guidelines on internalised settlement reporting under Article 9 of CSDR. It sets out the types of transactions and operations that should be considered in scope of internalised settlement reporting and it addressed the uncertainty stemming from the draft issued in July 2017 on this matter.

Differently from what ESMA set out in the draft, the types of transactions and operations in scope of internalised settlement reporting do not include intragroup transactions, reallocations of collateral for securities lending and inheritance and gifts where there is a transfer of securities between accounts. However, the transfer of securities between two securities accounts of the client integrates the scope of the reporting.

In addition to the types of transactions and operations within the scope, ESMA guidelines set out what is out of the scope of internalised settlement reporting.

With respect to the draft issued in July 2017, the final ESMA guidelines have brought some changes in the list of types of transactions and operations out of scope of internalised settlement reporting as well. For instance, the transfers of securities between two accounts of the same client that was previously out of scope now integrates the scope of the reporting activity. In addition, differently from the draft, the final guidelines do not consider the following out of scope:

- Transactions that are settled by a CSD, and transactions that are cleared; however, if transactions are netted outside a CSD or a CCP and it is only the netted part that is sent to the CSD or the CCP, then the part of the transactions not sent to the CSD or the CCP should be reported
- Security financial collateral arrangements as defined in point (c) of Article 2(1) of Directive 2002/47/EC, as long as there is no transfer of securities between accounts
- Alignments of book-entry positions to reflect the settlement of instructions by CSDs or other entities in the holding chain of securities (e.g., in case of a transfer of securities between accounts opened with the CSD, mirroring/reflecting the transfer in the books of a CSD's participants)



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