

Regulatory News Alert

ESMA first Q&As on CSDR, Focus on Account Segregation

3 April 2017

Questions and Answers on the implementation of the Regulation (EU) No 909/2014 on improving securities settlement in the EU and on central securities depositories (CSDR)

Overview

On 10 March 2017, the CSDR level 2 package, composed of six different regulatory technical standards (RTS), was published in the Official Journal of the European Union.

Following this release, [ESMA issued Q&As on 13 March 2017](#) to ensure common supervisory approaches and practices in the application of CSDR.

The Q&As address various issues on the central securities depositories (CSDs) regime. Among those, question 5 will be of special interest for participants of CSDs.

Client options on account segregation

Question 5 deals with the **article 38(5) of the CSDR**, which requires CSD participants to offer their clients a choice between:

1. **Omnibus account segregation**, where all the participant clients' accounts appear as undifferentiated for the CSD
2. **Individual account segregation**

In both cases the clients must be informed of the associated costs and risks.

ESMA provides some guidance on the timeframe given to CSD participants to be compliant with article 38(5) of CSDR.

According to ESMA, in order to be authorized under CSDR, CSDs should ensure that their participants comply with article 38(5) of CSDR. **Therefore, the participants must determine how they intend to materialize the option offered to the client prior to the application.**

ESMA keeps the same approach as the one used on the **Questions and Answers on the Implementation of the Regulation (EU) No 648/2012 on OTC derivatives, central counterparties and trade repositories (EMIR)**. Under the article 39(5) of EMIR, clearing members of central counterparties (CCPs) must be able to offer to their clients an option between omnibus segregated accounts and individual segregated accounts before joining the CCP.

Next steps

The CSD requirements entered into force on 30 March 2017 and it will be possible for CSDs to apply for an authorization until the end of September 2017.

Participants of CSDs should adapt their account segregation process in the meantime and reflect on the option they wish to take and offer to their clients.

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