

TO : Regulated Entities
i. Central Securities Depositories
ii. Central Counterparties
iii. Trading Venues

FROM : Cyprus Securities and Exchange Commission

DATE : 9 October 2017

CIRCULAR NO. : C242

SUBJECT : Regulation (EU) No 909/2014 on improving securities settlement in the European Union and on central securities depositories and latest developments

The Cyprus Securities and Exchange Commission (“CySEC”) wishes, with this circular, to inform the Regulated Entities about the Regulation (EU) No 909/2014 on improving securities settlement in the European Union and on central securities depositories (‘the [CSDR](#)’), as well as the latest developments on the regulatory framework at European level regarding this topic. More specifically:

1. CSDR

- i. It lays down uniform requirements for the settlement of financial instruments in the European Union (‘EU’) and rules on the organisation and conduct of central securities depositories (CSDs) to promote safe, efficient and smooth settlement.
- ii. It applies to the settlement of all financial instruments and activities of CSDs unless otherwise specified in CSDR.
- iii. It provides, among others, the following:
 - Shorter settlement periods;
 - Settlement discipline measures (mandatory cash penalties and ‘buy-ins’ for settlement fails);
 - An obligation regarding dematerialisation for most securities;
 - Strict prudential and conduct of business rules for CSDs;
 - Strict access rights to CSD services; and
 - Increased prudential and supervisory requirements for CSDs and other institutions providing banking services ancillary to securities settlement.

2. Commission Delegated Regulations

Following the publication of CSDR, the European Commission has published the below mentioned delegated Regulations:

- i. [Commission Delegated Regulation \(EU\) 2017/389](#) as regards the parameters for the calculation of cash penalties for settlement fails and the operations of CSDs in host Member States. This regulation shall apply from 10 March 2019. By way of derogation:
 - Articles 2 (calculation of cash penalties), 3 (reference price of the transaction) and 8 (transitional provisions) apply from 30 March 2017.
 - Article 7 (determination of market values) shall apply from 3 January 2018.
- ii. [Commission Delegated Regulation \(EU\) 2017/390](#) with regard to regulatory technical standards on certain prudential requirements for central securities depositories and designated credit institutions offering banking-type ancillary services. This regulation applies from 30 March 2017.
- iii. [Commission Delegated Regulation \(EU\) 2017/391](#) with regard to regulatory technical standards further specifying the content of the reporting on internalised settlements. This regulation shall apply from 10 March 2019.
- iv. [Commission Delegated Regulation \(EU\) 2017/392](#) with regard to regulatory technical standards on authorisation, supervisory and operational requirements for central securities depositories. This regulation applies from 30 March 2017.
- v. [Commission Delegated Regulation \(EU\) 2017/393](#) with regard to the templates and procedures for the reporting and transmission of information on internalised settlements. This regulation shall apply from 10 March 2019.
- vi. [Commission Delegated Regulation \(EU\) 2017/394](#) with regard to standard forms, templates and procedures for authorisation, review and evaluation of central securities depositories, for the cooperation between authorities of the home Member State and the host Member State, for the consultation of authorities involved in the authorisation to provide banking-type ancillary services, for access involving central securities depositories, and with regard to the format of the records to be maintained by central securities depositories. This regulation applies from 30 March 2017.

3. ESMA Guidelines

ESMA has published guidelines regarding this topic with the purpose to ensure common, uniform and consistent application of CSDR in European Union. These guidelines are described in [CySEC's Circular](#) with noC241, dated 6 October 2017.

4. Questions and Answers

The following questions and answers have been published in order to assist market participants in the implementation of CSDR and Delegated Regulations:

- i. [ESMA Questions & Answers on CSDR](#), issued on 2 June 2017.
- ii. [EC Questions & Answers on CSDR of October 2014](#) and [EC Questions & Answers on CSDR of April 2014](#).

Yours sincerely,

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