

**ESMA Discussion Paper:
Draft Technical Standards for the Regulation on improving securities settlement in
the European Union and on central securities depositories (CSD)**

French contribution

1. Presentation of AFTI

- **AFTI** (Association Française des Professionnels des Titres) **is the leading Association in France and in the European Union representing the post-trade businesses.** AFTI gathers **more than 100 members representing all market players in the post-trade industry:** custodians, depositories, investment firms, market infrastructures and issuers.
- AFTI welcomes the consultation process launched by the ESMA on Draft Technical Standards for the Regulation on improving securities settlement in the European Union and on CSD as the opportunity to enhance harmonization within the EU.

2. Executive summary of AFTI position regarding the current consultation

As a prerequisite, it is mandatory that the mechanisms (timelines, principles, etc...) for buy-ins and settlement discipline as well as penalties levels are harmonised across Europe to avoid any distortion of competition between the CSDs in the various European countries.

1. Primary markets transactions (e.g. UCITS subscriptions and redemptions) because of their specificities should not be subject to the buy in regime.
2. AFTI suggests that CSDR leverages on T2S principles and technical features (e.g. technical netting, recycling ...) and calls for their widen use to the non-T2S countries.
3. Timing of implementation of settlement discipline should be after the move to T2S for the joining CSDs and at the latest in 01/01/2017 for non T2S countries. Depending on complexity it may take between 6 to 12 months to implement the relatively simple SDR (Settlement discipline regime) measures. Timeline may be increased for more complex SDR measures.

4. Failing participants' assessment must be analysed and followed at the EU level and not per CSD. Indeed, today, players are more European than pure domestic players.
5. AFTI recommends that CSDs are proactively providing information to their customers for fails monitoring.
6. Despite there is no question on the design of the future penalty regime, French participants would like to share with ESMA their thoughts and present a regime that is fair. Indeed the penalty regime should penalize only the real defaulter and not all intermediaries in a settlement chain; thus the French market is in favour of a regime based on a net position. (see attached word document "French proposal for the settlement penalty regime V1.0.doc")
7. To promote an efficient buy in regime and settlement discipline it is preferable to have a centralised operational entity performing the tasks than a decentralised process applied by each CSD/country.

3. Detailed position of AFTI on the current consultation

AFTI has fully detailed its positions and questions on a question per question basis on the attached XLS file.

Should you need further details do not hesitate to contact us.

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Yours sincerely

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