Consultation Paper on the Amendments to the RTS on Settlement Discipline

FRANCE POST MARCHE ANSWERS

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

As a general comment we believe answers may differ depending on the date foreseen for the application of the proposed amendments and their proximity to the transition to T+1.

The timing requirement for the allocation / confirmation is a first example.

France Post Marché believes (please refer to our position paper) that in a T+1 environment all allocations and confirmations should be sent as soon as possible and before 23:59 CET on Trade date at the latest (regardless of time zones considerations). Thus, the proposed amendment should be considered temporary, a way to help trading parties progress in their adaptation to the shortening of the settlement cycle.

Additionally, we believe that the amendments of these articles should follow the recommendations of the Allocation / Confirmation workgroup of the European Governance for T+1 in terms of content and timing of implementation of these changes.

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?

We don't see merit in introducing this directly in a regulatory document. This should be adopted by the market as part of market standards. Additionally, if such obligations were implemented, this would imply a review of the EU delegated regulation 2017/565 article 59 (1) (b).

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?

Not applicable considering our answer to question 2.

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?

Currently (in a T+2 environment) there is no need to specify the term "close of business". Indeed, there is a clear one-day period between the end of the trading and the start of the settlement. Due to late trading hours, in a T+1 environment, and if processes do not change, the end of the trading day would happen after the start of the settlement of the trades. As such, should the term "close of business" be defined, it should be a definition that does not incur any confusion and that takes into consideration the impacts on end-of-day entitlements (corporate actions). Additionally, we believe

that the end of “trading day” should not have any overlap with the start of settlement operations to allow those operations to run smoothly. This being said and having in mind that there are different “close of business” for different streams of activities, depending on where one stands in the process, we do not believe that having a regulatory definition would be more effective.

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?

We believe this would not be applicable as the UK 5:59 GMT cut off is relative to “settlement instruction submissions to the CSD” and not allocations & confirmations. In addition, this cut-off is not set as a regulation but as a standard which is part of the new code of conduct. However, in the context of T+1 (see our answer to Q1) we are aligned with the UK Taskforce with a proposal that all allocation & confirmation should be sent by end of the day (in the EU by 23:59 CET).

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

Not at the moment but we believe that the Matching & Confirmation technical workstream would be best suited to suggest other means to achieve this objective.

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?

We agree that the use of electronic and machine-readable formats should be made mandatory for allocations & confirmations. We believe that such a change should follow some standards which will have to be clarified. We believe that this obligation should be introduced following the timeline of the T+1 transition. However, if ESMA wishes to implement this change earlier, the timing should be considered carefully to provide market participants with enough time to:

- adapt their systems accordingly
- allow for adequate testing before the T+1 transition

In addition, we would suggest including a clarification on the expected format. The consultation paper only refers to the MIFID II definition of “electronic” format which is quite broad since it only excludes paper while "machine readable" is a more restrictive terminology according to the definition given in directive 2019/1024 (“machine-readable format’ means a file format structured so that software applications can easily identify, recognise and extract specific data, including individual statements of fact, and their internal structure”). It would be appropriate to clarify if this definition is the one to be used in this amendment to the RTS or if the definition of “machine readable format” should be different.

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?

As we answered in Q7 that the use of “electronic, machine readable” format should be made mandatory, we consider that introducing this option does not seem efficient and should be discarded.

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

[…]

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

Messaging between participants and CSDs, and between participants and clients are almost completely done through machine readable formats therefore, we do not see any necessity to introduce a similar regulatory obligation on other steps of the settlement chain.

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

Not at the moment, but we believe that the Matching & Confirmation technical workstream would be best suited to suggest other means to achieve this objective

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?

FPM supports the use of machine-readable formats and the use of international formats however the choice of formats should be left to investment firms and their clients, accordingly, we are not in favor of the proposed wording.

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?

Generally speaking, we believe that adoption of international standards is an enabler of settlement efficiency since it facilitates harmonization. The use of standards is beneficial, but it should always be kept in mind that it requires participants to use them in the proper wayand it goes together with a need for increased information around the operating procedures to employ them correctly. Imposing the systematic use of the latest international standards will lead to a perpetual adaption to new formats.

Currently, several different standards already exist and are actually well designed for the area they cover, and they also have already proved to be fully efficient. While the 15022 and 20022 messages are widely used for settlement processes, FIX or CTM are the most common ones for processes related to trade Allocations & Confirmations. It should also be noted that ISO 20022 is a complex standard. While it is efficient in some areas, its wider adoption is far more complex and pushing for its adoption over the 15022 standard could hinder the efforts for the transition to T+1. Finally, other proprietary standards may prove cost effective and fully compatible with existing processes and should also be kept.

A wide adoption of the 20022 standard or any new international standard/format is a significant effort requiring a wide acceptance by the market and a full deployment should be planned on a larger scale of time than the 2,5 years considered for the transition to T+1. In the perspective of the future shortening of the settlement cycle and the related drastic reductions of the available time for post

trade processes, we believe that the priority should be put on automation of exchanges rather than on the deployment of additional projects of standardization of messages.

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)?

For our members, the 20022-messaging standard is almost only used for communications with T2S for settlement messaging. Most of the messaging between clients and participants relevant to the allocation & confirmation processes are 515 MT SWIFT messages (15022 standard) which may be better suited for that purpose.

The main type of messages used by our members are: 15022, FIX messages, CTM standard messages, Traiana standard messages, and manual messages amongst others.

France Post Marché is however not able to provide detailed figures on the use of messaging standards.

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.

Yes, it is our view that economic / non-economic data agreed during the allocation/confirmation process should reflect the criteria used by CSDs to match instructions and process their settlement. That is one of the key points we already highlighted when FPM started working on the settlement efficiency in mid-2021. Indeed, any discrepancy detected at the settlement level will need to be passed back to the trading parties since they will be the only ones to be able to solve it. In the context of a move to T+1 this became an essential requirement, and we participated actively in the redaction of the proposed amendments to the delegated regulation by the EU Industry Taskforce.

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

Not at the moment, but we believe that the Matching & Confirmation technical workstream would be best suited to suggest other means to achieve this objective.

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.

We do not agree with the proposal to impose on investment firms a regulatory obligation to keep their clients' SSI up to date as this responsibility should befall on professional clients and, preferably, be addressed through market practices.

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

The responsibility to keep SSIs up to date lies with the clients, and they can do so through SSI repositories or through communications with their investment firms. Existing or new repositories should be adapted to European specificities as FPM stated in its position paper on T+1. Ideally France Post Marché believes that a Pan-European system would be most adapted to address our market challenges.

3.1.5 Hold & release

3.1.6 Partial settlement

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

FPM agrees with the amendment and has actually published market practices going in this direction. This market practice was published in February 2022: « *CSDR Settlement discipline : Optimisation du règlement-livraison, notamment au travers du règlement-livraison partiel* » is available at :

https://www.france-post-marche.fr/pratique-du-marche-csdr-settlement-discipline-optimisation-du-reglement-livraison-notamment-au-travers-du-reglement-livraison-partiel/

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

Yes, we agree with the removal of this derogation (hold & release and partial settlement). This is complementary to France Post Marché's answer to question 19.

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

The usage of partial settlement may have some side effects that need to be addressed in order for this essential tool to be more widely used:

- we believe it would be beneficial to consider the possibility to limit the size and / or the number of partial settlements to avoid a partial settlement for each unit of stock becoming available
- Also, it is necessary to review the level of CSDs' fees incurred by those partial settlements.

Finally, allowing the partial release should go hand in hand with this measure, otherwise, participants using an omnibus account structure will be limited in the use of the partial settlement.

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?

While being a very useful tool to improve the settlement efficiency, a systematic application of the partial settlement may have detrimental impacts or be incompatible with specific settlement instructions.

You will find below a (non-exhaustive) list of transactions that we believe should be excluded from partial settlement:

- Portfolio transfers: the nature of these transactions does not match the use of these functionalities
- Linked instructions: as these instructions are used to aggregate positions, their nature dictates that they are used as an "all or nothing" instructions. As such they cannot be partialized (i.e. Dividend distribution) *
- PFoD: The transactions are only cash transactions and some cannot be partialized
- Auto-collateralisation

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.

Yes, this type of measure normally eases settlement, but it should be validated with CSDs. We believe that all T2S CSDs use this function.

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

No, as we believe that the T2S auto collateral framework works efficiently.

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.

The features offered by T2S should serve as a reference. As stated in our Position Paper on T+1 we believe that all CSDs should at least replicate similar processes and windows or ideally work towards joining T2S. However, FPM is conscious of the implication in terms of costs and benefits of such evolutions. Consequently, we believe that a split could be made between “must have” and “nice to have”. For example, we consider as a “must have” that CSDs start their settlement process (should it be real time or a per batches) by running an optimisation feature equivalent to the T2S technical netting model.

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.

As mentioned in question 25 we believe CSDs processes should replicate T2S processes with a night settlement process allowing for maximum netting & optimization and real time settlement offering gross settlement. Of course, this implementation should be studied through a cost/benefit analysis.

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

No but we believe that these decisions should consider the work of the T+1 settlement workgroup, which is actively working on mapping CSDs processes and specificities.

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.

Aligning the rules for determining the top 10 failing participants with the ones defined by article 39 for the monitoring by CSDs of participants consistently and systematically failing to deliver securities is definitively an improvement as it will bring consistency between the two approaches while promoting the fairest one. However, the new rule for both articles 14 and 39 still does not embed the immunisation principle and thus divergences with the “penalty” view will remain. Indeed, participants which are in the middle of the settlement chain and cannot deliver securities they have not received will be reported as failing participants while not being responsible for the reason of the settlement

fails. To avoid a distorted vision, the same approach as for penalties should be considered when establishing statistics on top failing participants.

With regards to the second point and the introduction of a "relative terms" approach, FPM agrees with the rationale exposed by ESMA in its Consultation Paper. Indeed, it may help determine the impact one participant may have on the overall settlement and also put into perspective high failing rates by comparing them to the global activity of the participants. However, we have concerns on the costs and benefits of such an evolution and would suggest to ESMA and the Commission to perform an analysis before implementing the "relative terms" approach.

Indeed, this will mean IT developments by CSDs that will be passed on to participants. There are already several areas that will generate costs in the coming years while the industry will have to remain competitive in order to stay attractive.

When speaking about benefits, one should keep in mind that for the vast majority of the time, participants act on behalf of their clients. Consequently, the ability to draw conclusions from the figures will be very limited. Some participants may appear in the "top 10" because of one specific client or because of several ones. Variations from one month to another could be related to one client facing some issues; or on the contrary, figures may remain stable because some issues related to one client are "absorbed" by the others …

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)?

This reporting is specifically for the regulators thus the benefit to have both approaches should be assessed by the latter and the CSDs. However, we would like to raise again the point that costs of such an evolution will be passed on to the CSD participants.

Additionally, we would appreciate some clarification on the relation between this reporting and the monitoring by CSDs (as requested by article 39) which in the end may allow a CSD to suspend a participant. Could the "relative terms" approach be used? Having in mind, as stated above, that such figures will unlikely allow the assessment of the "quality" of the participant itself.

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.

FPM believes that it would be beneficial for these lists to be communicated to those concerned on a more regular basis to help them in identifying ways to improve. Data reported to the regulators should also be anonymized and made available to the market in a manner allowing participants to analyse and improve further settlement efficiency. A communication every month would be appropriate.

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?

No, we don't agree with these amendments. CSD participants are the last link in the custody chain before the CSD and therefore have very limited knowledge of the underlying reasons of a settlement fail.

Participants would only be able to report on the reasons for which they are directly involved, but these cases represent a non-significant percentage of the total number of settlement fails.

Holding CSD participants responsible for explaining the reasons of settlement fails resulting from their clients would create an important amount of manual processing and important additional costs.

National Competent authorities as well as ESMA are regularly informed of the level of fails and of the 10 main "failers" and may already contact them for explanations. It is our view that such procedures remain sufficient and effective, even more since the overall objective of the industry is to continue improving the settlement efficiency.

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".

Cases we can consider are indicated below:

Unmatched trades which can be due to :

- different financial terms
- different matching terms
- counterparty missing

Another root cause of settlement fails can be " awaiting cancellation".

Linked instructions can also be at the root cause of settlement fails, when one of the linked instructions is not settled, causing all linked instructions to be put on hold. In this case the settlement failure reason displayed would be "linked".

This represents the main other reasons for settlement fails.

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?

As we stated previously participants are the last link of the custody chain. A lot of the underlying reasons of fails are not due to CSD participants activity but most often to their clients, on which they have very limited influence.

France Post Marché through its Settlement efficiency workgroup continuously analyse settlement data, with CSDs' help, aiming at identifying practices that can be improved on specific asset classes or instruction types. We believe this continuous work between market associations and CSDs can help in identifying market behaviours and suggest improvements. The close relation between Euroclear and France Post Marché has been beneficial for the market. However, the exercise at some point will find its limits as stated in the beginning of our answer.

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.

Yes, reporting per asset classes should be done at a minimum.

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

Actually, there is an important difference between publicly available data and the ones transmitted by CSDs to their National Competent Authorities both in terms of scope and in terms of frequency. While the gap could be bridged via the Users committees each CSD is required to hold, this relies on the data a CSD is willing to share with its participants. Therefore, we consider than more breakdowns should be made publicly available such as the type of instruction, the type of transaction, but also the breakdown by age of settlement fail, etc …

We also believe that those reports should provide settlement efficiency rates in a global approach and in each specific category. For example, ETFs settlement efficiency in volume and value:

- Among the whole amount of settlement (% of ETFs fails among total number of settlement)
- Among ETFs securities only (% of failing among total number of ETFs settlement)

For more details France Post Marché and Euroclear can share presentations on settlement efficiency used in the FPM GLF CSDR dedicated workgroup upon request of ESMA

Finally, we would like to also point out the disparities between CSDs and regret such data were not at the end in the scope of the European Single Access Point since it would have imposed a unique format and a single place to get all the data, making them easier to be found and compared.

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

Through its working group GLF CSDR, France Post Marché reviews data monthly with Euroclear, with a good granularity. We believe this to be a good practice and think that it would be beneficial to be extended generally

For more details France Post Marché and Euroclear can share presentations on settlement efficiency used in the FPM GLF CSDR dedicated workgroup upon request of ESMA

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?

Yes, we definitively believe it should not be made mandatory.

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

UTIs are already used but only in the context of a reporting between two parties and in relation to a single bilateral transaction. Indeed, some events may impact the reporting, but they always involve the same actors (the trading parties). Here it would be about having the UTI as a "wire conductor"

keeping track of the transaction throughout its lifecycle whereas several events will happen involving different types of actors and raising some concerns on who will define the UTI.

The interposition of a CCP and the novation the latter will apply is often mentioned, and rightly so, as an issue but actually, there is a lot of aggregation/netting steps in the lifecycle of a transaction.

The first is at the moment of its execution. For example, in the case of an order executed in several times on a trading venue or executed on different trading venues / systematic internalisers. Then comes the CCP nettings gathering all the trades cleared for a same ISIN. But there is also the point related to grouping orders (the use of the INTC code to report such transaction shows there is not a linear lifecycle). Eventually, there might be an interest to nett/aggregate transactions in a single settlement instruction.

To summarize, the use of the UTI may help settle more efficiently but this needs to be further analysed.

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?

On this topic France Post Marché has already expressed its view in its position paper. You will find it below:

"Also, accurate SSI shared between parties should become **a pre-matching** criterion and **transmitted within the client settlement Instruction** for both custodians to mitigate risks and ensure settlement efficiency.

To do so, the SSI standard should be adopted by all market participants, whether they are part of SSI platforms or not and parties should all comply with those standards to remove settlement fail due to unmatching SSI.

Finally, to reduce the SSI errors, France Post-Marché believes that the enablement of SSI Platform would be necessary. A single SSI repository will guarantee the data quality, ensure proper settlement and increase settlement efficiency. Either a decision is made at European level to build one in a short period of time, or the existing "third party" platforms should be improved to fit for the European T+1 landscape.

Indeed, to our knowledge, existing SSI platforms are designed for an international usage thus they do not fully address European specificities. If we can accommodate these inadequacies in our markets today, tomorrow it will no longer be possible due to compressed timelines to transmit SSI on T evening. Therefore we consider that there is a need for improvement to onboard European specificities. To do this, it will require the European market to provide specifications so that it will be possible to adapt them in time for the T+1 transition.

If the decision for Europe were to create a new SSI platform, it should be discussed and reviewed in a timely manner to start working on its development and allow testing and implementation on time for the T+1 transition."

France Post Marché : Major Pre-Requisites to T+1 for European Markets – 13/03/2025

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.

Definition of PSET should be harmonized across markets, participants, tools and software's, and should be applied uniformly during the exchange of SSI by clients & brokers. The use of PSET as an optional trade matching criterion could be investigated once its definition is harmonized. At least, participants who wish to use the PSET as such should be able to do so as a market practice.

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.

We agree that PSET should not be made mandatory.

The first thing should be that PSET indicated in allocation has to be the same in the settlement instruction data transmitted.

As of today, allocation platforms do not offer neither the PSET field, nor appropriate mapping to cover all products and European market specificities.

As an example, it should be noted that today DTCC CTM platform does not allow more than one account for the same place of holding, preventing tax rate differentiation between accounts.

It should be adopted as a market practice. Stating it in the regulation would become cumbersome in some specific cases making it risky.

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?

In line with our answer on question 40, we expect that trade details could include PSET and PSAF data but their inclusion should be left to the industry and not included in a regulatory text. As stated in question 40, the definitions of PSET and PSAF should be harmonized across markets, participants, tools and software. We also expect that PSET and PSAF data stay coherent between written allocations and the associated settlement instructions.

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?

[…]

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?

We agree, it should not become a matching criterion. Our position on this topic is in line with our answers to the consultations on CSDR Amendments by ESMA from February and August 2024.

As of today, the type of transaction field is not uniformly used between participants nor harmonized in its use. Additionally, not all CSDs accept this criterion in their system leading to a non-standard use of this criteria across markets and infrastructures preventing it to become a mandatory field.

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.

We do not think there is a need to update the list in the delegated regulation. Our point is more focused on the difficulties to map the 5 categories in the text with the "around" 40 referenced ISO codes. A mirroring relationship between ISO transaction codes and lists of transactions from CDR regulation should be established.

In addition, some clarification could prove useful for the "Other" category. It is unclear what type of transaction CSDR may think about. Examples will be more than welcome.

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?

It should be pushed. Instructions should be sent as soon as possible after confirmation but sending it intra-day will not always be possible since a big part of orders are done at fixing on EoD.

Thus, it should be promoted that instructions should not be withheld without valid reasons. Instructions should be sent as soon as possible to be visible, if needed by using the Hold & Release function. It will give time for internal control with the matching process running in parallel.

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.

No, we believe the introduction of such a deadline would be counterproductive to the market operating efficiently.

For CSD providing night settlement cycle, the economic advantage as well as the optimisation available during the night should incentivise participants to try to send instructions as soon as possible. Moreover, it is not clear how such a deadline would be introduced and defined. Would it be based on Trade date ("no later than TD+1 at a certain time")? Or would it be based only on the settlement date? With the latter, there is a risk that transactions concluded and to be settled same day may be caught by this requirement, in particular contingent operations (such as borrowing of stock) which may be detrimental in terms of settlement efficiency.

Additionally, we do not believe there would be an efficient way to enforce such a regulatory deadline.

We are of the opinion that a regulatory deadline on allocation / confirmation would be more adapted compared to a deadline on sending instructions.

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.

Yes, but we believe a better harmonization of the CSD business day schedule should be pushed across Europe and that all European CSDs should be incentivized to join T2S or at least replicate its processes and service offers.

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.

The ideal CSD business day schedule is not clear yet but may emerge from the harmonization of their processes across Europe. Again, we recommend to follow closely the work of the European Governance workstreams on the topic as their work may help in finding relevant solutions to this question.

However, we strongly consider it should respect a certain number of criteria such as two types of settlement cycle:

- A settlement cycle, aimed at settling a maximum volume of transactions by making use of technical netting tools, to do so it should be the first settlement process to take place.
- A real-time settlement process allowing a to settle transactions remaining after the first settlement cycle, during the day.

Throughout those settlement cycles the CSD should offer partialization and optimization windows.

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.

Yes, it should remain a best practice, and adapted to the kind of products which are traded. Practices already exist, but an official practice, with recommendation per asset class could be elaborated to improve settlement efficiency

3.2.9 Automated securities lending

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

No, there is no regulatory action needed. While automatic sec lending offers by CSDs could help liquidity, such initiatives should be left to the CSDs and participants' decisions.

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.

Not at this time.

Such suggestions should be left to the European governance workstreams, and this, even after the closing of this consultation, considering that the European governance technical workstreams are in the final phase of their diagnostic.