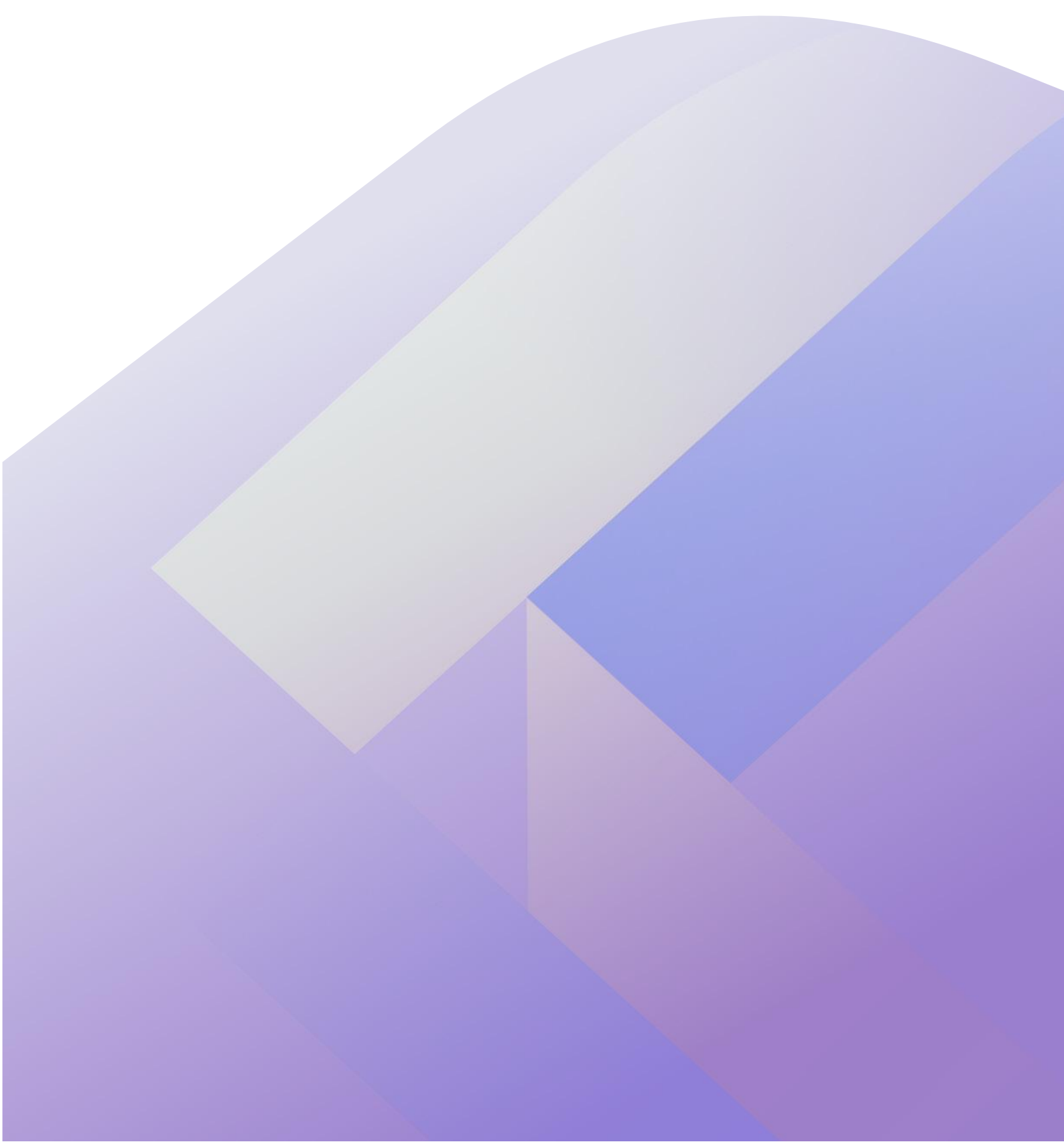


Reply Form

Consultation Paper on the Amendments to the RTS on Settlement Discipline



Responding to this Consultation Paper

ESMA invites comments on all matters in this Consultation Paper and in particular on the specific questions summarised in Annex 1. Comments are most helpful if they:

- respond to the question stated;
- indicate the specific question to which the comment relates;
- contain a clear rationale; and
- describe any alternatives ESMA should consider.

ESMA will consider all comments received by **14 April 2025**.

All contributions should be submitted online at www.esma.europa.eu under the heading 'Your input - Consultations'.

Instructions

In order to facilitate analysis of responses to the Consultation Paper, respondents are requested to follow the below steps when preparing and submitting their response:

- Insert your responses to the questions in the Consultation Paper in this reply form.
- Please do not remove tags of the type < ESMA_QUESTION_CSDC_0>. Your response to each question has to be framed by the two tags corresponding to the question.
- If you do not wish to respond to a given question, please do not delete it but simply leave the text "TYPE YOUR TEXT HERE" between the tags.
- When you have drafted your responses, save the reply form according to the following convention: ESMA_CP1_ CSDC_nameofrespondent.

For example, for a respondent named ABCD, the reply form would be saved with the following name: ESMA_CP1_ CSDC_ABCD.

- Upload the Word reply form containing your responses to ESMA's website (**pdf documents will not be considered except for annexes**). All contributions should be submitted online at www.esma.europa.eu under the heading 'Your input - Consultations'.

Publication of responses

All contributions received will be published following the close of the consultation, unless you request otherwise. Please clearly and prominently indicate in your submission any part you do not wish to be publicly disclosed. A standard confidentiality statement in an email message will not be treated as a request for non-disclosure. A confidential response may be requested from us in accordance with ESMA's rules on access to documents. We may consult you if we receive such a request. Any decision we make not to disclose the response is reviewable by ESMA's Board of Appeal and the European Ombudsman.

Data protection

Information on data protection can be found at www.esma.europa.eu under the heading '[Data protection](#)'.

Who should read this paper?

All interested stakeholders are invited to respond to this consultation paper. In particular, ESMA invites market infrastructures (CSDs, CCPs, trading venues), their members and participants, other investment firms, credit institutions, issuers, fund managers, retail and wholesale investors, and their representatives to provide their views to the questions asked in this paper.

1 General information about respondent

Name of the company / organisation	Finance Denmark
Activity	Other
Are you representing an association?	<input checked="" type="checkbox"/>
Country / Region	Denmark

2 Questions

3.1.1 Timing of allocations and confirmations

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

<ESMA_QUESTION_CSDC_1>

We are of the opinion that there should not be differentiated deadlines but instead an alignment with the US and the UK and, consequently, a single deadline for sending allocations and confirmations set at end of trade date.

The UK timeline states that allocation and confirmation should be completed as soon as reasonable possible and no later than 23:59 UK time. Our proposal is one deadline end of day.

<ESMA_QUESTION_CSDC_1>

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?

<ESMA_QUESTION_CSDC_2>

Investment firms are already subject to MiFID II Delegated Regulation 2017/565 article 59. Therefore, we do not think that additional requirements should be regulated in CSDR legislation.

<ESMA_QUESTION_CSDC_2>

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?

<ESMA_QUESTION_CSDC_3>

N/A please see answer in Q2

<ESMA_QUESTION_CSDC_3>

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?

<ESMA_QUESTION_CSDC_4>

Agree that the terms "close of business" should not be defined in the CSDR legislation but be market driven. (It is not the CSD that decides close of business but rather it is decided by trading practices or actual local time.)

<ESMA_QUESTION_CSDC_4>

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?

<ESMA_QUESTION_CSDC_5>

As mentioned in Q1 we prefer only one deadline end of day. If there are two, then 10:00 is better than 7:00

<ESMA_QUESTION_CSDC_5>

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

<ESMA_QUESTION_CSDC_6>

No

<ESMA_QUESTION_CSDC_6>

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?

<ESMA_QUESTION_CSDC_7>

No, it should not be regulated as some smaller clients can't use this. We support the idea but not as a regulation, but market practice should be encouraged

<ESMA_QUESTION_CSDC_7>

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?

<ESMA_QUESTION_CSDC_8>

This optionality already exists under the current regulation and should in our opinion not be further regulated on an EU level as it is a question of the bilateral business relation between the investment firm and the client.

<ESMA_QUESTION_CSDC_8>

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

<ESMA_QUESTION_CSDC_9>

Electronic communications are already used by professional clients. Nevertheless, there is a significant number of smaller professional clients that do not currently use electronic communication.

<ESMA_QUESTION_CSDC_9>

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

<ESMA_QUESTION_CSDC_10>

We do not consider that a similar regulatory obligation in other stages along the settlement chain would be necessary at this stage.

<ESMA_QUESTION_CSDC_10>

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

<ESMA_QUESTION_CSDC_11>

No, we think that market driven initiatives and best practices in standardisation and automation is sufficient at this stage.

<ESMA_QUESTION_CSDC_11>

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?

<ESMA_QUESTION_CSDC_12>

No, ISO15022/20022 are used by some larger professional clients. Nevertheless, there are a number of smaller professional clients that do not at the time being use ISO15022/20022. It should be up to the investment firm and their professional clients to agree on the communication regarding allocations and confirmations, provided that such communication is sent in a machine-readable format .

<ESMA_QUESTION_CSDC_12>

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?

<ESMA_QUESTION_CSDC_13>

We generally support ISO 20022, but there must be room to establish electronic solutions for customers not on SWIFT. See also reply in Q12.

<ESMA_QUESTION_CSDC_13>

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)?

<ESMA_QUESTION_CSDC_14>

TYPE YOUR TEXT HERE

<ESMA_QUESTION_CSDC_14>

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.

<ESMA_QUESTION_CSDC_15>

This question is up for discussion in the EU T1 Industry Committee Matching workstream. The workstream is working on a draft template that will then be sent to the EU T1 Industry Committee Settlement workstream for comments, It is important that ESMA respects the outcome of that work.

<ESMA_QUESTION_CSDC_15>

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

<ESMA_QUESTION_CSDC_16>

Exchange of standing instructions prior to trading can support the same aim for smaller clients

<ESMA_QUESTION_CSDC_16>

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.

<ESMA_QUESTION_CSDC_17>

No, although we agree that market practice should move in this direction it would not be practically feasible in all situations and relying on data from the onboarding process only can increase the risk of utilizing outdated data.

<ESMA_QUESTION_CSDC_17>

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

<ESMA_QUESTION_CSDC_18>

No

<ESMA_QUESTION_CSDC_18>

3.1.6 Partial settlement

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

<ESMA_QUESTION_CSDC_19>

Yes, although the amended text simply describes what has already been implemented in EU CSDs. We also believe that it would be helpful if all CSDs could offer a hold & release mechanism.

<ESMA_QUESTION_CSDC_19>

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

<ESMA_QUESTION_CSDC_20>

Yes, but there might need to be a longer period of time for the adaptation, especially for CSD's in process of joining T2S it would not make sense to be forced to build this short term

<ESMA_QUESTION_CSDC_20>

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

<ESMA_QUESTION_CSDC_21>

Enable larger minimum size for partial settlement (DK mortgage bond can settle down to 1 øre due to the partial redemption process, but it makes no sense having that many small partials so a general 100 EUR minimum or similar would be helpful and would reduce the overhead cost of partial)

<ESMA_QUESTION_CSDC_21>

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?

<ESMA_QUESTION_CSDC_22>

We do not see any need for this to be regulated in the RTS. It is important that the parties involved in a transaction have the possibility to determine if the transaction should be subject to partial settlement independent of which type of transaction it is. If both parties wish to engage

in partial settlement for any transaction, their CSD or custodian can facilitate this. Conversely, if a party prefers not to allow partial settlement for specific trades, they can use the NPAR tag to indicate this preference. There are certain types of transactions where non-partial settlement is often preferred such as in Securities Lending and collateral transactions but the current system already supports this flexibility.

<ESMA_QUESTION_CSDC_22>

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.

<ESMA_QUESTION_CSDC_23>

In principle yes, but there need for an extended timeline for CSD's to build solution, and for CSD's aiming to join T2S a short term a solution should not be forced

<ESMA_QUESTION_CSDC_23>

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

<ESMA_QUESTION_CSDC_24>

No

<ESMA_QUESTION_CSDC_24>

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.

<ESMA_QUESTION_CSDC_25>

Real time settlement is our preference. Utilizing real time settlement allows securities to move faster than batch settlement.

There needs to be extended timeline for CSD's to build solution, and for CSD's aiming to join T2S a short term a solution should not be forced

<ESMA_QUESTION_CSDC_25>

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.

<ESMA_QUESTION_CSDC_26>

Pls see answer to Q25

<ESMA_QUESTION_CSDC_26>

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

<ESMA_QUESTION_CSDC_27>

The Eurosystem should continue to encourage all EU/EEA CSDs to join T2S

<ESMA_QUESTION_CSDC_27>

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.

<ESMA_QUESTION_CSDC_28>

Transactions within the same participant should no be taken into account.

<ESMA_QUESTION_CSDC_28>

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)?

<ESMA_QUESTION_CSDC_29>

Taking into account both in relative terms and in absolute terms the top failing participants of a CSD will provide more clarity of which counterparty have the most impact to the whole market

<ESMA_QUESTION_CSDC_29>

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.

<ESMA_QUESTION_CSDC_30>

Instructions within the same counterparty should be excluded from all calculations

<ESMA_QUESTION_CSDC_30>

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?

<ESMA_QUESTION_CSDC_31>

We respectfully disagree with the proposed amendment. Our concern is that it will result in significant administrative work without providing substantial benefits in understanding the root causes. The most prevalent issue in the Danish market is the "lack of securities." In most instances, this occurs because the participant has not received the securities, as they are part of a chain. Consequently, the problem lies elsewhere along the chain, and the participant lacks further information, as they are unaware of the various components of the chain.

Instead, the issue should be examined from an aggregated perspective, with the Central Securities Depositories (CSDs) being the only entities possessing a comprehensive overview. A potential starting point could be for the CSDs to investigate, for a given ISIN, who has been the net penalty payer. Subsequently, a more thorough investigation should be conducted with that bank concerning the specific ISIN.

<ESMA_QUESTION_CSDC_31>

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".

<ESMA_QUESTION_CSDC_32>

The primary issue is the lack of securities, which arises because we are part of a "chain." We are unable to ascertain why other segments along the chain fail to deliver the securities they are obligated to provide. Our only observation is that we have not received the expected securities, and consequently, we are unable to fulfil our delivery obligations.

<ESMA_QUESTION_CSDC_32>

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?

<ESMA_QUESTION_CSDC_33>

We are not aware of the actions already taken, but we kindly refer you to our response to Q31, where we propose an approach based on identifying the net penalty payer for a given ISIN.

<ESMA_QUESTION_CSDC_33>

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.

<ESMA_QUESTION_CSDC_34>

We agree with the proposed amendments, this to ensure consistency across CSDs which is important.

<ESMA_QUESTION_CSDC_34>

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

<ESMA_QUESTION_CSDC_35>

No

<ESMA_QUESTION_CSDC_35>

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

<ESMA_QUESTION_CSDC_36>

We suggest that a monthly reporting should be introduced. This would help participants make more timely decisions and get a quicker reaction to such events such as the T2S outage

<ESMA_QUESTION_CSDC_36>

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?

<ESMA_QUESTION_CSDC_37>

Yes, we agree that UTI should not be mandated by regulation, but market driven. On the other hand, it should be illegal for CSDs to discourage UTIs for example through extra charging.

<ESMA_QUESTION_CSDC_37>

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

<ESMA_QUESTION_CSDC_38>

We agree that the use of UTI should be encouraged for settlement of OTC instructions. We find it of limited or no benefit for settlement transactions involving CCPs.

<ESMA_QUESTION_CSDC_38>

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?

<ESMA_QUESTION_CSDC_39>

We believe that it should be left to the industry.

<ESMA_QUESTION_CSDC_39>

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.

<ESMA_QUESTION_CSDC_40>

PSET is the counterparty's place of settlement and is a mandatory field in ISO 15022 / 20022 settlement instructions. We support that professional trading counterparties inform each other of their respective place of safekeeping, to ensure that settlement instructions are created and sent with the correct counterparty details. PSAF should not be made mandatory.

<ESMA_QUESTION_CSDC_40>

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.

<ESMA_QUESTION_CSDC_41>

Yes, we agree.

<ESMA_QUESTION_CSDC_41>

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?

<ESMA_QUESTION_CSDC_42>

Yes, we agree.

<ESMA_QUESTION_CSDC_42>

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?

<ESMA_QUESTION_CSDC_43>

As mentioned above, the counterparty's place of settlement is a mandatory field. For the vast majority of settlement instructions sent to European CSDs, the counterparty's place of settlement is the same CSD as that of the party's place of safekeeping – and vice versa

<ESMA_QUESTION_CSDC_43>

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?

<ESMA_QUESTION_CSDC_44>

Yes, we agree

<ESMA_QUESTION_CSDC_44>

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.

<ESMA_QUESTION_CSDC_45>

No

<ESMA_QUESTION_CSDC_45>

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?

<ESMA_QUESTION_CSDC_46>

We consider this to be best practice, but do not believe a regulatory amendment is advisable without a thorough analysis.

<ESMA_QUESTION_CSDC_46>

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.

<ESMA_QUESTION_CSDC_47>

We do not believe it necessary. Late matching fail penalties should be sufficient deterrents.

<ESMA_QUESTION_CSDC_47>

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.

<ESMA_QUESTION_CSDC_48>

Yes, we agree

<ESMA_QUESTION_CSDC_48>

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.

<ESMA_QUESTION_CSDC_49>

We believe that it would be difficult to find and agree on an ideal business day for CSD's at this point in time as this is very much dependent on local market specificities. Also to be kept in mind is that T+1 is coming, and further analysis is needed before we can say what the ideal business day then would be.

<ESMA_QUESTION_CSDC_49>

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.

<ESMA_QUESTION_CSDC_50>

No, we do not support that shaping should be included in regulation. It should be developed as a market practice for trading rather than post trade, if needed. We currently do not see a need for further development of shaping market practice and settlement issues would be better solved through partial settlement.

<ESMA_QUESTION_CSDC_50>

3.2.9 Automated securities lending

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

<ESMA_QUESTION_CSDC_51>

No, we do not.

<ESMA_QUESTION_CSDC_51>

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.

<ESMA_QUESTION_CSDC_52>

The transition to T+1 is a huge project for the industry and naturally, as with any implementation, there will be issues during the initial phase. One measure that has been discussed in the market is a temporary suspension of penalties. We support a temporary suspension of penalties. We therefore hope that the amendment of CSDR (ongoing) will include a clear mandate to ESMA to implement a temporary suspension of penalties in a scenario of wide-spread disturbances or systemic events for one or more settlement system(s), in connection with a significant market infrastructure change, which prevent the regular processing of settlement instructions across various participants, whereby a large number of settlement delays and fails are foreseeable or are actually occurring as evidenced by the Commission's constant monitoring of market performance and developments

<ESMA_QUESTION_CSDC_52>

3.2.11 Costs and Benefits

Q53 For all the topics covered in this CP please provide your input on the envisaged costs and benefits using the table below. Please include any operational challenges and the time it may take to implement the proposed requirements. Where relevant, additional tables, graphs and information may be included in order to support the arguments or calculations presented in the table below.

ESMA or respondent's proposal	
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	Qualitative description	Quantitative description/ Data
Benefits		
Compliance costs: - One-off - On-going		
Costs to other stakeholders		
Indirect costs		

<ESMA_QUESTION_CSDC_53>

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<ESMA_QUESTION_CSDC_53>

