

CSDR – Status summary



June 2022

Banking that matters.



INTRODUCTION AND LEGAL BACKGROUND

The Central Securities Depositories Regulation (CSDR), the European regulation No 909/2014 aims to improve securities settlement in the European Union (EU) and within its central securities depositories (CSDs).

There is a different level of readiness of the markets in the Central and Eastern Europe region and local providers are fully dependent on the decision coming from the CSDs, hence UniCredit has been following a phased approach in respect of the implementation of the different CSDR elements.

POINTS OF ATTENTION

- Local CSDs in the region evidence a different degree of preparedness in relation to the compliance to CSDR.
- UniCredit has a regional project to coordinate the implementation and the full compliance with the CSDR regulation in all the markets.
- EU and non-EU countries are part of the project since for the cross-border assets also non-EU countries are affected (Russia, Serbia and Bosnia Herzegovina).
- IT Developments need to be executed both in the current BACS and the new BANCS custody systems.
- UniCredit has been aligning internally with Legal and Compliance on how contracts and SLAs with clients should be amended to include the CSDR provisions.
- Buy-in planned date of full implementation is currently unknown as this part has been postponed in June 2022 by ESMA

REGIONAL OVERVIEW

AUSTRIA

Austria is the most developed market in the region in relation to the adoption of the CSDR, since it is a T2S market and most of the requirements are already met. The last part to be implemented was the penalty regime that went live on 1 February 2022. The Buy-in regime, however, was postponed to a later date which has not been determined yet.

Transaction codes	Implemented as per T2S.
Place of trading	Implemented as per T2S
PREV Reference	Implemented as per T2S
Hold & Release	Implemented as per T2S
LEI code	N/A
Partial settlement Instruction to Depository	Implemented
Allegements	Implemented
Penalty	<ul style="list-style-type: none">• Daily MT537: sent in three batches around 1 pm, 3 pm and 5 pm CET on Penalties Business Day + 1 (PBD+1) in an incremental message• Monthly penalty pre-advice: 14th PBD of the following month• Appeal process: Appeals can be raised until the 9 PBD of the following month and will be forwarded to the CSD for their review and assessment• CR/DR of penalty amounts: 17th PBD of the following month – in MT940/MT950
Buy-in	<p>Planned date of full implementation is unknown (this part has been postponed in June 2022 by ESMA for 3 years).</p> <p>UniCredit will not act as a buy-in agent, UniCredit will participate in buy-in only by receiving the relevant information from the buyers/CSD. The exact process is still under review with the local market participants. UniCredit will accept MT530 or MT599 to get the information of the result of the buy-in process.</p>

BULGARIA

In the Bulgarian market there are two CSDs: Central Depository AD (CDAD) - the CSD for all dematerialized securities except government securities and Bulgarian National Bank (BNB) - the CSD for government securities. In compliance with CSDR, both CSDs have introduced certain settlement discipline provisions as of March 2022.

Transaction codes	CDAD and BNB: Proprietary formats apply, no client impact.
Place of trading	CDAD: Introduced on 5 April 2021. Information about settlement instruction formatting is available online here. BNB: N/A
PREV Reference	CDAD and BNB: Not supported
Hold & Release	CDAD: N/A, Hold & Release mechanism will not be implemented. BNB: N/A, Hold & Release mechanism will not be implemented.
LEI code	CDAD: Required for client registration (every client must be registered at CDAD before account opening) BNB: N/A
Partial settlement	CDAD: N/A, Partial settlement mechanism will not be implemented. BNB: N/A, Partial settlement mechanism will not be implemented.
Allegements	CDAD and BNB: Not supported
Penalty	CDAD: CDAD imposes cash penalties for delayed settlement due to lack of financial instruments, due to lack of sufficient funds and for delay caused by lack of information. Cash penalties will be collected and distributed automatically with the last processing batch on the day following the day of settlement finalization and reported to CDAD members on that same day via the existing daily files in .OUT format. No MT537 reporting will be introduced by CDAD. BNB: BNB accrues and charges penalty interest for delays due to lack of funds and due to lack of securities. Monitoring of penalty interest will be possible via the web interface of ESROT (the Bulgarian National Bank's electronic system for registration and settlement of government securities). No MT537 reporting will be introduced by BNB.
Buy-in	Planned date of full implementation is unknown (this part has been postponed in June 2022 by ESMA for 3 years) and the exact process is still under review with the local market participants.

CROATIA

Croatia is not introducing Hold & Release function and, due to the size of the market, went for derogation ruling, therefore as of now will not introduce Partial Settlement..

Transaction codes	Implemented as of February 14, 2022. Mandatory matching field. Transaction codes supported by CSD: TRAD, COLI, COLO, CNCB, SECL, SECB, REPU, RVPO, TRPO, TRVO, BSBK, SBBK, OWNE, OWNI.
Place of trading	Implemented as of February 14, 2022. Optional matching field. To benefit from reduced penalty rates for trades executed on SME Growth Market both sides need to instruct with same EXCH/MIC.
PREV Reference	N/A
Hold & Release	N/A
LEI code	N/A
Partial settlement	N/A
Allegements	N/A
Penalty	Daily MT537 – at 5 pm CET on Penalties Business Day + 1 (PBD+1). Monthly MT537 – at 5 pm CET on 14 th PBD of the following month. Appeal process – appeals received till the 9 th business day of the following month will be forwarded to CSD. CR/DR of penalty amounts – on 17 th PBD of the following month.
Buy-in	Planned date of full implementation is unknown (this part has been postponed in June 2022 by ESMA for 3 years). UniCredit will not act as a buy-in agent, UniCredit will participate in buy-in only by receiving the relevant information from the buyers/CSD. The exact process is still under review with local market participants. UniCredit will accept MT599 to get the information of the result of the buy-in process.

CZECH REPUBLIC

There are two main Central Securities Depositories (CSDs) in Czech Republic – CDCP that acts as the local CSD for equities and long-term bonds and SKD that is organized by the Czech National Bank and safekeeps mainly Treasury Bills. UniCredit Bank Czech Republic and Slovakia (UCBCZ) confirms that both CSDs have adopted CSDR SDR related items including the Penalty mechanism as of 1 February 2022.

Transaction codes	<p>Implemented as of March 2021.</p> <p>Txn Codes are Mandatory non-matching fields in CDCP, exception is PLAC Placement where it is a MANDATORY field in PRIMARY AUCTIONS settlement instructions)</p> <p>94B Place of Trade :TRAD//PRIM</p> <p>22F Type of Settl Txn Indicator :SETR//PLAC</p>
Place of trading	<p>Implemented from February 2022</p> <p>This is now Optional by CDCP except for PRIM</p> <p>Possible values are:</p> <p>EXCH - stock exchange</p> <p>OTCO - OTC</p> <p>PRIM - Primary mkt (MANDATORY field in PRIMARY AUCTIONS settlement instructions)</p> <p>SECM - secondary market</p> <p>VARI - different places</p> <p>If OTCO is completed, the system (30 characters) must be completed. If EXCH, it is necessary to fill in the MIC. For cross-border trades, the VARI value must be filled in :: 22F :: SETR // NETT</p>
PREV Reference	<p>Implemented by UCB CZ from March 2021 yet this is relevant solely for SKD (CNB) for its REPO and Buy/Sell trades of T-Bills (i.e. will not be required by CDCP).</p>
Hold & Release	<p>Implemented as of February 2022. Hold and release mechanism that follows CSDR SDR is available for all settlement order types. CDCP will accept only MT530, its updates will be made via MT548.</p>
LEI code	<p>Implemented as of 29 March 2021</p>
Partial confirmation from the Depository	<p>Implemented as of February 2022. Hold and release mechanism that follows CSDR SDR is available for all settlement order types. CDCP will accept only MT530, its updates will be made via MT548.</p>
Allegements	<p>Implemented only as limited service - the CDCP does not provide sufficient details to its participants to identify the underlying counterparty of UCBCZ client/s, hence N/A.</p>
Penalty	<p>Implemented from February 2022.</p> <ul style="list-style-type: none"> • Daily (FWIS)/Change (FWAM) via MT537PENA: Status date+1 at around noon/as received • Monthly penalty (CURR) will be received from CDCP/SKD on the 15th business day • Appeal process: UCBCZ clients can send their appeal via MT599 to UCBCZ until the 5th business day of each month following the month in which the penalty was incurred if they deem the calculation of the penalty is not correct (recommended to send it to UCBCZ as soon as possible). UCBCZ will forward this appeal to CDCP on clients' behalf. CDCP will review and do any corrections latest by the 12th business day and will send modified reports by the 13th business day. <p>CR/DR of penalty amounts: On the 15th business day CDCP will prepare PFOD instructions with future value date (17th business day of the month). Participants will get status messages and can check EOD statements in relation to the final net penalty amount to be paid/received in respective currency and as per the local CSD participant (the local custodian/counterparty to trade settlement). PFOD instructions will have the highest priority and will be completed first, before any other transaction on the cash account of the participant on its CNB cash account.</p>
Buy-in	<p>Planned date of full implementation is unknown (this part has been postponed in June 2022 by ESMA for 3 years).</p> <p>UniCredit Czech Republic and Slovakia will not act as a buy-in agent but will participate in buy-in only by receiving the relevant information from its clients and/or the CSD. Clients will need to send the respective Buy-in results in the form of ECSDA created/approved Excel sheet format so that UCBCZ could simply upload this information</p>

into the local CSD on-line platform as an attachment for its further regulatory reporting (CSD will not accept any MT530 or MT599 Buy-in reporting). The exact process is still under review by the local CSD together with its market participants and might be subject to change. Should there be any such CSD material announcement published, UCBCZ will advise its clients immediately.

HUNGARY

CSDR related developments were introduced within the KELER Service Development Program (KSDP) on 6 December 2021 except for the penalty mechanism and the buy-in regime. The implementation of the penalty mechanism was rescheduled to 2 May 2022. After a one month long dry-run period KELER started calculating penalties for late matching and failed settlements from May 2, 2022. As required by the European Securities and Markets Authority (ESMA), KELER applied the penalty regime also for the months of February, March and April and the penalties were calculated and reported retrospectively for this transitional period.

Further details and client impacts can be found on the following link: [KSDP November 2021 | Custody | UniCredit Group](#).

Transaction codes	December 2021 Transaction codes supported by CSD: TRAD, OWNI, REPU, RVPO. If no transaction code is indicated, TRAD will be sent to CSD as default.
Place of trading	December 2021 Place of trading mandatory only for T2S trades. OTCO or MIC can be populated. CSD validates MIC codes, if MIC code is invalid, instruction will be rejected.
PREV Reference	December 2021
Hold & Release	December 2021 Hold and release can be instructed in MT530 SWIFT message for all settlement order types. In the MT54x message, the hold/release status can be set by entering the message function (23G) (NEWM and PREA).
LEI code	December 2021 Can be present but will be validated by CSD. If LEI is invalid, instruction will be rejected.
Partial confirmation from the Depository	December 2021 Partial release is not supported by the CSD, therefore the volume of partial settlements is expected to be low.
Allegements	December 2021
Penalty	May 2022 CSD dry run from April 2022 <ul style="list-style-type: none"> • Daily MT537: Status date+1 day around noon • Monthly penalty report: MT537 • Appeal process: Appeals can be submitted to the CSD until the designated deadline of the month following the relevant month, up to and including the 10th business day. • CR/DR of penalty amounts: 17th penalties business day (PBD) of the following month – in MT950
Buy-in	Planned date of full implementation is unknown (this part has been postponed in June 2022 by ESMA for 3 years).

ROMANIA

The local Central Depository (CSD) started the CSDR related developments in January 2020 when the first stage of implementation was introduced, naming the accounts' structure. The three stages program continued with certain technical processes and preparation for the application of the requirements on settlement discipline according to CSDR, mentioning the matching, set of tolerance levels and the implementation of "Hold/Release" and "Linkages" mechanism for RON transactions, all of them were introduced in September 2020. As the last stage of implementation, the penalties part has been implemented as of February 2022. As of now Romania will not introduce Partial Settlement.

Transaction codes	Introduced in September 2020. Transaction codes supported by CSD: TRAD, PORT, COLI, COLO, SECB, SECL
Place of trading	Implemented. OTCO/ALC can be populated in relation with CSD
PREV Reference	Implemented
Hold & Release	Implemented, via CSD platform
LEI code	Not yet required
Partial confirmation from the Depository	N/A
Allegements	Not yet implemented
Penalty	Feb 2022
Buy-in	Planned date of full implementation is unknown (this part has been postponed in June 2022 by ESMA for 3 years). UniCredit will not act as a buy-in agent, UniCredit will participate in buy-in only by receiving the relevant information from the buyers/CSD. The exact process is still under review with local market participants.

SLOVAKIA

Slovakia went for derogation ruling, so as of now will not introduce Partial Settlement.

Transaction codes	Implemented as of 29 March 2021, Additional matching field Transaction codes supported by the CSD: BSBK, BYIY, CLAI, CNCB, COLI, COLO, ISSU, PAIR, PLAC, PORT, REDI, REDM, REPU, RVPO, SBBK, SECB, SECL, SWIF, SWIT, TRAD, TRPO, TRVO
Place of trading	N/A
PREV Reference	Implemented as of 29 March 2021
Hold & Release	Only manual linking to the CSD, no MT530 accepted by the CSD, from clients also no MT530, since instruction is sent to market only if full coverage is available on client's account.
LEI code	N/A
Partial settlement	N/A
Allegements	Not implemented yet.
Penalty	<ul style="list-style-type: none"> - Daily penalty report: Penalties Business Day (PBD)+1 from 2 pm to 5 pm, - Monthly penalty report: 14th PBD of the following month. - CR/DR of penalty amounts: 17th PBD of the following month – in MT950 - Appeals: Requests to be received by CSD till 6 PM, on 10th BD of the following month. CSD will review by the 12th BD and will send modified reports by the 13th BD. In case of ISIN suspension from trading/ settlement and in case of CSD technical failure the CSD will correct penalties automatically.
Buy-in	Planned date of full implementation is unknown (this part has been postponed in June 2022 by ESMA for 3 years). UniCredit will not act as a buy-in agent and will participate in buy-in only by receiving the relevant information from the buyers/CSD. The process is postponed for an indefinite time.

SLOVENIA

CSDR penalties mechanism went live on 1 February 2022. Since the CSD received permission for derogation for this CSDR requirement, as of now Slovenia will not introduce Partial Settlement.

Transaction codes	<p>CSD supports all indicator values except the following:</p> <p>CLAI – Market Claim COLI – Collateral In COLO – Collateral Out CORP – Corporate Action ISSU – Issuance NETT – Netting</p> <p>Unsupported/invalid values will be rejected with Status/Reason REJT/SETR.</p>
Place of trading	<p>Place of trading is optional field.</p> <p>EXCH – Stock Exchange; Place of trade is a stock exchange. OTCO – Over The Counter; Place of trade is over the counter. PRIM – Primary Market; Place of trade is the primary market. SECM – Secondary Market; Place of trade is the secondary market. VARI – Various; Trade was executed on various places.</p> <p>If Place of Trade is used and an ISO 10383 MIC exists for the market to be identified, then the ISO 10383 Market Identifier Code (MIC) must be used.</p> <p>If Type/Code is Exchange (EXCH) and if Identification is present, then Identification/Market Identifier Code must be present.</p> <p>If Type/Code is OTCO and if Identification is present, then Identification/Description must specify a system (the trading platform where the trade is executed).</p> <p>Instructions with invalid data will be rejected with Status/Reason REJT/PLCE.</p>
PREV Reference	N/A
Hold & Release	<p>Our CSD:</p> <ul style="list-style-type: none"> • does not support MT530, • does not accept settlement instructions (MT540-543) with PREA code; only NEWM is accepted. <p>UniCredit Slovenia does not support Hold/Release Mechanism since there is no automated support for it at the CSD level.</p> <p>Instruction is sent to market only if full coverage is available on client's account (either securities or cash/credit line).</p>
LEI code	N/A
Partial settlement	N/A – partial settlement is not supported by the CSD
Allegements	UniCredit Slovenia does not support allegements reporting (Swift MT578) since there is no automated reporting of allegements available at the CSD level.
Penalty	<p>Daily reporting (MT537): UniCredit Slovenia is sending one daily (final) report to our clients. The report is sent in two batches at 15:00 CET or 17:00 CET (depends on when we receive the report from CSD).</p> <p>Monthly reporting (MT537): UniCredit Slovenia is sending the monthly report to our clients on the 14th PBD.</p> <p>Penalties payment: UniCredit Slovenia will process penalties payments (via direct credit/debit) on cash accounts of our clients on the 17th PBD.</p> <p>Appeals:</p> <ul style="list-style-type: none"> • UniCredit Slovenia accepts appeals from our clients via e-mail. Client deadline is 9th PBD. CSD deadline: 10th PBD.
Buy-in	<p>Planned date of full implementation is unknown (this part has been postponed in June 2022 by ESMA for 3 years).</p> <p>UniCredit will not act as a buy-in agent, UniCredit will participate in buy-in only by receiving the relevant information from the buyers/CSD. The exact process is still under review with local market participants. Clients are required to report buy-in results via ECSDA template (to be provided by our CSD) by e-mail.</p>

