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COVER NOTE

From: Mr Steven MAIJOOR, Chair of the European Securities and Markets Authority (ESMA)

date of receipt: 5 November 2020

To: Mr Jeppe TRANHOLM-MIKKELSEN, Secretary-General of the Council of the European Union

Subject: Central Securities Depositories Regulation (CSDR):

- Report on internalised settlement
- Report on cross-border services and handling of applications under Article 23(3) to (7) of CSDR

Delegations are informed that ESMA's first two reports on the implementation of the Central Securities Depositories Regulation (CSDR) were published on 5 November 2020.

The full reports can be viewed on ESMA's website:

https://www.esma.europa.eu/sites/default/files/library/esma70-156-3729_csd_r_report_to_ec_-_internalised_settlement.pdf

https://www.esma.europa.eu/sites/default/files/library/esma70-156-3569_csd_r_report_to_ec_-_csd_cross-border_services.pdf

Encl. Letter from ESMA to the European Commission

E-MAIL

IM 010425 2020
05.11.2020



ESMA REGULAR USE

The Chair
5 November 2020
ESMA70-156-3899

Ms Mairead McGuinness
Commissioner for Financial Services,
Financial Stability and Capital Markets
Union
European Commission

Ref: CSDR Reports on Internalised Settlement and CSD Cross-Border Services

Dear Commissioner McGuinness,

With this letter, ESMA is submitting to the Commission its first two reports on the implementation of the Central Securities Depositories Regulation (CSDR): a Report on internalised settlement, and a Report on cross-border services and handling of applications under Article 23(3) to (7) of CSDR.

The Report on internalised settlement presents the findings related to the settlement activity which does not take place through a securities settlement system operated by a central securities depository (CSD) in the EEA. It takes into account the input received from national competent authorities (NCAs) and trade associations regarding the implementation of the reporting regime, as well as an analysis of the internalised settlement data submitted to the NCAs and ESMA by settlement internalisers, covering the period between April 2019 and September 2020.

Although no major risks have been identified during the period covered by the report, NCAs have identified some risks related to this activity, the most common being operational risk and custody risk, which could be mitigated through adequate identification of the clients' accounts involved and the improvement of operational processes.

The Report on cross-border services and handling of applications submitted in accordance with Article 23(3) to (7) of CSDR presents the findings related to the provision of services in other Member States taking into account the responses to the ESMA survey addressed to NCAs, CSDR relevant authorities and trade associations. The survey was conducted in June and July.

The CSDs' cross-border activity has been measured through the study of the links established between EEA CSDs and of the services provided to participants and issuers from other Member States. No major variations in the provision of cross-border services were detected since the entry into force of CSDR, but most respondents do foresee a potential increase in

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the coming years. They have also highlighted certain challenges, in particular linked to the application process to provide notary and central maintenance services in relation to securities constituted under the laws of other Member States, as set out in Article 23 of CSDR. The Report includes suggestions to simplify the existing process.

ESMA hopes that these reports will prove useful for the upcoming review of the CSDR.

Should you or your staff want to discuss the subject matter of the reports further or require any further detailed information please do not hesitate to contact me or Fabrizio Planta, Head of the Markets and Data Reporting Department (fabrizio.planta@esma.europa.eu).

Yours sincerely,

A handwritten signature in blue ink, appearing to be 'SM' or similar initials.

Steven Maijoor

cc.: Irene Tinagli, MEP, Chair of the Committee on Economic and Monetary Affairs, European Parliament

Olaf Scholz, President of the ECOFIN Council, Council of the European Union

Jeppe Tranholm-Mikkelsen, Secretary-General of the Council of the European Union

John Berrigan, Director-General, DG Financial Stability, Financial Services and Capital Markets Union, European Commission

Report to the European Commission

CSDR Internalised Settlement



Report to the European Commission

Cross-border services and handling of applications under Article 23 of CSDR

