



CSDR: Settlement Discipline Impact to Securities Lending

Phase 2:
Recommendations,
Guidance & Future Practices

ISLA CSDR Working Group

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Introduction & Background

Central Securities Depositories Regulation (CSDR) forms part of the wider EU regulatory framework resulting from the financial crisis of 2008. The regulation introduces measures governing authorisation and supervision of Central Securities Depositories (CSDs).

A key ingredient of CSDR (EU 909/2014) is efficiency of settlement which is addressed in part by the introduction of settlement penalties. In preparation for those penalties and to address the wider issue of inefficiency in the securities lending market, the ISLA CSDR Working Group (CSDR-WG) investigated reasons for settlement fails. Findings from that investigation were published in the white paper 'Settlement Discipline Impact to Securities Lending' (February 2019)¹.

This second paper expands on the issues raised in the first, focusing on the key elements of trade flows from account set-up, trade initiation, collateralisation and life cycle events. Whilst a failure to settle a trade may manifest itself as a trading issue, the underlying reasons for that failure are likely to lie elsewhere. Poor account set-up procedures including fundamental data requirements such as Standard Settlement Instructions (SSIs) can lead to undesirable levels of failed trades. Consequently, the CSDR-WG has examined the root causes and effects associated with poor settlement regimes. This paper explores those reasons in more detail by providing background, short term changes, or aspirational medium/long-term actions that might allow the market to develop more sustainable and potentially future proof solutions to these problems. These recommendations will then form the starting point for a third phase; implementation. To do this, working groups with expertise of trading, operations, legal and I.T, as well as vendor participants will be brought together with the aim of implementing proposed new practices. As well as market acceptance being the key to their success, it is recognised that this will require either one or a combination of best practice, advocacy and technical solutions.

¹<https://www.isla.co.uk/thought-leadership/isla-publishes-new-white-paper-csdr-settlement-discipline-impact-to-securities-lending/>

1 Account & Static Data Set-Up

1.1 Issue Definition

The February 2019 paper recognised the importance of accurate and complete account set-up data for the relevant counterparts or funds by the borrower and lender. This would then support straight-through processing of transactions and provide the best opportunity for matching and settlement without manual intervention.

1.2 Background

The various types of account set-up and static data requirements can be broadly categorised as:

- i) Account Set-Up: account number, country of issue permitted for trading on the account, dividend rate.
- ii) Static Data: product information (e.g. equity or bond), Standard Settlement Instructions (SSIs)
- iii) 'Local' Reference Data: (e.g. required settlement cycles, minimum return thresholds). Fields in this section are relatively unique to the Securities Lending market, given settlement cycles and trade thresholds can be applied. Depending on counterpart infrastructures and connectivity, local reference data fields can lead to unmatched or rejected trades that would not affect other products.

With the increasing uptake in electronic trading of securities borrowing and lending (SBL), the accurate mapping and maintenance of data is critical if the benefits of automation are to be realised.

In order to mitigate potential impact of incorrect data points, the following recommendations should be considered to reduce impact to settlement:

- The reconciliation, maintenance and auditing of counterparty account set-up as well as the review of local reference data should be undertaken at least semi-annually.
- Market participants should seek opportunities to have systemic connectivity to ensure changing requirements can be reviewed and implemented as appropriate on a real-time basis.
- Communication and positive affirmation of any changes to the data types noted should be pursued to mitigate potential impact to trading, matching, settlement and regulatory reporting.

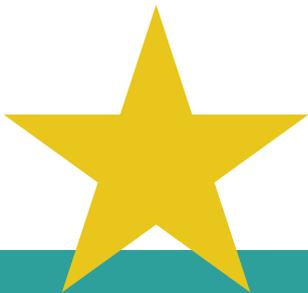
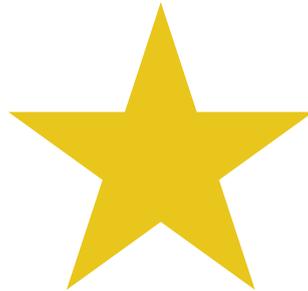
1 Account & Static Data Set-Up

Standardisation of fields would significantly reduce the volume variances and therefore the risk of mismatches that can occur. Where this cannot be achieved, it is imperative that systemic electronic solutions are implemented to manage the significant volume of factors and data points.

The following table lists, in relation to the above grouping, data fields that may require standardisation to facilitate efficient settlement.

Account Set-Up	Static Data	Local Reference Data
Country of issue	Standard Settlement Instructions (SSIs)	Collateral currency
Tax documentation	Product information	Rounding
Business type (e.g. Agent Lender)		Collateral margin
Counterparty details		Billing margin
Collateral type		Returns before minimum trade duration
Billing currency		Reject if trade is a repo
		Minimum trade duration
		Processing start of day/time
		Processing end of day/time
		Minimum partial return quantity
		Minimum residual value
		Break reasons for HELD status
		Reject break reasons
		Rejected reasons become HELD for recalls
		Allow settlement date to fall on lender location holidays
		Allow trade to fall on lender location holidays
		Rejected on market or currency (Delivery versus Payment (DvP)) only holiday
		Reject if settlement date is before term date
		Backdated trade dates (number of days)
		Number of days forward to apply future status
		Minimum number of business days trade must be open before it can be returned
		Minimum partial return value
		Minimum residual quantity
		Cancellations of returns on recalls
		Hold cancellations on or after settlement date
		Hold cancels for manual approval

1 Account & Static Data Set-Up



1.3 Conclusion

Accurate account set-up and maintenance of accounts and the fields that underpin trading relationships currently have an impact on matching and settlement rates. There is clear dependency on the accuracy of a greater number of fields not only for settlement but also for regulations like SFTR.

In order to maximise efficiency, create scalability and ultimately improve matching and settlement rates in the market, the following steps must be considered to mitigate potential impact:

- o Regular maintenance of account set-up and local reference data – semi-annually.
- o Communication and positive affirmation of all three data categories – with enough notice to allow opportunity for agreement and updates.
- o Automation of reference data where possible - to allow systemic updates.

2 Standard Settlement Instructions (SSIs)

2.1 Issue Definition

The CSDR-WG identified a number of key issues adversely impacting market settlement of Securities Borrowing and Lending (SBL) trades. One of the key conclusions was the significant contribution of inaccurate SSIs to the failure in the settlement process.

As the issues surrounding SSIs were discussed further during ISLA CSDR -WG meetings, the following observations were made:

- The current process for communicating, verifying and updating SSIs is highly manual for most market participants and in some cases exacerbated by complex account structures.
- Improved pre-matching of SSIs could have a dramatic impact on reducing SBL settlement rates.
- Settlement cycles are reducing with same day settlement becoming more frequent, increasing the requirement for fast and accurate communication, verification and update of new or changed SSIs.
- Some SSI repositories are available today, along with automated communication mediums, but these are not universally utilised by market participants.
- The majority of SBL SSI update and management remains a manual process, with inherent delays and inaccuracies.
- If a lender firm arranges the 'internal' reallocation of an open loan position, then timely notification from lender to borrower is critical.
- A reallocation may trigger a dividend reclaim/tax change and potentially a change in the associated market SSIs, so both the lender communication and borrower rebooking/reflection must take place in a timely manner.
- In some instances, securities lending transactions may be at greater risk of suffering from SSI mismatch issues, due to the added complexity of agents 'changing' the underlying principals. Whilst this practice is with best intention and to prevent 'churn' and liquidity drain, it may also mean that the SSIs required to return the securities will be different from those that were used to settle the original transaction.

2 Standard Settlement Instructions (SSIs)

2.2 Background

As of today, new or amended SSIs are largely communicated via authorised 'PDF' documents.

This results in a highly manual process, with each document requiring call-back confirmation. The lack of standardised format and data content makes it difficult to introduce automation to read the documents for automatic upload and update to SSI systems.

As of 2019, two vendors provide SSI repository functionality which lenders and borrowers can upload their SSI data to. Once permissioned, SSIs can be viewed and downloaded by trading counterparts, with additional features such as automated notifications and distribution of SSI updates. Although these vendor repositories can negate the need for manually e-mailed PDFs and verification via call-backs, they are not universally used for SBL, and many firms do not have automated links from the repository to their SSI databases, therefore manual input, update, and approval are still required.

The accurate management of SSI data is just as important for timely settlement of bilateral collateral as it is for loans and borrows. Failure of bilateral collateral deliveries (i.e. non-triparty

collateral) or substitutions due to inaccurate or changed SSIs can just as easily result in failure of the borrow/loan or return leg of the transaction.

Changes to the lender's SSIs between initial loan settlement and return are also responsible for increased fail rates for loan returns. There are two main reasons this might happen:

- i) Change of SSI due to account change by either party (e.g. custodian network changes)
- ii) Re-allocation of beneficial owner(s) by an agent lender causing the SSI and counterparty to change mid-lifecycle.

ISLA Best Practice recommendation for SBL operational processes currently indicates "at least five 5 business days" for notification, set-up and call back confirmation of new SSIs.

In order to make edits to existing SSIs, considering the reduction of settlement cycles and the impending CSDR penalty regime, the current 5-day recommendation should be amended to 'as soon as is feasible', to prevent issues with the matching and settlement of the trade on settlement date.

2.3 Conclusion

The ISLA CSDR-WG recommends a phased change to the current process and infrastructure with the aim of improving market-wide management of securities lending SSI communications.

Short-term actions

- o Best practice to be reduced from the current 5-day recommendation
- o Increase use of vendor solutions with the associated review and confirmation processing migrating to real-time reconciliation
- o Where vendor solutions offer SSI new/modification notification service, this should be used.
- o Agreed data elements per market to be included in SSI (e.g. SBA/KASS/Code 20 in US)
- o Where non-vendor SSI communication occurs, non-PDF formats to be used that may support upload and data reconciliation processes

- o Market participants to partner with vendors to introduce positive SSI repository tools to aid data quality and update (mandatory key field completion, highlight updated or changed fields only)
- o Lenders with multiple SSIs or undisclosed clients to make settlement SSIs available at the point of the trade

Medium term actions

- o Creation of a universally approved market standard SSI data format that supports data-readable communications between counterparts
- o Market participants and vendor adherence to industry standard SSI formats. With specific elements split per market.
- o Utilisation of electronic/systemic SSI repositories would be mandatory to overcome matching and settlement issues when combined with a robust prematching and affirmation process.

3 Inconsistent Source Data

3.1 Issue Definition

Data such as pricing requires consistent data to allow trade matching, settlement, and thereafter exposure management and billing accrual processes.

3.2 Background

The potential for pricing discrepancies lie in the fact that counterparties do not receive a pricing feed from one centralised service. Although an underlying price can always be agreed by using Bloomberg, in-line with best practice, many market participants may use another selected source or a blended price from a number of sources. As a result, there is potential for prices to vary, as well as the processing of the raw price to be interpreted differently (such as MID/BID).

Pricing only has the risk of physically delaying settlement of loans or returns against payment; however, some lenders may select to reject returns where open positions are valued differently, therefore adding another reason for returns being rejected and unmatched.

For DvP loans, price matching should come under the same scrutiny as other core matching items such as trade and value date. For loans agreed manually between desks, the lenders must clearly highlight a price and cash value. The borrows side must then match accordingly. For trades agreed and booked via third party providers, correct static data plays an important role in ensuring transmitted prices on fills are booked in both systems as per the trade ticket. Examples can exist where internal systems change prices incorrectly leading to a mismatch.

3 Inconsistent Source Data

Mark to Market

Counterparties should have established mark to market processes which should aim to mark open positions accurately, keeping books inline and highlighting any breaks. For open positions with cash rebate economics, the movement of cash on the back of price movements mean all prices must be agreed and processed to avoid breaks.

With non-cash marks, it is important that pricing data is communicated by the lender to allow borrowers to match the provided prices within agreed tolerances. Vendors do offer services where non-cash marks are transmitted daily via files which may then be accepted by borrowers to allow positions to be valued concurrently.

GMSLA documents will usually feature language along the lines of below:

'Market Value' means:

In relation to the valuation of securities, equivalent securities, collateral or equivalent collateral(i) such price as is equal to the market quotation for the bid price of such securities, equivalent securities, collateral and/or equivalent collateral as derived from a reputable pricing information service reasonably chosen in good faith by the lender.

Corporate action out-turns

The posting of positions by corporate action teams frequently offers potential for incorrect prices and collateral; emphasis on all economics of the out-turn therefore need to be applied, including the price and value of the transaction, which should be agreed.

3.3 Conclusion

Counterparties need to implement processes to automatically receive lender(s) prices or agree a central price source to solve price disagreement. The current best practices should be reviewed, taking into account the reduced tolerances related to SFTR, and should direct more parties more precisely on the timing and use of price (e.g. BID/ASK/MID/CLOSE/LAST).

4 Notification of New Borrow/Loan/Returns

4.1 Issue Definition

As detailed within this paper, in order for the trade booking and notification process to be effective, some key components must be completed automatically to overcome manual processing requirements, which ultimately lead to settlement barriers.

These include:

- Requirement to notify or 'call-in' transactions to counterparts, exacerbated by the lack of standard formats for non-automated solutions.
- Requirement to act upon the agreement of the notification or notify the counterparty within a reasonable time period where the notification cannot be met, to allow the transaction to be re-agreed as required.



4 Notification of New Borrow/Loan/Returns

4.2 Background

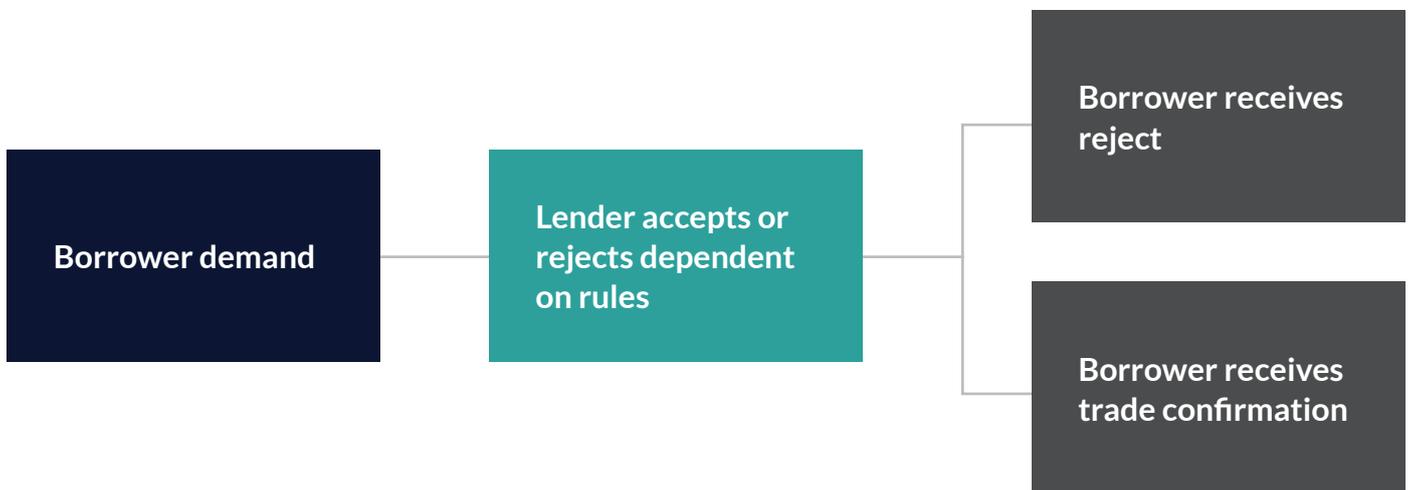
4.2.1 Loans

As we consider trade lifecycle notifications, it is clear that any trade notifications will overlap with the issues discussed relating to SSI and pre-matching.

To better understand the nuances related to this topic, loan activity has been split into the two different practices of bilateral and platform based transactions.

Loans Executed via a Platform

In its current form, the shared ticket received on an auto borrow provides detail to allow the trade to be booked on both counterpart's platforms.



Bilaterally Agreed Loans

A large volume of trades need to be agreed bilaterally for various reasons, with significant opportunity for improvement on the completeness and accuracy of the confirmation/affirmation process post-execution.

Currently, trade confirmations for this flow are sent via trade string on Bloomberg or email; vendor system pre-matching functionality may also be utilised. If it's a 'basket' of transactions, it can sometimes be sent as an excel attachment.

The information on the trade string usually contains the following:

- SEDOL
- Quantity
- Fee
- U/L Rate
- TD & VD
- Fund ID
- Custodian
- Lending Agent

4 Notification of New Borrow/Loan/Returns

4.2.2 Returns

The requirement to notify or 'call-in' transactions to counterparties is a standard market-wide practice which is unique to the securities lending product. The process is often manual or duplicative of systemic processes, and benefits of the process are limited by the lack of standard formats for non-automated solutions. Non-automated solutions may be required where a counterparty does not currently use the functionality on a vendor platform, or the original transaction went through the automated process and was rejected by the counterparty and their acceptance rules.

Manually called-in returns can vary in format. Without a universally agreed format, issues with the manual process may include:

- too much information being provided
- too little information being provided
- erroneous or incomplete information being provided

This creates the need to engage in dialogue (usually email) between counterparties to establish sufficient detail to book. This will cause delays in booking, notification and potentially settlement.

Upon receipt of a call-in notification, there is currently no standardised or agreed response expected.

Sec ID (usually SEDOL for equity, ISIN for fixed income)	Mandatory
Borrower	Mandatory
Proc centre/loan currency	Mandatory
Quantity	Mandatory
Lot (i.e. of outstanding position)	Mandatory
Trade date	Mandatory
Settle date	Mandatory
Lending agent field	Mandatory
LEI/UTI	Optional
Deal ID	Optional
Vendor ID (EquiLend, Pirum etc...)	Optional
Lending account	Optional
Position ID	Optional
Fee	Optional
Rebate	Optional
Custodian	Optional
Fund domicile	Optional
Original borrow/loan quantity	Optional

4.2.3 Recall Notification

Recalls are presently communicated via email in PDF or XLS format, with no agreed process for acknowledgement/agreement. Similar to borrow returns, the format of each recall notification issued by each lender will differ, as will the frequency

and timing of recalls throughout any one day. When the borrower books a recall, it should then go through the returns notification process noted above.

4 Notification of New Borrow/Loan/Returns

4.3 Conclusion

The notification of new borrow/loan/returns is highly dependent on a well-established process around account static data and SSIs. SSI data should become standard inclusion in all lifecycle trade affirmation and confirmation processes. This would include the shared tickets when executing via a platform but also the bilaterally agreed loans which generate a trade string/spreadsheet when trading baskets.

For return notifications, the optimal state is to fully leverage vendor solutions for returns processing, whilst considering specific lender requirements (e.g. minimum return thresholds) as mentioned in section 2 of this document. These requirements should ideally be systemically linked to the relevant booking systems to prevent transactions from becoming rejected, unmatched or fail at a later stage in the process.

Where automation cannot be fully achieved, the provided template should be adopted and used for returns and borrows where no connection exists via a vendor, and for vendor rejections that need to be called into the lender manually. We would also suggest best practice around the timescale/format of communication of a return which still cannot be booked despite the template being used.

For recalls, the process should be able to benefit from more automation and connectivity around recall acknowledgement. This could be achieved through a vendor solution, which may allow both the lender and the borrower to perform a recall booking and reconciliation process on an agreed frequency to ensure books are aligned. Note, recall solutions offered by vendors are not presently used due to a lack of functionality/development in EMEA at time of publishing.



5 Timing of Bookings

5.1 Issue Definition

The timing of bookings of the various transactions by borrower and lender can have an impact on when collateral is transferred, and instructions sent to the market. This delay is likely to also have a knock-on effect to other trades in the chain.

If collateral is not agreed and recognised as settled in time, and the trades not released to the market to meet the market settlement cut off times, penalties will be incurred. It must be understood that Free of Payment (FoP) cut-offs cannot always be relied upon, particularly where onward deliveries are DvP.

5.2 Background

There are several scenarios where the timing of booking of the transactions has an impact to the settlement process. For clarity, this paper looks at each event type.

Recognising that timing of bookings has direct impacts to the CSDR penalty regime, the below table outlines the liable parties in specific scenarios.

Day	Delivering Party (DP)	Receiving Party (RP)	Instruction Status	Penalty	Penalty Allocated To
ISD+0	Instructing	Not instructing	Unmatched		
ISD+1	Instructing	Not instructing	Unmatched	Late matching	Receiving party
ISD+2	Instructing	Not instructing	Unmatched		
ISD+3	Instructing	Instructing	Matched (DP short)	Late settlement	Delivering party
ISD+4	Instructing	Instructing	Settled	n/a	n/a

5 Timing of Bookings



5.2.1 Loans/Borrows

Where collateral is prepaid by the borrower, the collateral should be agreed and instructed with sufficient time to allow its settlement prior to the loan/borrow instructions being released. This should occur prior to the earliest market cut-off (e.g. DvP) to allow adequate time for the securities to be matched, settled, and turned around for onward delivery. It is therefore imperative that the relevant market cut-off parameters are considered not only when new loans are booked, but also when collateral is instructed.

Lenders need to ensure the timely notification of loans to the borrowers, and both parties need to ensure loans are booked into their respective systems in a timely manner to allow for the agreement and transfer of collateral in good time for the lender to release the loan instructions into the market.

It is also important to be aware of the relevant requirements for time stamps for trade execution.

5.2.2 Loan Cancellations

If there is a requirement for a loan to be cancelled due to a lack of inventory, the lender should notify the borrower of the cancellation of the loan prior to the settlement date.

If a sale has occurred on the same day of the Intended Settlement Date (ISD) of the loan, resulting in insufficient inventory yet the loan has already been released to the market, the lender should notify the borrower in a timely manner that the loan instruction needs to be cancelled. Both parties need to ensure cancellation notices are sent to the market and actioned prior to market cut-off.

Many markets require bilateral cancellation where both parties are matched. In those markets, bearing in mind that fail penalties are triggered by matched trades, should one party fail to send their cancellation instruction, a penalty would still be incurred.

If the loan is already past ISD and a cancellation is required, both parties need to ensure that the cancellation instruction is sent to the market and processed prior to market cut-off to ensure that no further penalty charges are incurred.

5 Timing of Bookings

5.2.3 Returns

When instructing same day returns, the borrower should ensure that the return is notified and instructed to the lender within a sufficient timeframe. The lender needs to be able to send their instruction to the market prior to relevant instruction and settlement cut-off times for the respective market.

Where a return has been 'called-in' to a lender prior to the ISD of the return, lenders should take appropriate steps to allow them to accept and instruct the return in a timely manner in accordance with the request, or provide adequate reasons where booking of the return is not possible. Borrowers can further enhance the likelihood of matching and settlement by validating that returns matched prior to close of business on ISD-1, using vendor platform functionality and/or market feedback, can escalate to the lender where the notification has not been actioned.

In addition, the lender should be monitoring unmatched pending transactions on the available vendor platforms to ensure they have all returns reflected in their own systems.

In some instances, a return may be booked in response to a lender recall where the underlying client of the lender has sold the shares. As there is an underlying sale to be satisfied in this instance, the borrower should endeavour to return the loan prior to the DvP cut off time of the market in question in order to allow the sale to settle on time.

5.2.4 Return Cancellations

Lenders should be notified of any return cancellations within a sufficient time period prior to the cut off time of the market in question to allow the lender to instruct the cancellation in time.

In the case of a pending return that has passed the ISD and is cancelled by the lender, the lender needs to ensure that notification of the cancellation is sent to the borrower to ensure that the borrower processes the cancellation in the market and prevents any further penalty charges from accumulating.

In order to facilitate the cancellation process efficiently and in a controlled manner, the provision of functionality for cancellations and execution of return notifications by a vendor platform would be beneficial to minimising fails.

5.3 Conclusion

Whilst there are many diverse scenarios that result in transactions failing, it is important that market participants are aware of the instruction and settlement deadlines throughout the custody chain, from CSD, to custodian and sub-custodians. Participants need to ensure that loans and returns are booked to allow sufficient time for collateral to be moved and instructions to be sent to the market for timely matching and settlement of the transactions (whilst also being aware of the DvP and FoP market cut-off differences).

In addition, operations teams must manage their pre-matching and fails notifications in a timely manner to ensure discrepancies are addressed and amendments processed prior to the market cut-off times, so as to reduce the impact of settlement failure.

6 Pre-matching Processes

6.1 Issue Definition

An improved pre-matching process has been identified as a potential key contributor towards reducing settlement failure and limiting potential impacts of the settlement disciplines regime. Currently, there are many inconsistencies between industry participants (bespoke processes firm to firm), timings and commitment of trades, uptake and use of vendor solutions (which requires improvement), and at the loan/return transaction level with loans taking priority.

6.2 Background

Historically there has been limited focus on trade pre-match, often with attention limited to markets where this is a requirement for trades with a specific importance. There has been a general shift towards pre-matching loans and returns, but there remains work to do across the industry with some of the current issues including:

- Limited pre-matching completed.
- Manual with inconsistent communications/spreadsheets etc.
- Timing issues with trade updates vs market requirements.
- Not all trade release is on trade date and often release timings on value date can miss market requirements with dependencies on collateralisation etc.
- Vendor solutions not fully utilised and can be improved.
 - This includes use of existing tools
 - Some participants not utilising any vendor.
- Complex SSI structures with technology, regulatory and client drivers.

In order to minimise matching and settlement issues, pre-matching should be undertaken as early as possible on the day prior to settlement date (SD-1) at a minimum, in order to allow instructions to be matched and settled on settlement date at the first opportunity.

In terms of the actual market criteria for pre-matching, the following are considered as the core requirements for the matching and settlement of transactions:

- Sedol/Asset ID/Description etc.
- Nominal
- Trade and settlement date
- SSI core information including:
 - Agent BIC code (nom)
 - Principle BIC code (LE)
 - Safe keeping account number (sub)
 - Market specific info as required
 - For DvP trades, cash amount and currency
 - Margin (UK & Ireland only)

Many businesses also apply internal rules prior to any booking actually taking place, which can add further complexity to the pre-matching process.

6.3 Conclusion

The ideal operating model (and to be best positioned for the CSDR regulation) would see all trade types matched between counterparties at the earliest opportunity. This, combined with efficiencies outlined elsewhere in this paper, would significantly improve settlement rates.

To be discussed and outlined in the following best practice paper, areas of potential focus will be:

- o SSI consolidation. Wash accounts considered optimal.
- o Vendor management and real time compare of all instructions.
- o Improved and consistent communication.
- o Synchronised release of trade instructions.
- o Publication of industry best practice guidelines.

7 Position Reconciliations & Inventory Management

7.1 Issue Definition

This section recognises the importance of complete and accurate position reconciliation and inventory management functions in the fails prevention process.

Position reconciliation will need to review:

- How open contracts are compared
- What fields should be reviewed
- What matching fields are required for return booking

Inventory Management will need to review:

- Contractual vs actual settlement
- Dividend revenue vs fines/penalties

An integral part of reviewing the above is to define if a loan/return should be booked when there is no stock in place or various aspects of the trade are not matching.

In order for the Position Reconciliation and Inventory Management processes to work effectively, it is also recognised that notifications of trade bookings, cancellations and life cycle changes must be automated and/or actioned in a timely manner to prevent impact to matching and settlement.

7 Position Reconciliations & Inventory Management

7.2 Background

Two main settlements issues around pre-booking settlements discrepancies are:

- i Large volumes of returns are rejected by the lender, leaving unmatched trades in the market.
- ii Trades match but are then short as they're booked prior to the position being available to deliver.

With respect to rejected returns, there is some evidence to suggest that several returns are left unmatched through rejection. The below table shows a sample of rejected auto returns:

Rejection Reason	No. Returns Rejected	
Contract unknown	110	
Contract value discrepancy	115	18%
Corporate action pending	60	
Disagreement on security ID	1	
Term date not reached	2	
Collateral type not found	12	
Div. rate not matching	3	
Incorrect sub account	111	82%
Incorrect depot	409	
Duplicate notice	30	
Invalid quantity	686	
Invalid return settlement date	119	
Other	64	
Total	1,721	

Source: Data provided by anonymous member firm over period of one quarter (2019)

The above 18% represents open loan discrepancies that could have been resolved through better position reconciliation. The other 82% are likely to be booking errors that would be captured in pre-matching or improvements in the booking process.

7 Position Reconciliations & Inventory Management

There is a difference between recommended reconciliation in the ISLA Best Practice and what is required by the market (as a minimum) to settle a trade. The below table demonstrates the differences and the potential benefits if more than the minimum matching criteria is adhered to.

Reject Reason	ISLA Best Practice	Matching Criteria	% Rejected
Security name	Yes	No	0.0%
Security identifier	Yes	Yes	0.1%
MIR (Manufactured Income Rate)	Yes	No	0.2%
Nominal	Yes	Yes	39.9%
Value	Yes	No*	6.6%
Fee/Rate	Yes	No	0.0%
Trade dates	Yes	Yes	0.0%
Collateral type	Yes	No	0.7%
Collateral currency	Yes	No*	0.0%
Contract unknown	Implied	Implied	6.4%
Corporate action pending	No	No	3.5%
Term date not reached	No	No	0.1%

*Unless DvP

Source: Data provided by anonymous member firm over period of one quarter (2019)

With reference to the comparison fields, ISLA Best Practice is quite comprehensive; the 3 unspecified fields (in grey) are probably not worth amending but are worth considering where market participants have specific criteria.

With reference to returns being rejected for non-matching criteria, if Best Practice were adhered to, there would be no rejected returns as a result of mismatched contracts (excluding corporate actions and the term date not being reached).

ISLA Best Practice also already states that there should be no reconciliation or contract breaks prior to booking a return, however it is also recognised this is not a pre-requisite of the Global Master Securities Lending Agreement (GMSLA).

7 Position Reconciliations & Inventory Management

An alternative solution was reviewed where lenders should not reject returns for mismatches in fields that are not matching criteria. The following points were raised during that discussion:

- Contracts should be matching as unmatched contracts may have SFTR implications.
 - Non-matching fields may be used to specify a certain loan/client where internal reallocation is not possible. (e.g. a loan recall)
 - Should unmatched trades be cancelled at close of business, then reinputted after being revalued
 - o Not in keeping with improving settlement disciplines (avoidance)
 - o There would be increased instruction costs and if these would outweigh penalties
 - o Has the contract really been agreed if it's not matched?
 - Ensuring the correct trade is returned on both sides will maintain/improve open contract accuracy.
 - These best practice fields have been determined by the industry to be of importance.
 - Ignoring the non-matching criteria for returns may bring about disparity when compared with booking loans.
- A solution was proposed where there should be no instruction until the open contract is matching. This would also need to consider many of the aforementioned rejected return points. For example, a decision would need to be made as to what was considered a complete match. For instance:

Level 1 = Market mandatory matching fields

Level 2 = Level 1 + Field defined by Best Practice(s)

Level 3 = Level 1 + Level 2 + User defined fields

With respect to releasing instructions only when settlement is assured, inventory management (including contractual versus actual bookings) was also raised.

The below table shows 2 weeks' worth of returns data against the impacted markets and demonstrates that inventory management may pose more penalty issues than mismatched trades.

Date	Failing Returns	Short Returns	Daily %
01/04/2019	128	70	55%
02/04/2019	100	36	36%
03/04/2019	121	63	52%
04/04/2019	169	79	47%
05/04/2019	117	36	31%
08/04/2019	124	61	49%
09/04/2019	117	64	55%
10/04/2019	157	51	32%
11/04/2019	118	71	60%
12/04/2019	94	45	48%
Total	1245	576	46%

Source: Data provided by anonymous member firm over period of one quarter (2019)

7 Position Reconciliations & Inventory Management

The previous table outlines the impact that trading based on contractual rather than actual availability has on SBL fails. Essentially, a 'perfect settlement' view of the world when looking at a T+1 or greater view of inventory.

Contractually 'expected available' positions allow firms to project their future funding needs and act accordingly. Contractual also enables firms to optimise their inventory.

As borrow returns made up 80-90%, SBL fails focus has been on addressing returns with regards to inventory management.

The below table details the benefits and disadvantages of both contractual and actual return booking.

	Pros	Cons
Actual	Trading using actual positions in theory reduces fails as positions should be available to lend/return	Actual would imply the SBL market moving to T0, which has already been cited as an issue regarding settlement efficiency
	Reduces/eliminates the need to amend down trade quantities.	Cost for organisations to change their technology and infrastructure to facilitate actual
Contractual	Enables firms to proactively manage positions	Traded positions not available on settlement date
	Potentially an easier model to support operationally with regards to collateral and settlements	Focusing on borrow returns, a reliance on receipts settling on SD

7 Position Reconciliations & Inventory Management

7.3 Conclusion

Best Practice

The ISLA Best Practice already covers Position Reconciliations; the following enhancements could be made to existing best practice:

- o The above fields should be compared daily by both parties and resolved where possible by close of business. Any discrepancies should be fully resolved within the timeframe specified by SFTR regulation.
- o Where there is no documented agreement, the open position should where possible match on the comparison fields specified in the RECONCILIATIONS & CONTRACT COMPARE section of the Best Practice paper prior to trade booking and implementation [RETURNS AND RECALLS/SPECIFIC REQUIREMENTS FOR RETURNS].
- o It is also recommended that any trades booked are sufficient prior to trade booking and implementation, where possible [RETURNS AND RECALLS/SPECIFIC REQUIREMENTS FOR RETURNS].
- o In addition to the above the CSDR-WG also agreed that return bookings should not be rejected if the criteria required by the market are matching. The above-mentioned reconciliation requirements should assist with this.

Infrastructure

Borrowers potentially require a system build around instructions not being released until stock is available to return. The systems would have to allow trade booking in the proprietary system, but not actually releasing the booking to the counterparty (to aid collateral and inventory management) and should prevent the instruction being released to the market for returns. This, combined with improved reconciliation would mean no instructions were released/booked until almost guaranteed to settle.

Vendor Solutions

Some vendors are working on a “Rule” functionality in a new returns platform, viewable by the borrower that will assist in accurate returns bookings.

SFTR will force borrowers and lenders to reconcile at account level. EquiLend/OneFile

8 Collateralisation

8.1 Issue Definition

Many lenders will hold back instructing some, or all, of their loan trades to a borrower until the trade is fully collateralised by that borrower. This will result in an inability to match the transaction in the market often until settlement date is reached, and hence discrepancies may not be identified and fixed in time for settlement before the respective market deadline.

It is recognised that the timely and complete execution of collateralisation of transactions is key, and it should be noted the DvP cut-off for the market in question needs to be adhered to.

8.2 Background

8.2.1 Non-Cash Collateral

Non cash Collateral may be received either bilaterally, where individual securities are agreed and delivered directly between the lender and borrower, or via a Triparty Agent (TPA) such as BNY Mellon, Euroclear, Clearstream and JP Morgan who facilitate the automated collection, allocation, valuation and substitution of collateral assets, and also manage lifecycle events to which the securities may be subject.

Irrespective of the method of collateralisation used, vendor services already exist to compare both overnight and near real-time trade and exposure detail. The use of such services by both borrower and lender can therefore offer an efficient and effective way of monitoring, highlighting and resolving intra-day exposure issues.

Borrowers generally require same-day collateralisation and more immediate access to loan securities, in an effort to rationalise their borrowing and reduce overall collateral costs. To highlight the challenges posed by these developments, it is important to understand the methods of collateralisation used in support of these processes and the need for the timely and complete execution of processes.

- **“Pre-Pay” Collateralisation.** This is the practice of collateralising on the day prior to intended settlement day of the loan. The benefit of pre-pay collateral is that once collected, it allows loan instructions to be released to market in preparation for settlement. This is often used to facilitate coverage of loans which may settle in a different time-zone to that of the collateral.
- **“Same-Day” Collateralisation.** This is the practice of collateralising loans on their due settlement day, irrespective of the settlement basis (T+1, T+2) under which they have been booked. This reduction in the collateralisation period, reduces the cost of the collateralisation itself, and capital required to be held against the exposure. “Same-Day” Collateralisation is most often used where both loan and collateral securities settle in a similar time zone, or within the same CSD/ICSD (e.g. Euroclear, Clearstream and CREST). In this way, collateral can be collected and loans released within hours of each other.
- **“Same-Day” Trading.** This is the practice where the loan is booked on a T+0 basis, so that instigation of the loan, collateralisation, and settlement of both occur on the same day. This is becoming more prevalent across the lending markets as borrowers take advantage of settlement and collateral efficiencies to facilitate last minute sales and fails coverage and keep exposure periods and costs to a minimum.

8 Collateralisation

With both “Pre-Pay” and “Same-Day” Collateralisation, the loan transactions exist in the systems of the parties prior to the day of settlement. Therefore, there is a greater window of opportunity to reconcile trade details and exposure value based on an end-of-day comparison. However, with “Same-Day” Trading, since loans are not traded until the day of settlement, the only way to highlight trade or exposure breaks prior to settlement, would be through a same-day reconciliation.

Since most loan transactions are traded on an FoP basis (irrespective of the nature of the collateral), the instructions generally benefit from a later/wider settlement window in the market. However, where the borrower requires the securities to fulfil a subsequent delivery against cash DvP, the parties become constrained by the potentially earlier deadline of the DvP transaction, particularly if the seller needs to take subsequent action with the cash (e.g. reinvestment). These factors may therefore drive the method of collateralisation, the timing, and the level of efficiency that is required as the earlier DvP deadline then becomes more relevant throughout the whole delivery chain.

When tri-party agents (TPAs) are employed, there are still deadlines for the allocation process, and market deadlines still have to be observed when moving collateral into (and out of) the TPA environment.

Some market participants are already looking at ways to project collateral requirements, using pending loans and digitised tri-party schedules. In this way, they hope to be better positioned to mobilise the right collateral at the right time, to predict and make best use of tri-party functionality.

8.2.2 Timing of Collateral Instructions

The greater the visibility into collateral requirements and the more efficient the automation, the more frequently instructions can be sent to the TPAs. However, the TPAs generally operate on a batch system and utilise each batch for the collection, return or substitution of eligible assets. These may run regularly every 30 to 60 minutes dependent on the TPA. Whilst the lender may drive the initiation of a collateral RQV, they must rely on the borrower agreeing and instructing a matching RQV in order to proceed with delivery.

Depending on the level of automation between the parties, verification and instruction can take some time. To this end, adequate opportunity needs to be provided for the borrower to agree and settle each RQV before updated values are re-submitted. This can then facilitate a controlled release of collateralised loans. Given batch results may be as much as an hour apart, it is suggested that RQV update is conducted at least two hours apart unless automation allows, or additional figures are requested.

8 Collateralisation

8.2.3 Loan Release

Once collateral has been collected either bilaterally or via the TPA, it is down to the lender to release any loans that had been held-up awaiting collateralisation. The timing of the release may be vital where loans are required for settlement the same day, especially where the borrower has earmarked the securities for onward delivery and has settlement deadlines to consider (i.e. the earlier deadline demanded for an onward DvP delivery). Additionally, the lender may need some time to recognise that collateral has been delivered and to release the relevant position to market, especially where this is a manual process and may need to be verified. Once again, automated release solutions are available, and the benefits can be significant. Not only are they able to handle large volumes of trades, but they can be coded to acknowledge:

- The value of the trades awaiting release – High value trades may be prioritised for release to reduce the potential cost of failure of onward delivery.
- The market of the loan awaiting release – The system can acknowledge where a market deadline for the loan has already been missed. Loans that still have time to settle can then be prioritised so that collateral is allocated to them first.
- Unmatched trades - Systems development is also underway to highlight where trades are seen as “unmatched” or “mismatched” even prior to release. Where this mismatch would lead to failure in the market, it is arguable that there is little point releasing it in favour of a trade that is “pre-matched” in the system.

It is however important to note that this type of functionality can rely on real-time feeds from borrower and lender, in addition to a real-time view of collateral data and sufficiency.

8.2.4 Returns

The timely settlement of returns is vital as it is the actual settlement of the return on the system of the lender/agent lender, that frees up collateral held against the position. Real-time vendor reconciliation can again help to highlight this, so that settlement references can be shared between the parties and verified so that settlement can be reflected consistently.

8.3 Conclusion

Much has already been done within the vendor space to support the automation of collateralisation within the securities lending market. This is wide-ranging and encompasses most of the relevant flows:

- o Overnight and real-time reconciliation to support the agreement and matching of pending and outstanding loan positions.
- o Exposure reconciliation to agree loan valuation and margin requirement.
- o RQV management to calculate and instruct collateral requirements to the TPAs, and to monitor incoming assets.
- o TPA collateral automation to value, allocate, and maintain acceptable collateral according to the relevant schedules.
- o Loan release to assess collateral sufficiency and order, monitor and release associated loan transactions to the market.

All of these automations are designed to streamline the collateral evaluation, instruction, and collection process in order that loans can be released to market in a controlled and ordered manner. These automations have become more and more relevant as both loan and collateral demands and 'velocity' have increased. CSDR also stands to have a very real impact, not least because lenders and agent lenders have to ensure adequate collateral coverage before any new loans can be released to the market. Late collateralisation of pending loans by the borrower, may result in a fine for the lender/lending agent where they aren't able to instruct the loan. Whether automation is utilised or not, the same practicalities will apply:

- o Pre-matching of pending transactions is highly recommended whether via trade confirmations, manual trade files or an automated contract compare. All details that can affect successful settlement are vital, but items such as position valuation, required margin, and method/account of collateralisation greatly help in the successful agreement of exposure.
- o On-going reconciliation of open loans is vital to ensure the daily agreement of existing exposure caused by the fluctuations in market values.
- o The process of collateralisation employed (pre-pay or otherwise) should be agreed between the parties based on a number of factors; the level of sophistication/automation of the members, the market of settlement of both loan asset and collateral, the collateral delivery mechanism, and the method of collateral acknowledgement and subsequent loan release. Since collateral must (generally) be received prior to the release of the loan, the parties must ensure collateral is delivered in a timely manner to allow delivery of the loan in accordance with any deadline for onward delivery. Where automation can be used, it should be encouraged as a way to increase valuation and collateral efficiency, and as a way of mitigating the inherent manual risk of error.
- o Anything that can assist the parties with the automation of functionality in the valuation, agreement, mobilisation and management of collateral should be encouraged.

9 Market Infrastructure: Settlement Ordering & Prioritisation/Settlement Timeframes

9.1 Issue Definition

In the Phase 1 paper - the chapter 'Next Steps', it was noted that some issues may not be solved by market participants but would require changes by regulators or infrastructure providers. The following table summarises suggestions discussed by the CDSR-WG when considering potential solutions to issues.

Market Parameter	Description	Impact	Proposals
Settlement cut-offs	Markets have an earlier DvP cut-off than the FoP cut-off.	Borrowers have the standard market settlement cycle to return recalled loans; however, the deadline to return is by close of business on recall due date. As such, shares can settle back after the DvP cut-off resulting in the underlying sale failing for a day. While the borrower has met their obligation, the sale still fails and attracts a 1-day penalty at the expense of the seller.	<ol style="list-style-type: none"> 1. Non T2S markets to align cut off time to match T2S markets. 2. CSDs to align DvP cut off with FoP cut off. 3. Participants to endeavour securities are delivered with sufficient time prior to DvP cut off.
	Non T2S markets have different settlement timings.	<p>If a loan is requiring a same day prepay, the collateral may settle after the cut-off off time of the market that the loan is settling in. This will result in the loan failing for 1 day and incurring a penalty charge.</p> <p>This will also have a knock-on effect for onward deliveries.</p>	Ensure collateral is agreed and settled with sufficient time prior to the market cut-off of the loan.
Hold and release	The hold/release mechanism enables participants to temporarily hold back a securities transaction from settlement and only release when settlement is desired.	This would require additional static set up to be able to ensure correct instructions are sent to the respective agents.	The market should have a discussion about future best practice and utilisation of hold and release functionality.

9 Market Infrastructure: Settlement Ordering & Prioritisation/Settlement Timeframes

Market Parameter	Description	Impact	Proposals
Partial loan close (Partialing) under T2S	This allows for the partial settlement of a delivery where the delivering party does not have the full position to deliver on settlement date to maximise settlement rates, utilisation of assets and liquidity in the market whilst reducing requirements for manual intervention by Operations groups. Settlement of the remaining portion of the delivery will occur once the remaining shares become available.	<p>Not all market participants have the infrastructure set up to support auto-partialing. Set up would have to be all or nothing in each market.</p> <p>Partialing can result in position breaks if the parties are either not correctly notified, or there is a delay in being notified.</p> <p>If not processed correctly, duplicate instructions could be sent to the market, resulting in potential over delivery of shares as well as additional penalty charges.</p> <p>Partialing needs to occur throughout the chain</p>	Participants to enable auto-partialing functionality provided under T2S.
Cancellation parameters	Majority of markets require bilateral cancellation of matched instructions.	If both parties do not send a cancellation notice to the market where a trade is rebooked/ partialled and was matched, the instruction will remain in the market and attract a penalty charge.	<p>Both parties to confirm to each other via email that the transaction has been cancelled in their systems and a notification transmitted to the market.</p> <p>In addition, both parties should confirm with their respective agents that the transaction has been cancelled in the market.</p>
Matching criteria	Not all markets have the same matching criteria.	If a party does not include all required matching fields in their instruction, or has different data in a matching field, the trade will fail.	<p>Ensure correct static data is exchanged and set up for relevant markets.</p> <p>Ensure pre-matching of trades is completed to ensure trade details match and correct SSI's are instructed.</p>

10 T2S Functionality

10.1 Issue Definition

The ambition of Target2-Securities (T2S) is to revolutionise securities settlement in Europe through simplifying cross-border settlement procedures and different settlement practices. Through standardisation, benefits such as cost savings and operational process efficiencies can be achieved. To realise these goals however, will require bilateral adoption of T2S features.

The following table highlights T2S functionality and considers best practice proposals that could be adopted.

Market Parameter	Description	Impact	Best Practice Suggestion
Standard Settlement Instructions (SSIs)	T2S SSIs may include BIC11 codes for the CSD participant, client of CSD participant, and Place of Safekeeping (PSAF) as well as Securities Account numbers.	Unless SSIs are shared – in a timely manner and agreed – with all parties in the settlement chain it will lead to unmatched instructions.	All SSI changes to be communicated and shared with all parties at least one month in advance.
Settlement instruction format	One key element of T2S is the correct use and population of the participant's Place of Safekeeping (PSAF) and their counterparty's Place of Settlement (PSET).	Facilitation of more efficient T2S CSD and cross-CSD settlement.	Ensure adherence to T2S guidance. When settlement is within the same T2S CSD only the PSET BIC11 needs to be populated. When settlement is across two T2S CSDs the PSET BIC11 and PSAF BIC11 are both required.
Settlement instruction format	One key element of T2S is the correct use and population of the participant's Place of Safekeeping (PSAF) and their counterparty's Place of Settlement (PSET).	Facilitation of more efficient T2S CSD and cross-CSD settlement	Ensure adherence to T2S guidance. When settlement is within the same T2S CSD only the PSET BIC11 needs to be populated. When settlement is across two T2S CSDs the PSET BIC11 and PSAF BIC11 are both required.

10 T2S Functionality

Market Parameter	Description	Impact	Best Practice Suggestion
Hold & release	The Hold & Release mechanism enables participants to temporarily hold back a securities transaction from settlement and only release when settlement is desired.	This would require additional static set up to be able to ensure correct instructions are sent to the respective agents.	If Hold & Release functionality is used to ensure processes are in place to release held instructions in a timely manner once ready for settlement to reduce the risk of failure.
Auto-partialling	This allows for the partial settlement of a delivery where the delivering party does not have the full position to deliver on settlement date. Settlement of the remaining portion of the delivery will occur once the remaining shares become available.	<p>Not all market participants have the infrastructure set up to support auto partialling. Set up would have to be all or nothing in each market.</p> <p>Partialling can result in position breaks if the parties are either not correctly notified, or there is a delay in being notified.</p> <p>If not processed correctly, duplicate instructions could be sent to the market, resulting in potential over delivery of shares as well as additional penalty charges.</p> <p>Partialling needs to occur throughout the chain.</p>	Partialling to be agreed on a case by case basis and new instructions sent to the market in each instance. Both parties need to ensure a cancellation notice is sent to the market for the original instruction.
Settlement instruction prioritisation	There are four levels of settlement instruction prioritisation in T2S. Two (Levels 1 and 2) are defined by T2S only and are related to CSD, national central bank, trading platform and CCP activities. The other two are defined by participants. Level 3 is High priority, Level 4 is Normal priority (and the default selection in the event no priority is included).	In a pair of matched instructions, T2S takes the highest priority of the instructions for settlement purposes. T2S does the same in a set of linked instructions.	Use of Level 4 as standard with selective use only of Level 3.

10 T2S Functionality

Market Parameter	Description	Impact	Best Practice Suggestion
Linking	Linking is a T2S feature that allows two or more instructions to be linked for settlement purposes.	A linked trade is one where securities are released for delivery only if they become available from another trade.	Linking settlement instructions may increase the risk of settlement failure given the dependency introduced. Selective use of the feature is recommended to avoid risk of impacting settlement efficiency.
Mandatory, additional and optional matching fields	Not all markets have the same matching criteria.	If a party does not include all required matching fields in their instruction, or has different data in a matching field, the trade will fail.	Ensure correct static data is exchanged and set up for relevant markets. Ensure pre-matching of trades is completed to ensure trade details match and correct SSI's are instructed.
Settlement cut-off	Markets have an earlier DvP cut-off than the FoP cut-off.	Borrowers have the standard market settlement cycle to return recalled loans, however, the deadline to return is by close of business on recall due date. As such, shares can settle back after the DvP cut-off resulting in the underlying sale failing for a day. While the borrower has met their obligation, the sale still fails and attracts a 1-day penalty at the expense of the seller.	The borrower should endeavour to return recalled loans with enough time prior to the DvP cut-off in each market.

10.2 Background

T2S is the European platform for securities settlement in central bank money. The most obvious and direct connection between T2S and CSDR is the European Securities and Markets Authority (ESMA). As outlined on its website, ESMA's main roles in the area of settlement are implementing EU regulations on the central securities depositories (CSDR), providing information to the market under the Settlement Finality Directive (SFD) and coordinating authorities involved in Target2-Securities (T2S).

In its role of coordinator of competent authorities for the supervision of CSDs, ESMA cooperates with the Eurosystem, in which the ECB having primary responsibility vis-à-vis T2S, leads and coordinates the oversight activities related to T2S, oversees of CSDs participating in T2S, central banks of issue for currencies settled in T2S, competent authorities for the supervision of those CSDs which have signed the T2S Framework Agreement.



10.3 Conclusion

Increased T2S adoption, be it initially and/or expansion of markets institutions settle through T2S, is the ambition of the same European authorities that have a responsibility for CSDR. The strategy behind the evolution of Europe's market infrastructures to achieve full integration and harmonisation of cash and securities services has in fact been given a name – "Vision 2020".

Be it directly, or as part of a broader development, greater use of T2S should be expected by securities lending participants. This will of course require an understanding of the impacts of T2S features and its functionality. As use increases, best practices will need to evolve and incorporate the changing operational landscape.

11 Corporate Actions

11.1 Issue Definition

Corporate Actions are noted in this paper in recognition that they may present issues in relation to CSDR settlement failure penalties where an instruction is released to the market. This paper assumes that where instructions are released, they will fall under the respective functions (e.g. notifications, prematching, etc).

Best practices will be published, in support of SFTR, to address corporate action requirements.

A note is made to address their potential inclusion in internalised reporting by quote from the text of the “Final Report Guidelines on Internalised Settlement Reporting under Article 9 of CSDR” which can be found in section 5.1 sub-section 11 (Page 24)

The following types of transactions and operations should be considered out of scope of internalised settlement reporting:

- i) corporate actions on stock, such as cash distributions (e.g. cash dividend, interest payment), securities distributions (e.g. stock dividend; bonus issue), reorganisations (e.g. conversion, stock split, redemption, tender offer)
- ii) corporate actions on flow represented by market claims;
- iii) primary market operations, meaning the process of initial creation of securities;
- iv) creation and redemption of fund units;
- v) pure cash payments, not related to securities transactions;
- vi) transactions executed on a trading venue and transferred by the trading venue to a CCP for clearing or to a CSD for settlement

Appendix: References & Links

REGULATION (EU) 909/2014 of 23 July 2014 on improving securities settlement in the European Union and on central securities depositories

ESMA 70-151-1258 - Guidelines on Internalised Settlement Reporting under Article 9 of CSDR

https://www.esma.europa.eu/sites/default/files/library/esma70-151-367_csd_r_guidelines_on_internalised_settlement_reporting.pdf

International Securities Lending Association (ISLA) is a leading industry association, representing the common interests of securities lending and financing market participants across Europe, Middle East and Africa. It's geographically diverse membership of over 155 firms, includes institutional investors, asset managers, custodial banks, prime brokers and service providers.

What do we do?

Working closely with the global industry as well as regulators and policy makers, ISLA advocates the importance of securities lending to the broader financial services industry. ISLA supports the development of a safe and efficient framework for the industry, by playing a pivotal role in promoting market best practice, amongst other things. ISLA sponsors the Global Market Securities Lending Agreement (GMSLA) and the annual enforceability review in over 65 jurisdictions globally.

How do we do it?

Through member working groups, industry guidance, consultations and first-class events and education, ISLA helps to steer the direction of the industry and is one of its most influential voices on the European and global stage.



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