ECB OMG
CSDR Refit

March 23rd, 2023
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CSDR review legislative process
The CSDR review legislative process


The aim of CSDR is to harmonize certain aspects of the settlement cycle and settlement discipline and to provide a set of common requirements for CSDs operating securities settlement systems across the EU. CSDR plays a pivotal role for post-trade harmonization efforts in Europe, as it enhances the legal and operational conditions for cross-border settlement in the EU1.

The review of CSDR is a key action in the 2020 Capital Markets Union (CMU) Action Plan for the development of a more efficient post-trading landscape in the EU. The EP, in its resolution on further development of the CMU, also invited the Commission to review the settlement discipline regime under CSDR in view of Brexit and the Covid-19 crisis.

The Commission concluded in its Report (1 July 2021) that the CSDR continues to achieve its original objectives to enhance the efficiency of settlement in the EU. Even though the volume of settled trades increased since the CSDR entry into force, feedback from stakeholders indicate significant barriers exist in several areas, and no significant increase in settlement efficiency have been noticed.

Given the need to eliminate disproportionate costs and burdens and to simplify rules without putting financial stability at risk, the CSDR review was included in the 2021 Commission Regulatory Fitness and Performance programme (REFIT)2.

**TIMELINE**

<table>
<thead>
<tr>
<th>Date</th>
<th>Event</th>
</tr>
</thead>
<tbody>
<tr>
<td>16/03/2022</td>
<td>the Commission published a proposal for a review of the CSDR</td>
</tr>
<tr>
<td>28/07/2022</td>
<td>the European Central Bank adopted its opinion on the proposal</td>
</tr>
<tr>
<td>20/12/2022</td>
<td>the Council of the EU adopted its position (so-called General Approach) on the proposal</td>
</tr>
<tr>
<td>09/03/2023</td>
<td>EP published the Report on the review of CSDR. The Report was adopted by ECON on 01/03/2023.</td>
</tr>
<tr>
<td>13/06/2022</td>
<td>the European Economic and Social Committee adopted an opinion on the proposal</td>
</tr>
<tr>
<td>13/10/2022</td>
<td>the Draft Report of the European Parliament was published</td>
</tr>
<tr>
<td>31/03/2023 (expected)</td>
<td>negotiations between Commission, Council of the EU and European Parliament to start.</td>
</tr>
</tbody>
</table>

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Key points of the CSDR Refit proposal
**Key points of the CSDR Refit proposal**

Based on the results of *ex-post evaluations, stakeholder consultations* and *impact assessments*, the Commission proposed the following key improvements to the Central Securities Depositories Regulation:

### WHAT ARE THE PROBLEMS TO BE ADDRESSED?
- Barriers to cross-border settlement
- Disproportionate compliance cost
- Insufficient insight into the activities of third-country CSDs

### KEY IMPROVEMENTS CONTAINED IN THE PROPOSAL
- Improving settlement discipline
- Improving the passporting regime
- Improving cooperation between supervisory authorities
- Improving banking-type ancillary services
- Improving the oversight of third-country Central Securities Depositories

### WHAT ARE THE MAIN EXPECTED BENEFITS?
- More proportionate approach to the treatment of settlement fails
- Simplified passporting process and easier provision of cross-border services by CSDs
- Direct increase of cross-border competition between CSDs, benefiting to investors and issuers
- Enhanced supervisory convergence
- Reinforced level playing field for CSDs, both within the EU and outside the EU
- Additional opportunities for CSDs that do not hold banking license
- Improve supervisory capabilities for ESMA and NCAs
Focus on Settlement Discipline
Focus on Settlement Discipline

Main points of the EC proposal concerning Settlement Discipline:

- Exclusion of certain type of transactions from the penalty mechanism
- Commission may adopt an implementing act deciding to apply mandatory buy-in
- Details on how the pass-on mechanism should work

European Parliament Report

Key Takeaways

- MBI regime adoption only as last resort measure
- Consolidating and making available reference data in a centralised database
- ESMA to develop RTS to improve settlement efficiency

The Council of the EU General Approach

Key Takeaways

- Agree with EC proposed approach on implementing MBI
- Introduction of ESMA list of financial instruments subject to BI
- Review of penalties level on regular basis

Final adoption of the reviewed Regulation expected not before Q2 2023
Open questions
Open questions

• A year after the introduction of the penalties mechanism, did you notice an increase in settlement efficiency? What further initiatives could be taken to improve it?

• Will the introduction of a mandatory buy-in have positive effects on settlement efficiency?

• Do you believe that the implementation of a golden source database for reference data maintained by ESMA is necessary in order to harmonize the approach across CSDs (transactions in scope, calculation method, etc..)?
The Intesa Sanpaolo Group
In Italy, Intesa Sanpaolo is the banking group leader with 13.6 million customers and with a market share of 22% in customer deposits and 20% in customer loans. Intesa Sanpaolo is one of the top banking groups in the Eurozone with a market capitalisation of 36.6 billion euro.

Intesa Sanpaolo is a bank with a sustainable profitability, i.e. balanced between operating performance, productivity, risk profile, liquidity and solidity/leverage.

Rating (updated to the date of this document)

<table>
<thead>
<tr>
<th>Long term senior preferred (unsecured)</th>
<th>Moody’s</th>
<th>S&amp;P Global Ratings</th>
<th>Fitch Ratings</th>
<th>DBRS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Baa1</td>
<td>BBB</td>
<td>BBB</td>
<td>BBB (high)</td>
<td></td>
</tr>
<tr>
<td>Short term</td>
<td>P-2</td>
<td>A-2</td>
<td>F2</td>
<td>R-1 (low)</td>
</tr>
</tbody>
</table>

Market shares in Italy

<table>
<thead>
<tr>
<th>Loans</th>
<th>Shares 19.9%</th>
<th>Ranking 1*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deposits</td>
<td>Shares 22.2%</td>
<td>Ranking 1*</td>
</tr>
<tr>
<td>Assets Management</td>
<td>Shares 24.8%</td>
<td>Ranking 1*</td>
</tr>
<tr>
<td>Pension Funds</td>
<td>Shares 24.3%</td>
<td>Ranking 1*</td>
</tr>
</tbody>
</table>

Note: Results as at 30 September 2022
1. At 31 October 2022
2. Including Net Income
3. Including bonds
4. Mutual funds - data as at 30.06.2022
5. Data as at 30.06.2022
Source: Intesa Sanpaolo website (About us), data as at 09.11.2022
Intesa Sanpaolo can boast a strategic international presence with nearly 1,000 branch offices and 7 million customers, including subsidiary banks dealing in commercial banking in 12 Central Eastern European countries, the Middle East and North Africa, and an international network specialised in supporting corporate customers in 25 countries above all in the Middle East and North Africa, as well as countries in which Italian companies are most active such as the US, Brazil, Russia, India, and China.

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- Banca Intesa (Russian Federation)
- Intesa Sanpaolo Bank Ireland (Ireland)
- Fideuram Bank Luxembourg (Luxembourg)
- Intesa Sanpaolo Bank Luxembourg (Luxembourg)
- Eximbank (Moldova)
- Intesa Sanpaolo Bank Luxembourg (Netherlands)
- Intesa Sanpaolo Private Bank (Suisse) Morval (United Kingdom)
- VUB Banka (Czech Republic)
- Intesa Sanpaolo Bank Romania (Romania)
- Banca Intesa Beograd (Serbia)
- VUB Banka (Slovakia)
- Intesa Sanpaolo Bank (Slovenia)
- Intesa Sanpaolo Private Bank (Suisse) Morval (Switzerland)
- Pravex Bank (Ukraine)
- CIB Bank (Hungary)

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- Mumbai
- Beijing
- Seoul

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