EUROPEAN CENTRAL BANK

EUROSYSTEM

T2S CHANGE REQUEST FORM		
General Information (Origin of Request) ☒ User Requirements (URD) or GUI Business Functionality Document (BFD) ☐ Other User Functional or Technical Documentation (SYS)		
Request raised by: Clearstream	**Institute:** CSD	**Date raised:** 03/02/2026
Request title: Extension of the T2S penalty mechanism exemption to cover transactions stemming from share registration		**Request No.:** T2S 0868 URD
Request type: Common	**Classification:** Regulatory compliance	**Urgency:** Fast-track[1]
1. Legal/business importance parameter[2]: Medium		**2. Market implementation efforts parameter**[3]: Low
3. Operational/Technical risk parameter[4]: Low		**4. Financial impact parameter**[5]: (provided by 4CB)
Requestor Category: CSD		**Status:** Authorised at the T2S Steering Level

Reason for change and expected benefits/business motivation:

Note: this CR is driven by the CSDR REFIT ESMA "Final Report Technical Advice on the Scope of CSDR Settlement Discipline" (https://www.esma.europa.eu/sites/default/files/2025-06/ESMA74_1_1.PDF) chapter 4.3 "ESMA's assessment and final approach" recital 105:

"*105. Therefore, and in line with the overall objective of simplification and burden reduction, ESMA is of the opinion that the following circumstances should not be considered as trading for the purpose of the application of cash penalties and the MBI:*
(…)
d. Share registration, i.e. the process of officially recording the transfer of ownership of shares from one party to another in the issuer's share register maintained by the CSD;"

As the ESMA report is yet to be approved by the European Commission for entry into force, the compliance date is yet to be defined but it is assumed that the CSDR REFIT changes apply as of H2 2027, latest.

One of the core objectives of the CSDR is to promote settlement efficiency through a Settlement Discipline Regime, which, at the settlement layer, implies the payment of cash penalties for late settlement of transactions.

In 2022 the T2S Governance introduced a T2S cash penalty mechanism applicable to settlement fails via the Change Request *T2S 654 URD "T2S Penalty Mechanism"*. The T2S penalty mechanism provides daily calculation and reporting of cash penalties, monthly reporting of the aggregated amounts of cash penalties computed for a given month, and operational tools for CSDs to manage cash penalties in T2S.

In the context of the Regulatory Fitness and Performance (REFIT) program, a new set of regulatory exemptions from the cash penalty regime is introduced for settlement fails. Consequently, the European Securities Market Authorities (ESMA) drafted a new Technical Advice (TA) for clarifying the scope of the settlement discipline, inter alia detailing the circumstances in which operations are not considered as trading should be exempted from the scope of cash penalties.

T2S-0862 URD "Extension of the T2S penalty mechanism exemption" was raised to cover other exemptions stated in ESMA's technical advice, strictly based on ISO transaction codes This change request focusses on the type of operations "Share registration" that was excluded from the scope of CR-0862 as agreed by the T2S CSG CSDR

[1] Fast-track approach justification: A fast-track approach is requested to comply with the regulation which is expected to enter into force in 2027.
[2] Legal/business importance parameter was set to 'Medium' because this change in T2S is stemming from the CSDR REFIT and should ideally be implemented for the go-live of T+1 on 11 October 2027.
[3] Market implementation effort parameter was set to 'Low' since this change currently only impacts one T2S CSD (CEU AG).
[4] Operational/technical risk parameter was set to 'Low' since this change does not create any operational of technical risk.
[5] Low < 100kEUR < Low-Medium < 200 kEUR < Medium < 400kEUR < High < 700kEUR < Very high

Task Force on 14.11.2025.

Depending on how the “Share Registration” process is implemented in a given market, it might result in some settlement activities, to indicate on position level that a given quantity was subject to a registration process (which might be reflected by a specific position type in T2S) or that it was subject to a de-registration process (in which case this position type needs to be reverted back to the original value, e.g. AWAS).

The German market might serve as an example: In T2S, positions which are registered in the name of the beneficial owner (BO) with the registrars are held with a specific position type “RSHB”. Those positions are excluded from normal settlement activity. In order to transfer them to a third party, CEU participants must first initiate a de-registration with CEU, which will be reflected into T2S as a transfer from position type “RSHB” into “AWAS”. Then settlement activity can occur out of AWAS, and the receiver of the position can initiate the registration with the new BO. Positions which are registered are transferred back from AWAS to RSHB.

Such registration and de-registration activities occur within the same account, i.e. the registration / de-registration only changes the position type. Additionally, the scenario of a portfolio transfer can occur where a position which is registered in the name of the BO is transferred from one account to another account while keeping the registration of the position in the name of the BO with the registrar.

ESMA´s Final Report statement quoted further above refers (at least) to the CEU´s share (de-)registration service as an envisaged exemption from the penalty mechanism. Thus, in the future, failing settlement instructions related to the registered shares processing business scenarios above (registration, de-registration, portfolio transfer of registered positions) shall no longer be subject to penalties. Such instructions would be free of payment instructions for Intra-CSD settlement, containing the position type that is used to reflect that a position was registered, e.g. RSHB for the German market.

Description of requested change:

Failing T2S settlement instructions sese.023 should not be subject to T2S penalties application by the T2S penalty mechanism IF the instruction relates to the Share Registration process, i.e.:

- Is a FOP transfer
- AND it is an Intra-CSD settlement (i.e. delivering CSD = receiving CSD)
- AND Delivering securities account is equal to receiving securities account
- AND it contains either Delivering or Receiving Securities **Sub Balance Type = RSHB** in either the same leg of the transaction or in the matched leg (xpath: *SttlmParams/DlvrgSctiesSubBalTp/Id* or *SttlmParams/RcvgSctiesSubBalTp/Id)*

Submitted annexes / related documents:

Outcome/Decisions:

*ECB on 3 February 2026: the ECB team checked the completeness of the CR template, assigned change request number CR-0868 and informed the CR initiator.
*CRG on 7 July 2026: the CRG agreed to recommend CR-0868 for authorisation by the T2S Steering Level, following a fast-track approach.
*PMG on 7 July 2026: the PMG agreed to launch the detailed assessment of CR-0868 with a view of scoping in R2027.JUN, subject to T2S Steering Level authorisation.
*AMI-SeCo on 15 July 2026: the AMI-SeCo agreed with the CRG recommendation of CR-0868 for T2S Steering Level authorisation, following a fast-track approach.
*CSG on 15 July 2026: the CSG agreed to authorise CR-0868, following a fast-track approach.
*NECSG on 15 July 2026: the NECSG agreed to authorise CR-0868, following a fast-track approach.
*MIB on 22 July 2026: the MIB agreed to authorise CR-0868, following a fast-track approach.

Documentation to be updated:

Preliminary assessment:

Detailed assessment: