T2S Penalty Mechanism

CR654 implementation work is on track

- An updated version of the Scope Defining Documents (CR654 link + attachments link) has been published early June.

- An operational enhancement CR has been raised for the provision of the Cash Discount Penalty Rate, to be considered as a lower priority CR (implementation as from Release 5.X).

Settlement of cash penalties via Payment Free of Deliveries (PFoD)

- The envisaged setup relying on the usage of a single dummy ISIN and multi-Issuer CSD configuration (dormant functionality in T2S) revealed issues during testing for one CSD.

- A fast-tracked CR has been raised by the CSDR TF in order to allow this setup, as the usage of a single dummy ISIN for cash penalties payments is a strong requirement from CSDs inside and also outside T2S (as per ECSDA Framework on cash penalties).

CSG Feedback to ESMA survey on Hold & Release

- ESMA has requested the T2S input (along with other associations such as ECSDA and AFME) on a survey on Hold and Release in the context of CSDR to gain a practical view of the usage of the hold and release functionality.

- The response has been coordinated through the CSDR TF with the input of Settlement Efficiency Workshop participants.

- The consolidated CSG response has been circulated to ESMA on 12th of June

Regulatory Developments

Entry into force of the Settlement Discipline regime provisions

- 1st of February 2021 as per ESMA proposal to the European Commission (EC) and communication made in T2S fora remains the main working assumption at this stage.

Guidelines and Q&A

- An updated Q&A process is implemented under the revised ESMA Regulation where some pending questions requiring Level 3 guidance now fall under the responsibility of the EC. The list of questions with their competent authority (ESMA or EC) is publicly available (link)

- Guidelines on settlement fails reporting are still pending