

# FrontLine SIX x-clear AG

## CSDR

### **Central Securities Depositories Regulation (CSDR) – Settlement Discipline Regime: Delay of mandatory buy-ins and update for testing**

#### **1.0 Overview**

This FrontLine contains information for Members about SIX x-clear's intentions regarding the announced delay of the mandatory buy-ins (MBI).

Furthermore, this FrontLine provides information about the activation of the netting on SME growth market transactions in the Test environment.

#### **2.0 Effective date**

Currently, the CSDR Settlement Discipline Regime is set to enter into force on 1 February 2022.

The activation of the netting on SME growth market transactions in the Test environment is planned for 27 December 2021.

#### **3.0 Impact on participants**

##### **3.1 Delay of mandatory buy-ins**

This FrontLine describes SIX x-clear's intentions regarding the announced delay of MBI.

Please refer to SIX x-clear's Red Paper or the published Q&A for further descriptions of the regulation and the impact on SIX x-clear and Members:

- **SIX x-clear's Red Paper:** [www.six-group.com](http://www.six-group.com) > The Swiss Stock Exchange > Post-Trade > Download Center > The Impact of CSDR Settlement Discipline on SIX x-clear – Swiss Stock Exchange Red Paper
- **Q&A:** [www.six-group.com](http://www.six-group.com) > The Swiss Stock Exchange > Post-Trade > CCP Clearing > Info Center > Download Center > Q&A CSDR Settlement Discipline Regime

##### **3.2 Activation of the netting on SME growth market transactions in the Test environment**

If Members wish to benefit from the reduced penalty rate applicable to SME growth market transactions, both legs of the instruction will require the SME MIC to be populated in the Place of Trading field. After the activation of netting on SME growth market transactions, SIX x-clear will start to use the actual MIC segment (the segment in which the transaction took place) as the Place of Trading in the CCP leg of the instruction to the market. Members need to match this Place of Trading in their leg of the instruction to the market in order to benefit from the reduced penalty rate applicable to SE growth market transactions. Members with a PoA agreement in place

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with SIX x-clear do not need to take any action – SIX x-clear will populate the correct Place of Trading in the client leg of the instruction.

The activation of netting on SME growth market transactions in the Test environment is planned for 27 December 2021. The activation of netting on SME growth market transactions in the Production environment is scheduled for 1 February 2022, when the CSDR Settlement Discipline Regime is set to enter into force.

#### **4.0 Details**

##### **4.1 Details on delay of mandatory buy-ins**

As a CCP, SIX x-clear clears a range of trading venues for Members whose trades will settle in the EU/EEA area. For all trades settling in the EU/EEA area, SIX x-clear aims to fully comply with its duties as a clearing service provider under CSDR and support the EU and EEA CSDs in which it participates to fulfil their legal obligations under CSDR, in particular in relation to settlement discipline, thereby ensuring the highest degree of settlement efficiency for its Members.

The Commission Delegated Regulation (EU) 2018/1229 of 25 May 2018 with regard to regulatory technical standards on settlement discipline (SD RTS) comprises rules on the reporting of settlement fails, the collection and distribution of cash penalties and mandatory buy-ins. The SD RTS are due to come into effect on 1 February 2022. The European Commission announced on 24 November that MBIs will be delayed. The extent or duration of this delay is not yet confirmed.

SIX x-clear is working on the assumption that the entire Section 3 SD RTS will be delayed. As such, SIX x-clear will continue to apply the current buy-in regime in place today, irrespective of the place of settlement.

##### **4.2 Details on the activation of netting on SME growth market transactions in the Test environment**

Since transactions in SME growth markets are subject to different penalties under CSDR, CCPs need to create separate netted instructions for SME growth markets and non-SME growth markets. Only when both settlement instructions (the CCP leg as well as the Member leg) show the same SME growth market Place of Trading code shall the reduced penalty rate applicable to SME growth market transactions be applied by the penalty-computing CSD.

For the creation of settlement instructions resulting from such SME growth market transactions, SIX x-clear has agreed with its Co-CCPs to use the actual MIC segment (the segment in which the transaction took place) as the Place of Trading. This also means that no cross-venue netting will be applied for SME growth market transactions.

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The table of codes to be used in the Place of Trading field can be found in SIX x-clear's Red Paper in section 3.4 *Place of Trading* ([www.six-group.com](http://www.six-group.com) > The Swiss Stock Exchange > Post-Trade > Download Center > The Impact of CSDR Settlement Discipline on SIX x-clear – Swiss Stock Exchange Red Paper).

### 5.0 Contact

If you have any further questions, please contact your Relationship Manager. The contact details are mentioned in the list of SIX SIS contacts published at [www.six-group.com](http://www.six-group.com) > Login > Securities Services Private > Contacts > SIX SIS > List of SIX SIS contacts.

In this context, SIX x-clear AG draws the Members' attention to **clause 7.1 and chapter 16.0** (liability) of the Rulebook of SIX x-clear AG stipulating that the Member is responsible for compliance with the applicable laws (in particular domestic and foreign tax, foreign exchange and stock market regulations as well as with company law and articles of association) with respect to the Clearing services obtained from SIX x-clear AG.