



A trusted partner for post-trade financial services

ECB OMG – December 5, 2019



CSDR Settlement Discipline is coming

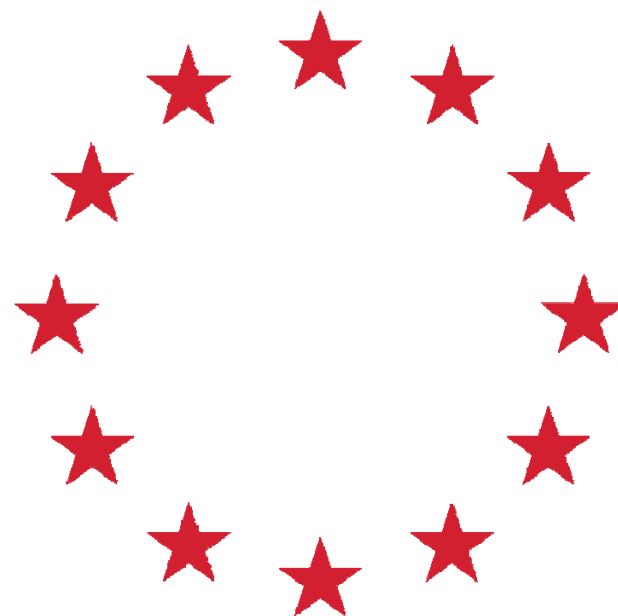
The focus of this EU Regulation is:

Settlement Efficiency

This has been - and remains - one of Euroclear's long-standing priorities

We are continuously identifying and exploring ways to further improve it

And now we are also exploring how to support the buy-in process if trades should fail





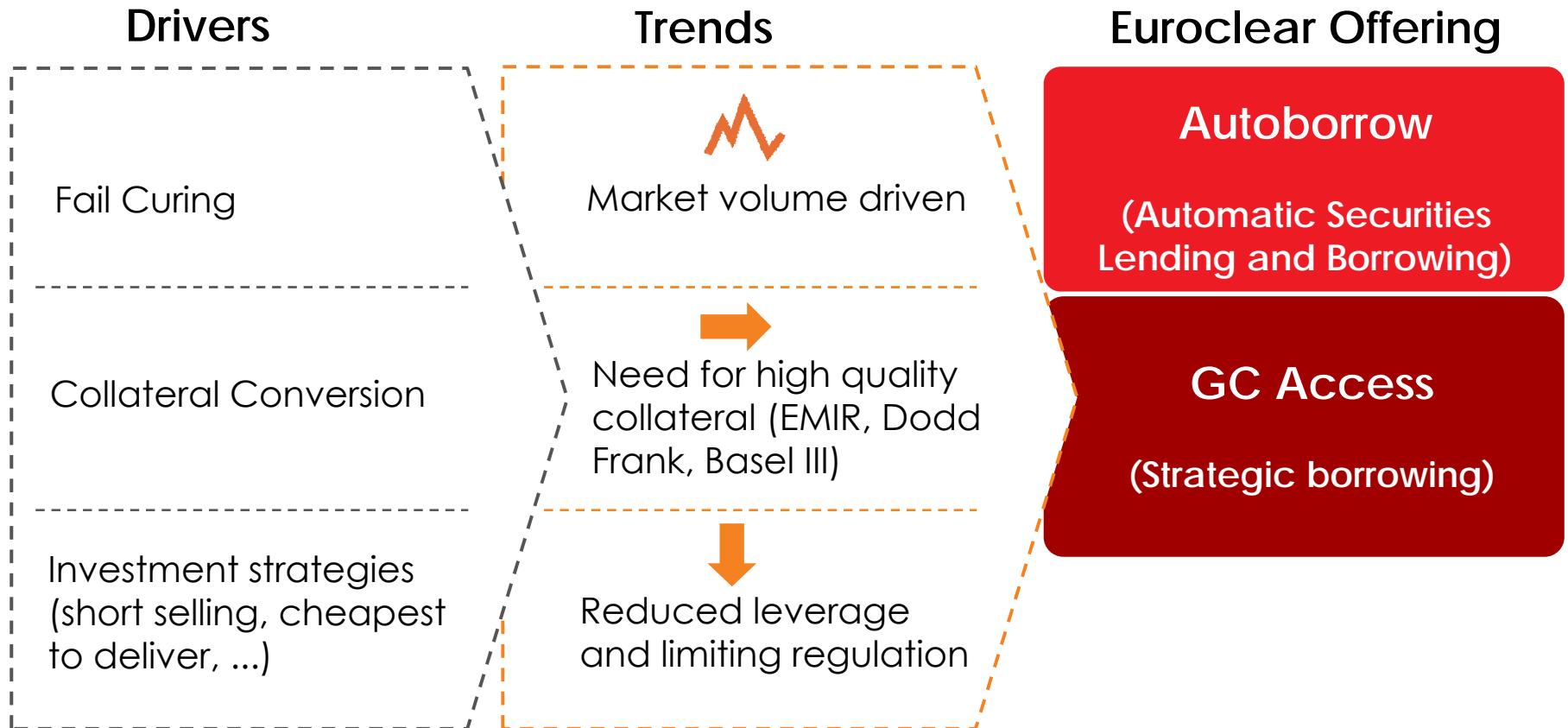
Our approach towards settlement efficiency

Various tools to prevent settlement fails

- Settlement priority flags
- Optional settlement window
- Auto-borrow service
- Opportunity borrowing service
- Credit service
- EASYWAY with realtime reporting
- Taskize: inter-company workflow to resolve settlement fails faster



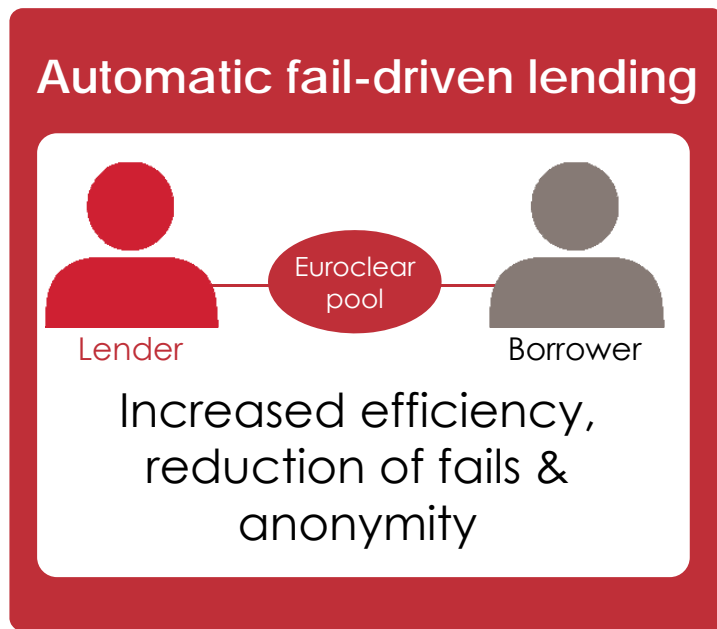
Securities lending in support of settlement efficiency





Securities lending solutions in more detail

Autoborrow - A convenient way to cover your failing deliveries and increase your settlement efficiency

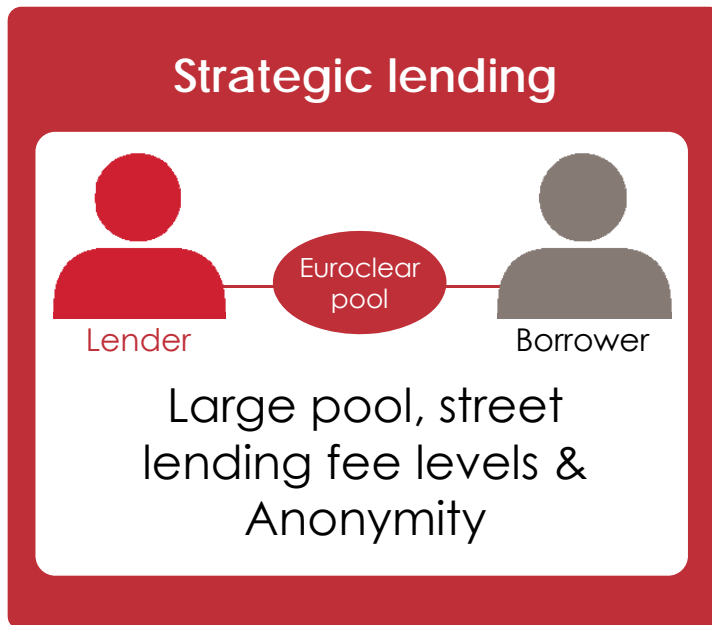


- Access to a €1.5 trillion lending pool
- Boost your settlement efficiency by up to 5%
- Completely automated - no additional workload for you
- Helps you to avoid CSDR-Settlement Discipline penalties and buy-ins
- Available in Euroclear Bank and in local markets (Euroclear France and Crest) and via your agents Citibank and BNP Paribas Securities Services through our Open Inventory Sourcing service



Securities lending solutions in more detail

GC Access - Your access to high quality liquid assets



- Access to €500 billion high quality assets
- Entry to the PSPP securities of various European Central Banks
- You borrow from Euroclear Bank at street levels
- Collateralisation using TSL
- Limited number of collateral profiles
- We do all the rest!



GC Access

Loan Arrangement

- Review available securities
- Agree deal term with GC Access desk



Loan Collateralisation

- First delivered to Euroclear Bank
- Then onward delivered to the lender
- We instruct for you



Loan Settlement

- Automated settlement instructions
- Conditional on collateral settling

Loan Lifetime

- Daily mark-to-market
- Margin calls and substitutions
- Recalls and returns, income payments



CSDR Settlement Discipline

LEGAL
FRAMEWORK

CSDR Regulation (EU) No 909/2014 CSD Regulation (23 July 2014)
Regulatory Technical Standards on settlement discipline (13 Sep'2018)
ESMA Q&A (27 Sep' & 12 Nov'2018, final version expected Q1'19) + Guidelines (TBC)

Measures to Prevent Fails

- **CSD Matching process**
 - Continuous matching
 - Mandatory fields
 - Cash tolerance
- **CSD Settlement process**
 - Real time, automated process
 - Partial settlement
 - Hold and release
 - Bilateral cancellation
 - Recycling
 - Linkage
 - Technical netting
- **Report manual interventions**

Measures to Address Fails

- **Cash penalties**
 - Imposed by CSDs and CCPs
- **Mandatory buy ins**
 - Initiated by trading parties / CCPs
 - Reporting by CSDs
- **Monitoring of fails**
 - Reporting to Regulators by CSDs
- **Suspension of CSD Participant**
 - In case of continued fails

ECSDA Framework: Market Practice (working document)



Cash Penalties Scope

Criteria to be subject to penalties

- The place of settlement is a CSD in the E.E.A.
- Securities traded in an EU venue or cleared by an EU CCP - excluding shares for which the principal trading venue is located in a 3rd country
- Instruction is matched and has reached its intended settlement date (ISD)
- Settlement status pending at the cut off of the relevant settlement window
- Penalties apply on instructions sent after settlement date
- Penalties apply on cancelled instructions

Scope of penalties is broad: market players should monitor reasons for fails in preparation of launch of CSDR settlement discipline



Cash Penalties Scope

Our understanding instructions **not in the scope:**

- Corporate actions on stock, bond redemptions
- Where insolvency proceedings have been opened against the failing participant
- Instruction in an ISIN is suspended from settlement due to a reconciliation issue
- Fails relating to a technical event in the CSD that prevents settlement

Scope of penalties is broad: market players should monitor reasons for fails in preparation of launch of CSDR settlement discipline

(1) https://registers.esma.europa.eu/publication/searchRegister?core=esma_registers_firds

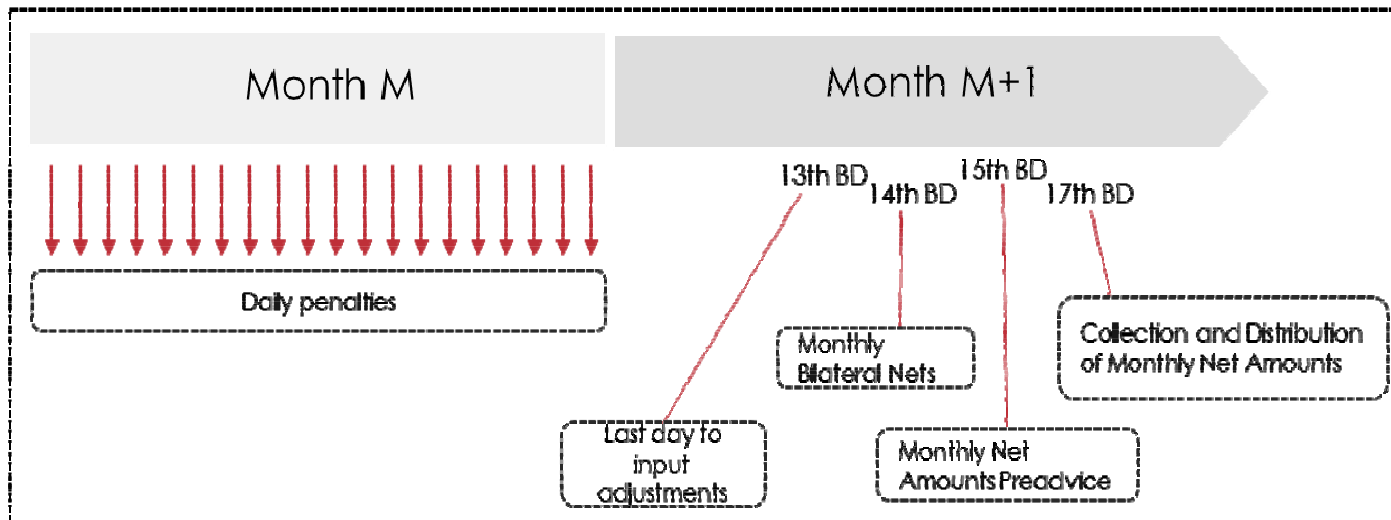
(2) Article 16 of Regulation (EU) No 236/2012: "Short Selling Regulation (SSR)" exempted instrument list:

https://registers.esma.europa.eu/publication/searchRegister?core=esma_registers_mifid_shsexs



Cash Penalties Process

Calculation, payment & reporting



Reporting

- Daily and Monthly Reporting
- Via Easyway, SWIFT, Managed File transfer (MFT), FileAct
- In ISO and CSV

Payment process details working assumptions:

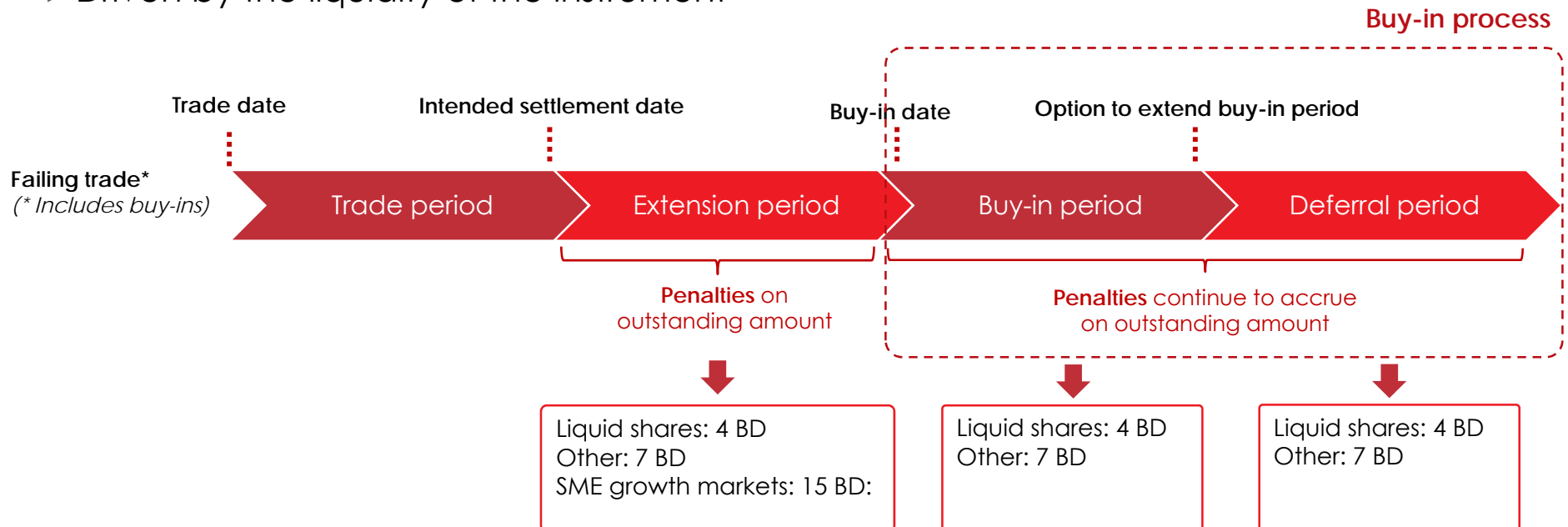
- Direct debit by the CSD
- In a limited number of currencies
- Redistribution before full collection

There are items still under industry discussion



Buy-ins Scope

- **Mandatory** buy-in if seller fails to deliver the securities by the end of **extension period**
 - ▶ Except if:
 - Instrument no longer exists
 - Trading counterparty is subject to insolvency proceedings
 - Short-term repurchase transactions
- **CSDR Settlement periods:**
 - ▶ Driven by the liquidity of the instrument





Buy-ins

Impacts for CSD & CSD participants

Regulatory obligations

Buy-in process

Who is responsible to detect, initiate, follow-up and inform involved parties?

- CCP for transactions cleared by a CCP
- Receiving trading venue member for transactions not cleared by a CCP and executed on a trading venue
- Receiving trading party for transactions not cleared by a CCP and not executed on a trading venue



Buy-ins

Impacts for CSD & CSD participants

Regulatory obligations

Important information

(I) CSD **record keeps** the following non-transactional data:

- Buy-in initiated
- Number of securities bought in
- Price of securities bought in
- Cash compensation amount

(I) CSD cannot 'deduce' buy-in information from its system as:

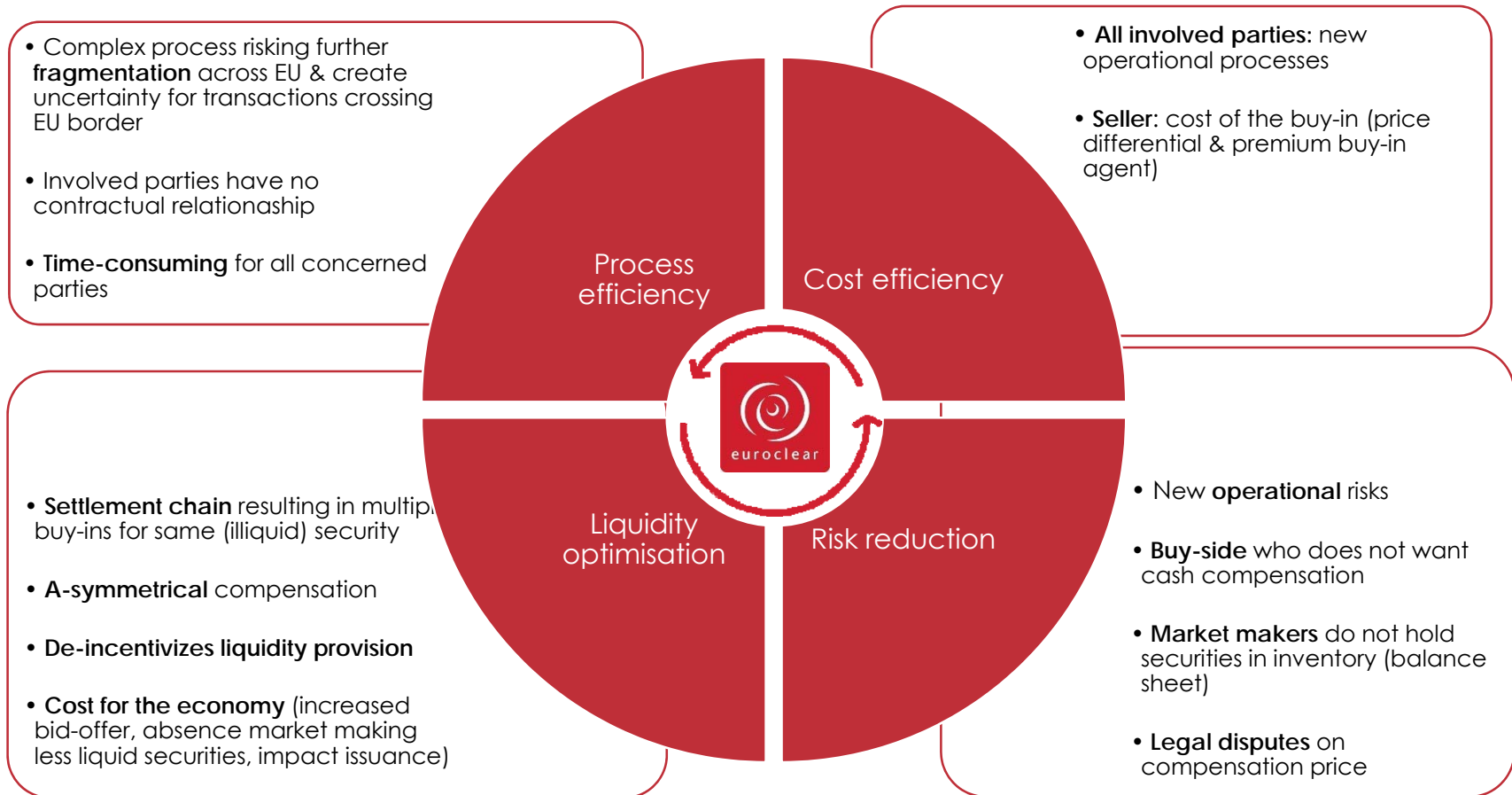
- The buy-in transaction can settle in another CSD
- Cash compensation does not need to settle in a CSD

(I) CSD often has no contractual relationship with the ultimate buyer

Industry challenge = information will need to pass through the holding chain!

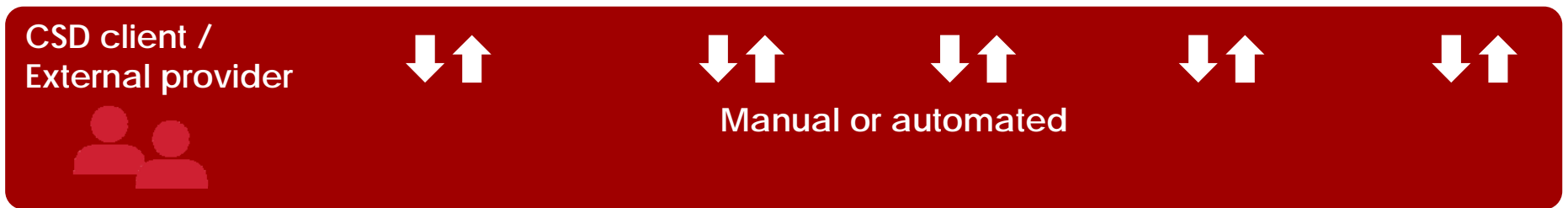
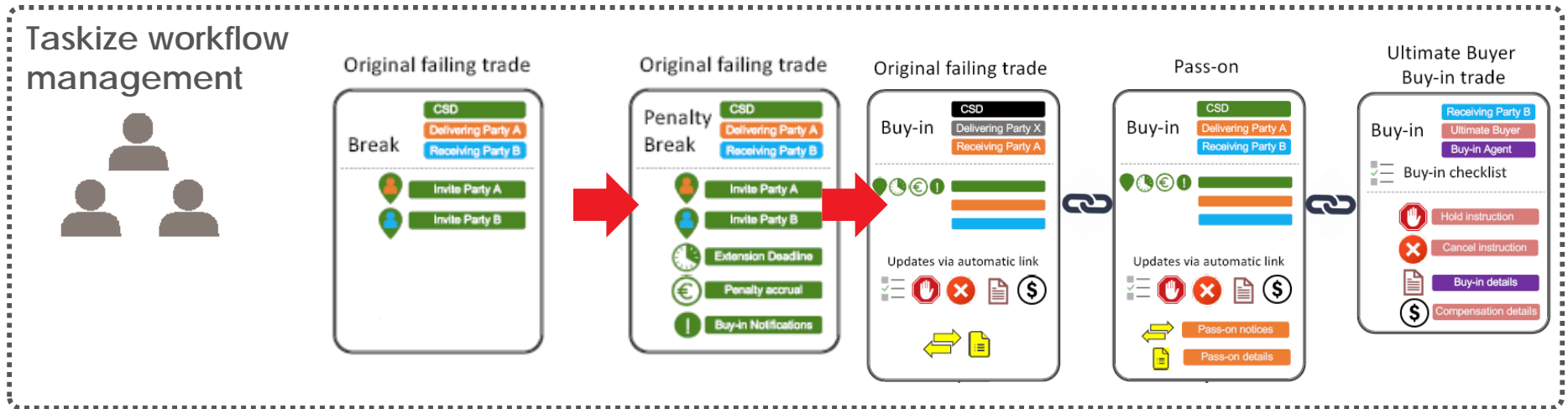


Buy-ins Industry challenges





How can we tackle the buy-in process more efficiently





15 minute briefing with CSDR Settlement Discipline

Phil Slavin

COO and co-founder

Taskize is
inter-company
workflow

Open a ticket in
one firm, and
resolve it in
another



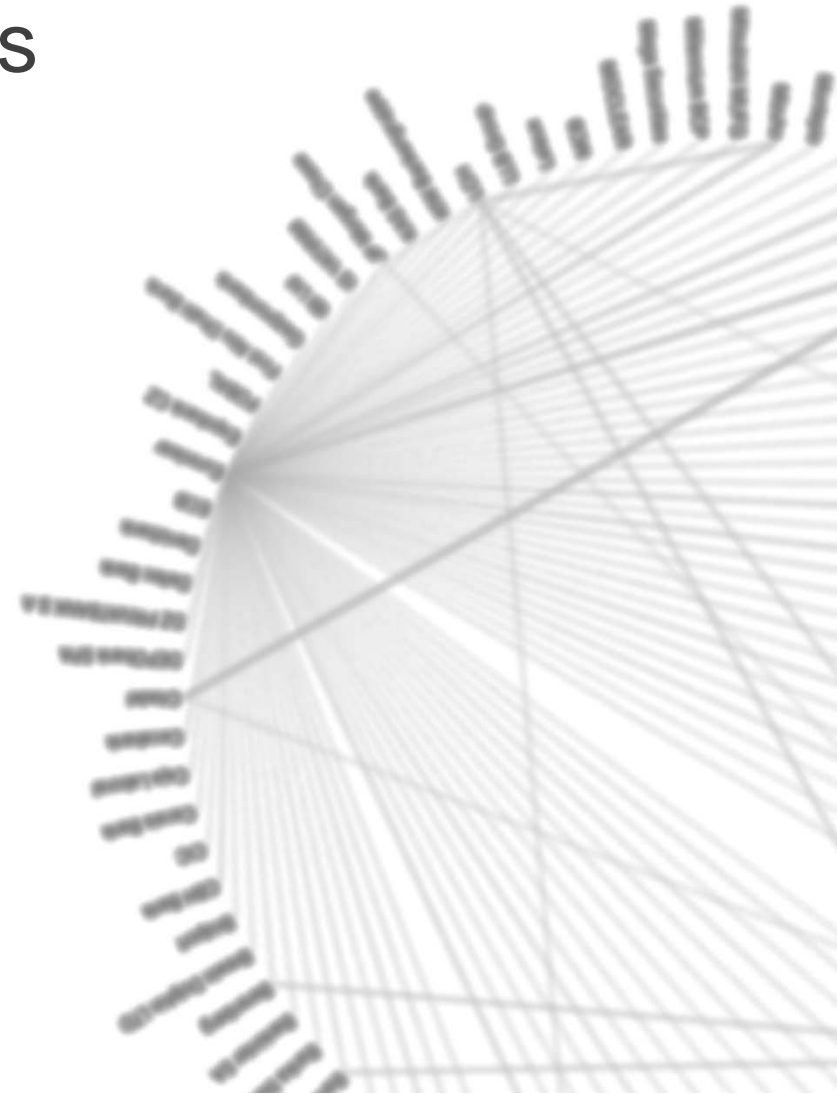
Taskize is mature

195 live clients in 50 countries

Growth in 19H2

Clients	16%
Users	32%
Activity	26%

Audited to SOC 2 type 2



Taskize is collaborative



Taskize is required

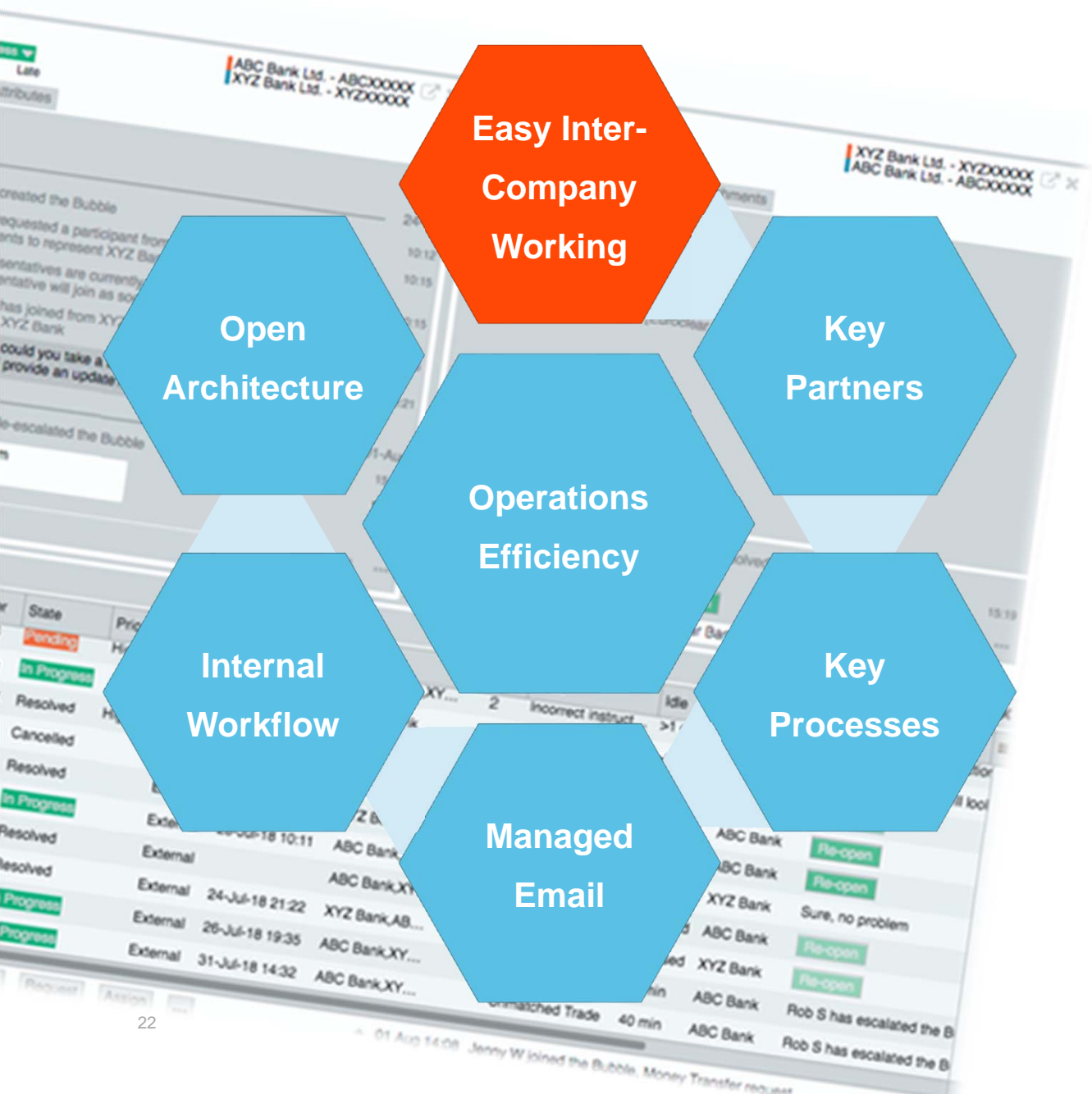


Video at Taskize on [LinkedIn](#)

 CITADEL

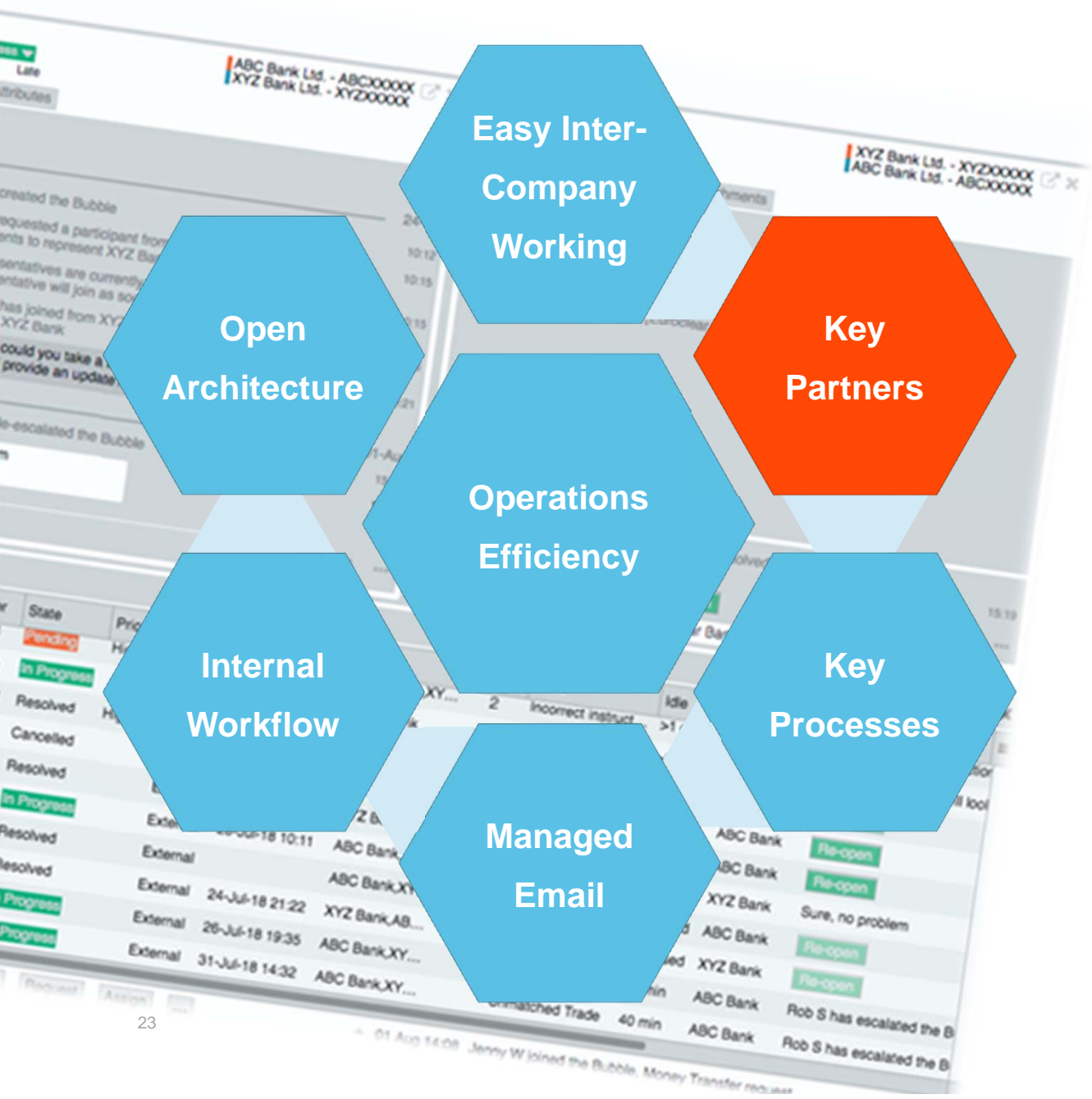
“We’ve leveraged Taskize to give us the ability to manage our workflows with our suppliers.”

*Steve Marx, US Head of Operations
at FIA Expo 2019*



Allocate work to counterparties easily

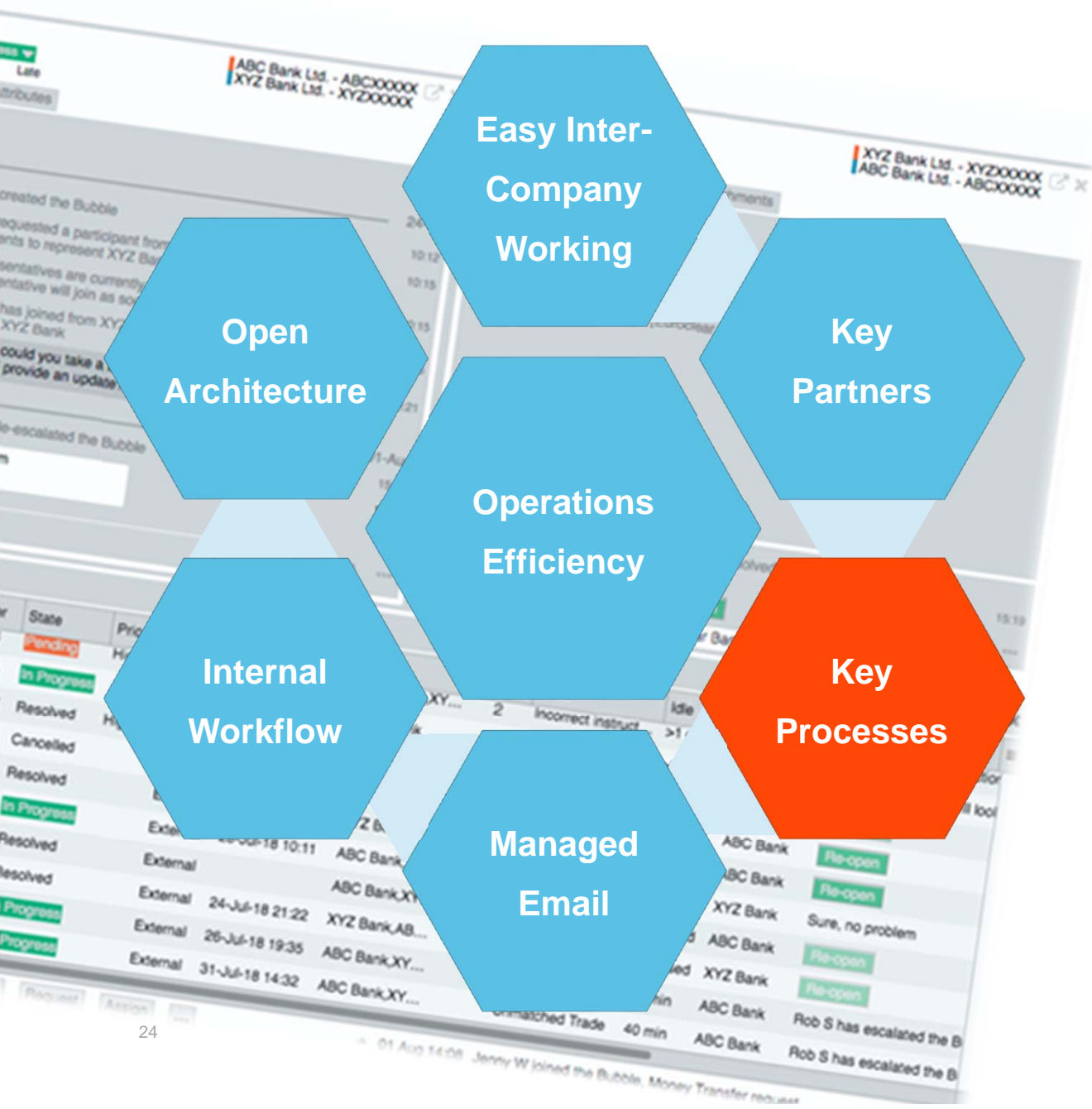
- ✓ Improve service levels
- ✓ Know what's happening
- ✓ Prevent data loss
- ✓ Reduce email
- ✓ Avoid phishing



LCH

DTCC



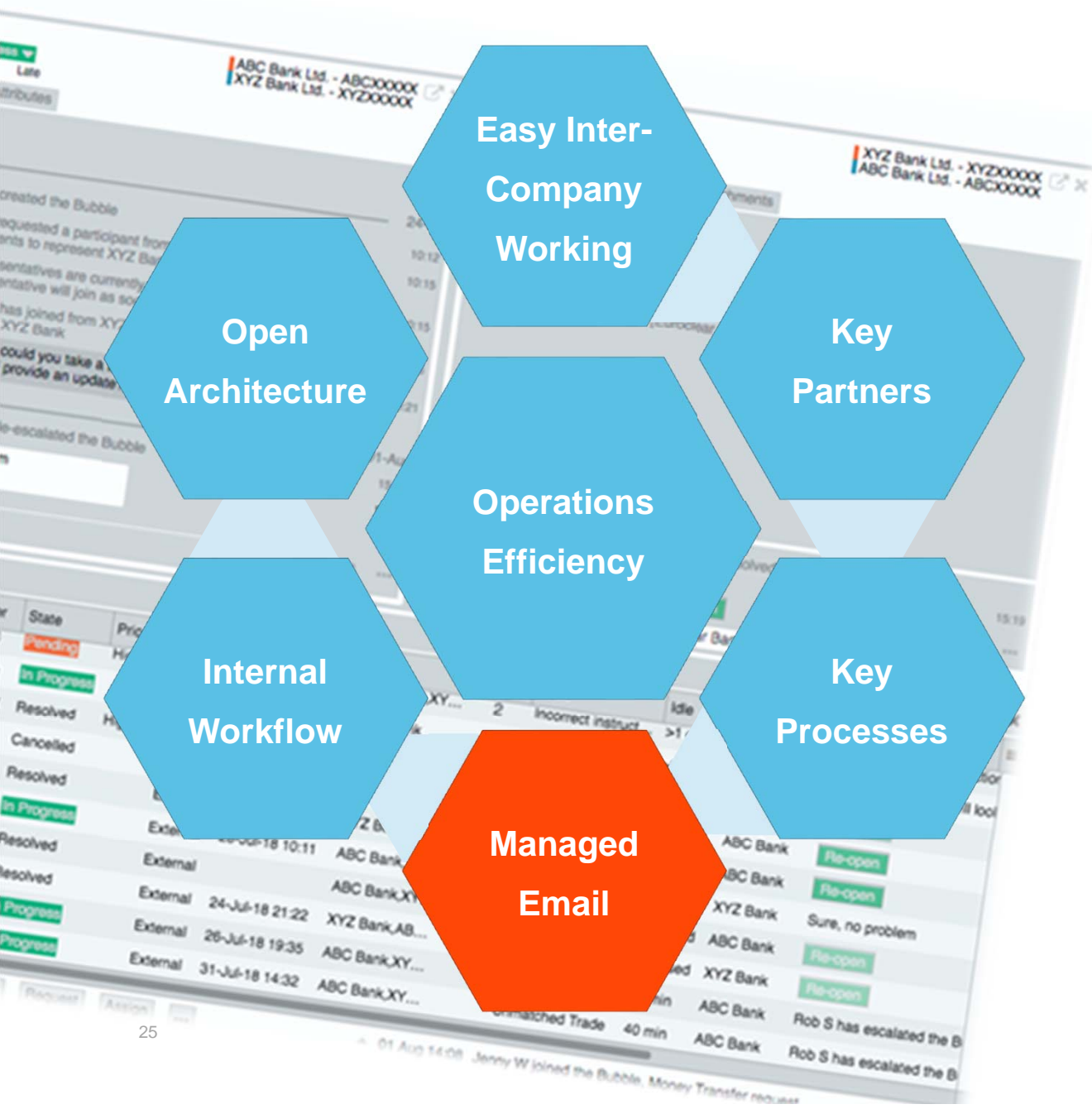


Key processes live for:

- ✓ Collateral queries
- ✓ Corporate actions
- ✓ Settlement breaks
- ✓ Tax enquiries
- ✓ Investigations
- ✓ Margin dispute / query
- ✓ Buy-side to outsourcer

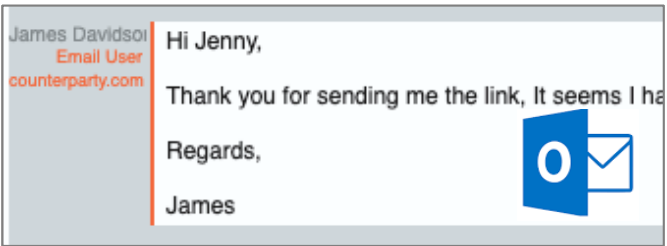
Early 2020

- ✓ **CSDR SDR collaboration flows**

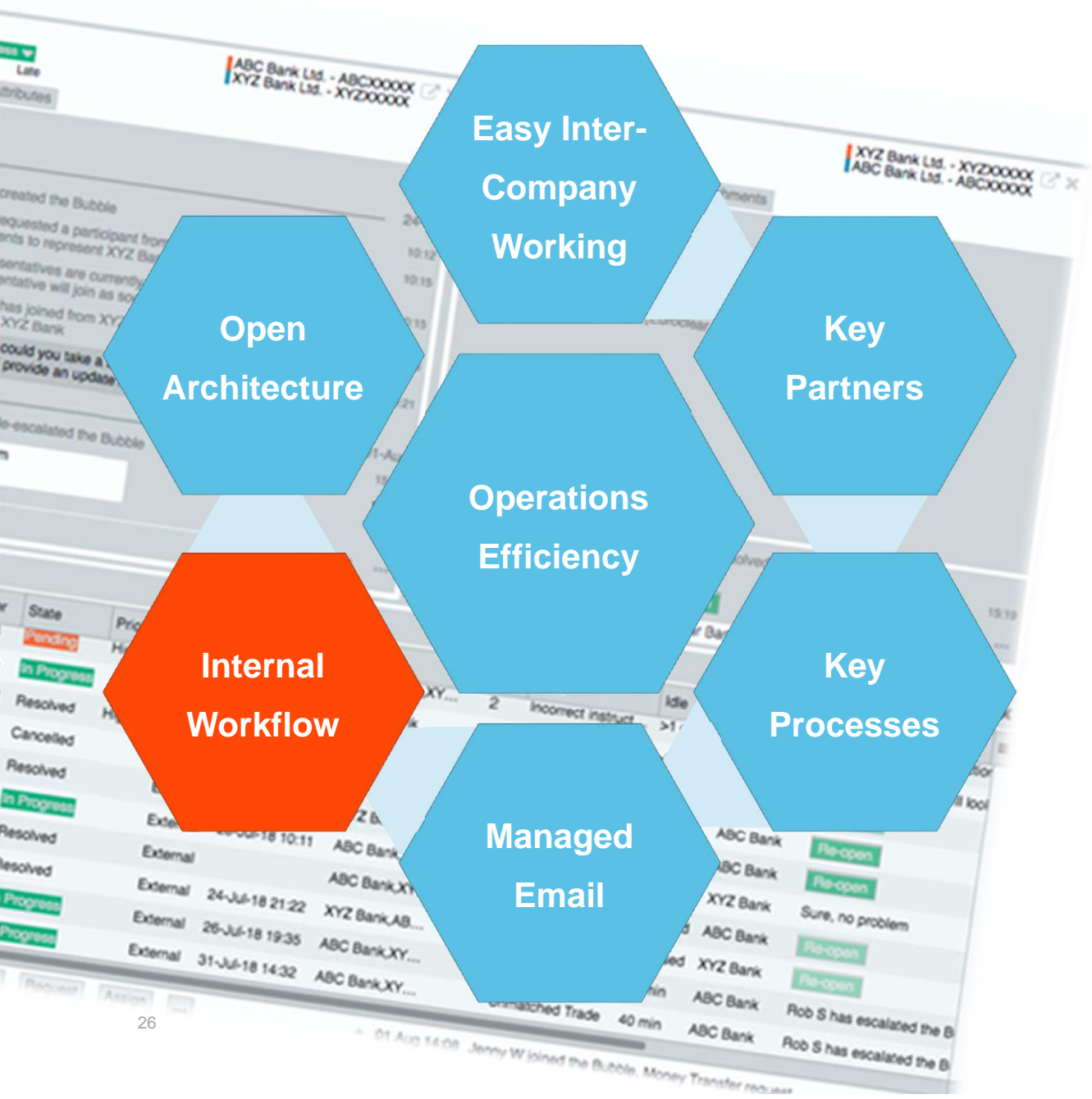


Email in Taskize

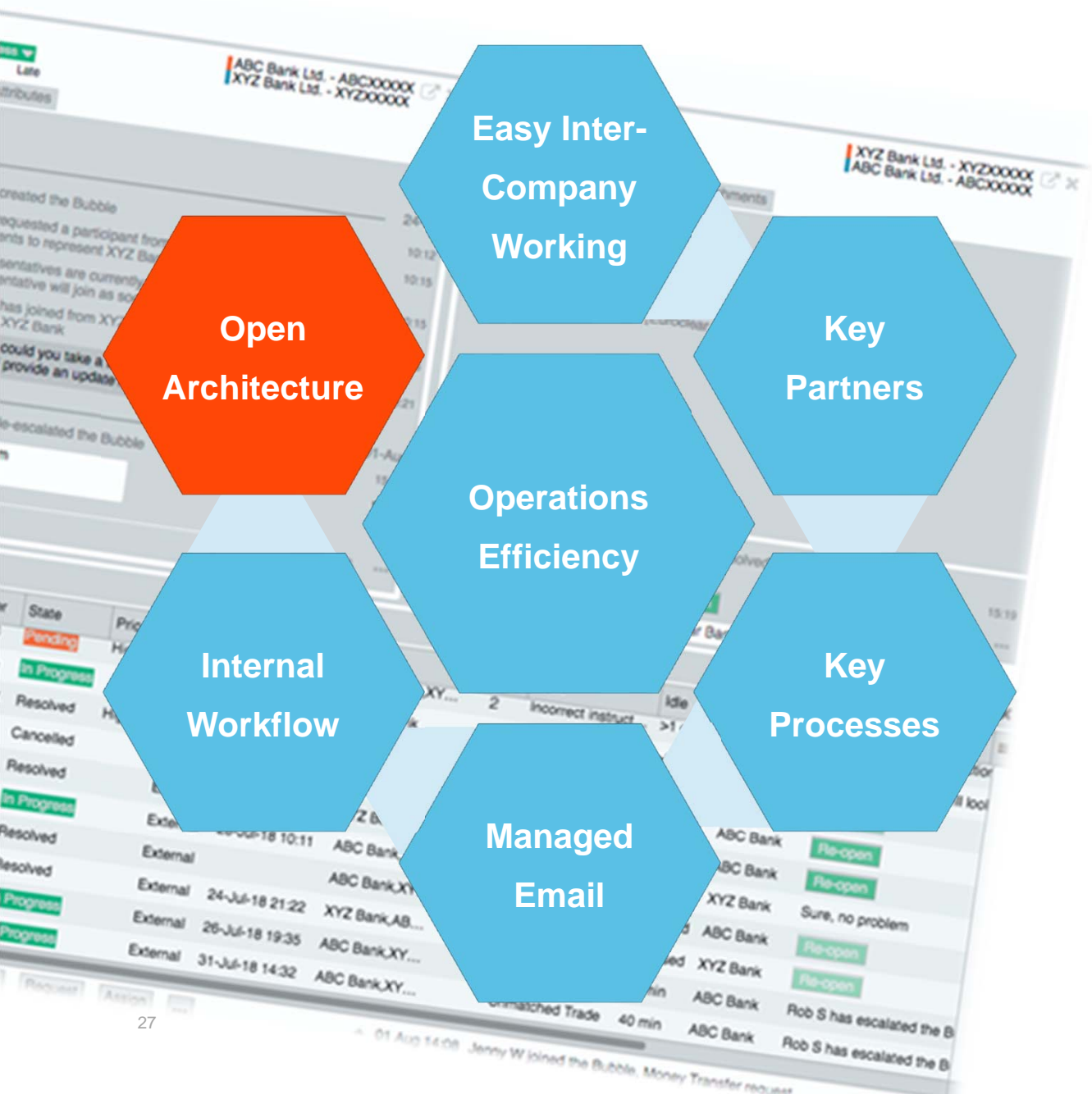
- ✓ Enables easy transition
- ✓ Support legacy users
- ✓ First phase live



For best results use Taskize end-to-end



- ✓ “Tier 1” workflow for all institutions
- ✓ Smart directory to navigate your own organisation
- ✓ Reporting
- ✓ Fast onboarding

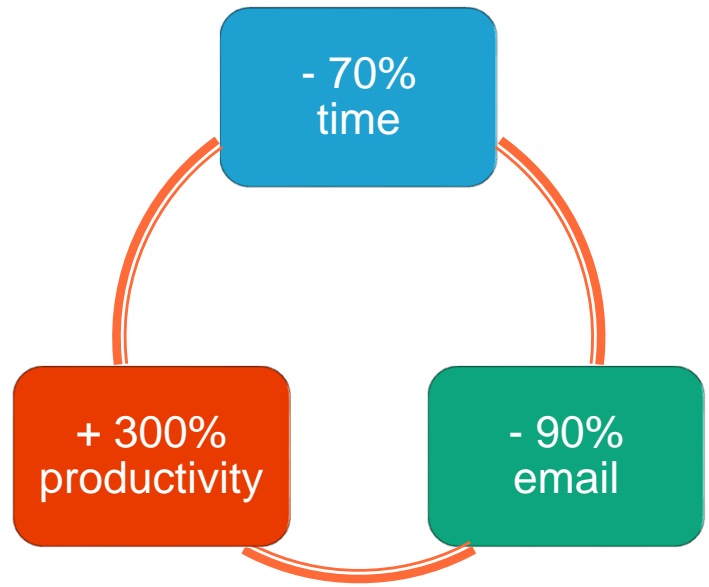


- ✓ Choice in connectivity
- ✓ Taskize Smart Button
- ✓ Taskize Work Alert
- ✓ Single Sign-On
- ✓ User provisioning





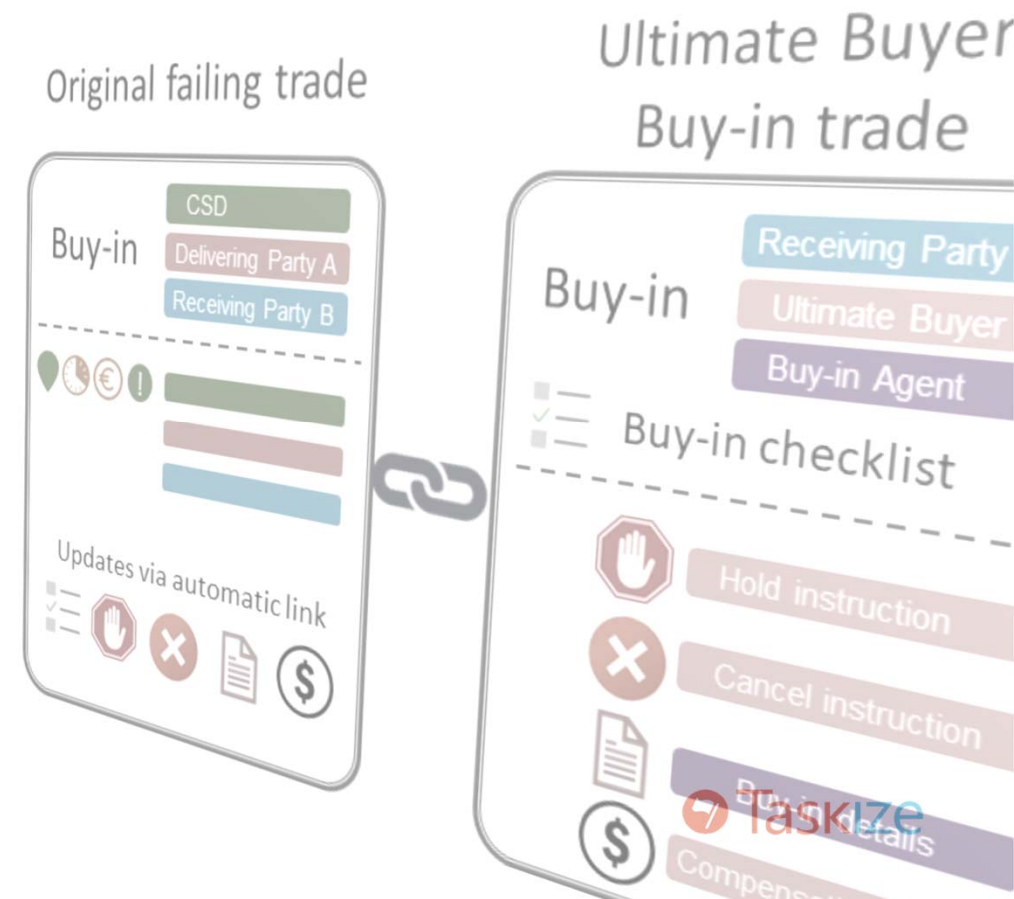
Efficiency in manual operations



CSDR Settlement Discipline Regime

Euroclear clients can have Taskize CSDR free of charge

- New Settlement Discipline workflows
 - Buy-in process
 - Pass-through process
- Working with partners
- Ready by summer



CSDR Settlement Discipline

brings different parties together across the settlement lifecycle



Key Settlement Periods

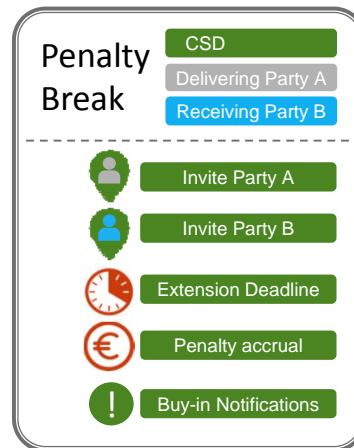
Clients investing in solutions
which improve STP



Taskize for manually intensive, complex
buy-in and pass-on workflows across
parties

Taskize service during Extension period

Original failing trade



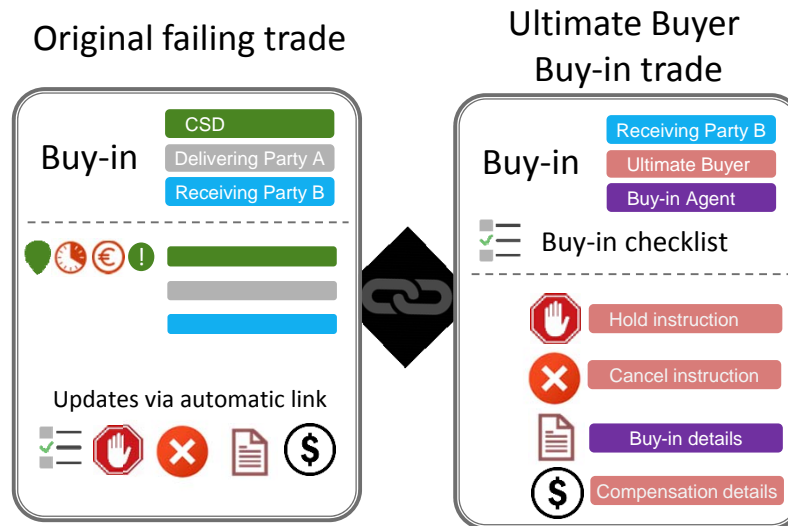
Penalty Break

CSD
Delivering Party A
Receiving Party B

Invite Party A
Invite Party B
Extension Deadline
Penalty accrual
Buy-in Notifications

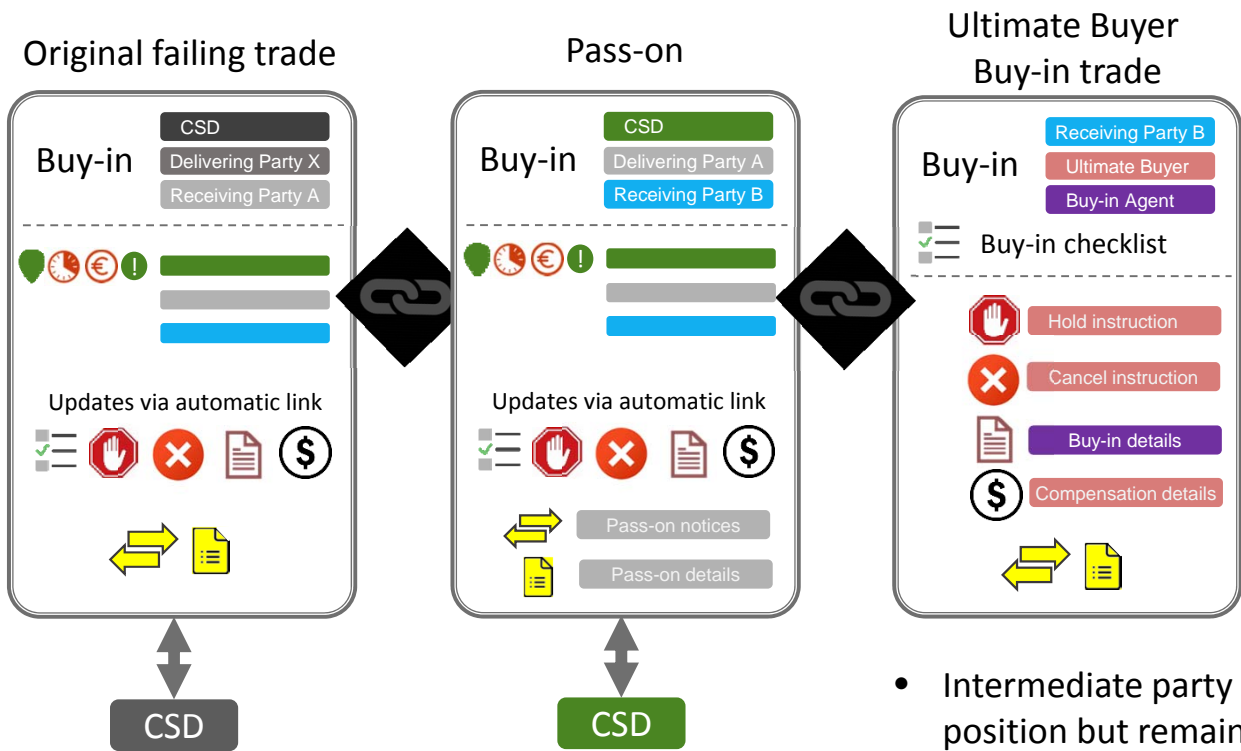
- CSD can create a bubble with specific penalty workflows
- CSD can use Smart Directory to invite both parties to resolve the issue
- CSD can enter daily penalty accruals and make buy-in notifications

Taskize during Buy-in period



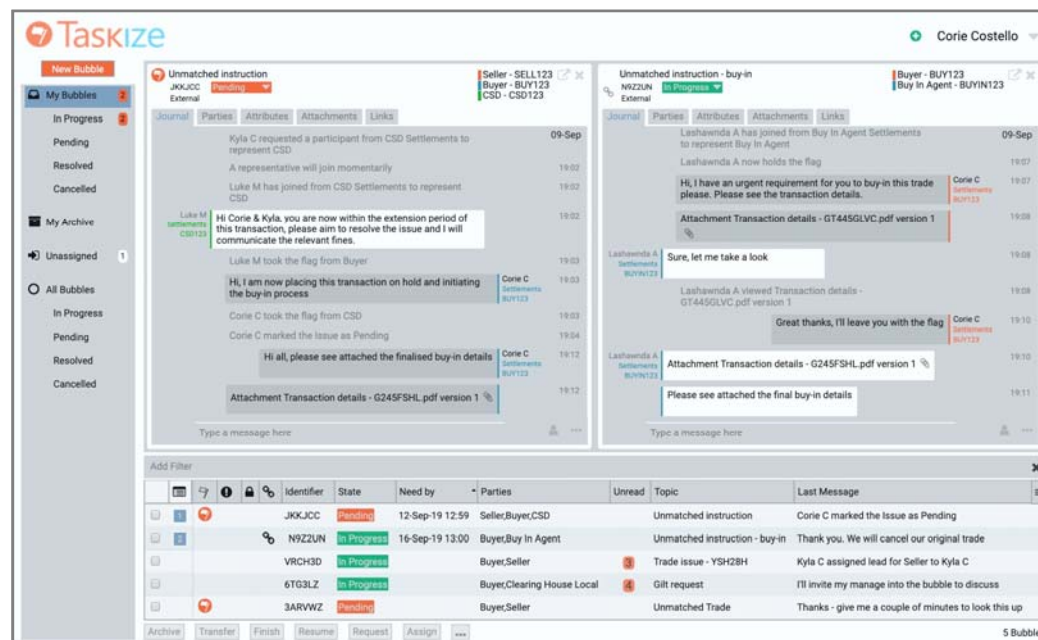
- Receiving party informs ultimate buyer that buy-in is now required
- Buy-in bubble contains workflow, forms and checklists to ensure consistent buy-in process
- Buy-in instructions etc. automatically update the bubble for original failing trade
- All parties are kept informed of buy-in progress simultaneously

Taskize for Pass-ons



- Intermediate party identifies their 'pass-on' position but remains in the buy-in process
- Updates are shared with 'adjacent' parties
- Specific buy-in updates are passed automatically to the relevant CSD

- Private** - interactions kept segregated
- Repeatable** - via templates, forms, workflow and checklists
- Automatic** - key events propagated anonymously between bubbles
- Audited** - all events recorded giving end-to-end traceability



In consultation with our clients
Taskize will be ready in summer 2020



Resolved

Follow Taskize on [LinkedIn](#)



Taskize at a glance

Inter-company issue management

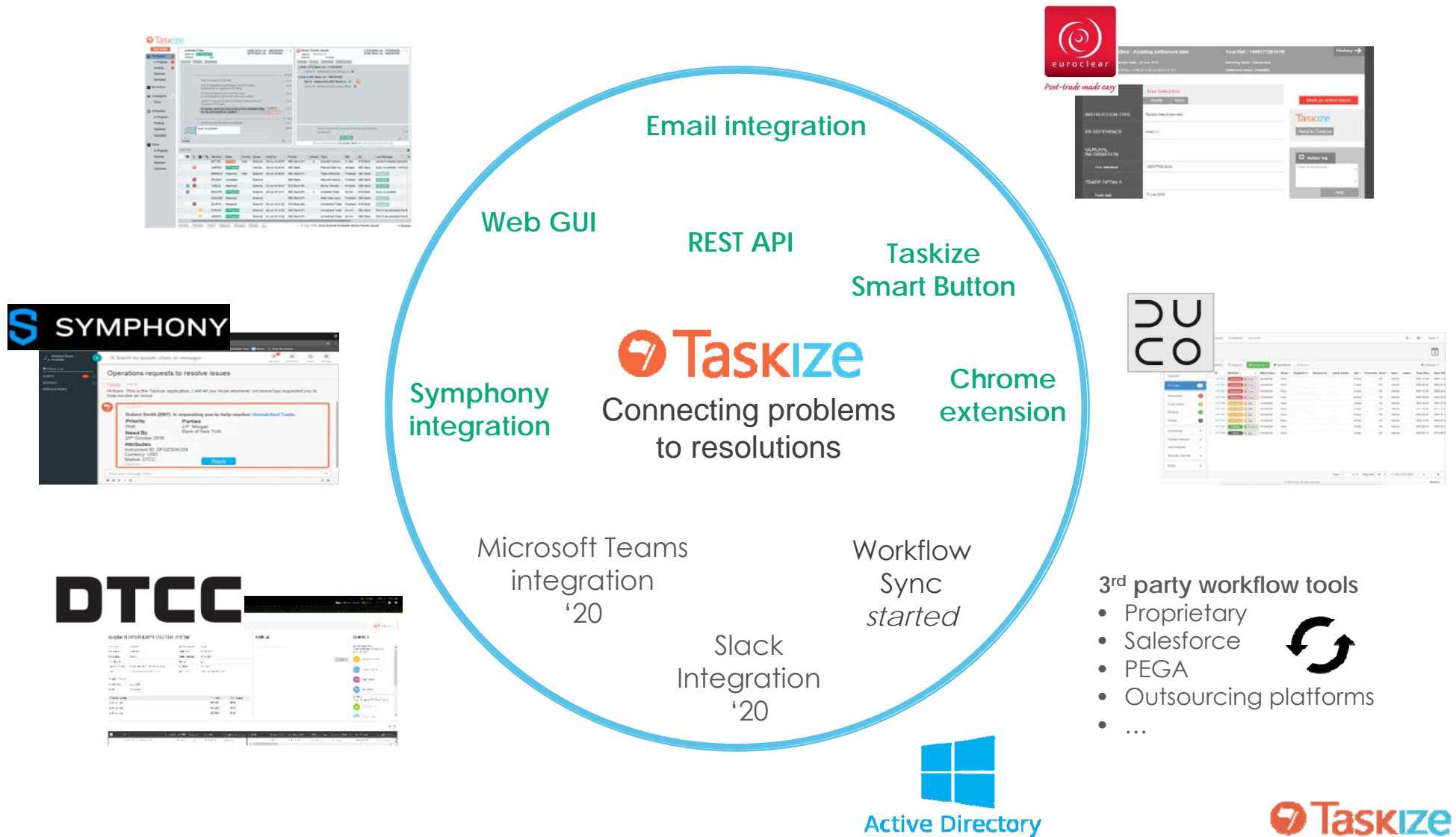
- Queued work
- Internal or External
- You + teams' work
- Responsible person flag
- Manager intervention
- Client tiering
- Due date and Escalation
- Multi-entity / region
- Virtual data room per-issue
- DLP and private notes
- Open REST API
- SSO and auto-provisioning
- Email integration
- Reporting

Certified to SOC 2 Type 2

99.99% uptime

The screenshot displays the Taskize interface. On the left is a sidebar with navigation options: 'New Bubble', 'My Bubbles' (with sub-items: In Progress, Pending, Resolved, Cancelled), 'My Archive', 'Unassigned' (with sub-item: China), 'All Bubbles' (with sub-items: In Progress, Pending, Resolved, Cancelled), and 'China' (with sub-items: In Progress, Pending, Resolved, Cancelled). The main area shows two detailed issue views. The first view, titled 'Unsettled Trade' (Identifier: MD3YP2), shows a message from Rob S: 'Hi James, could you take a look at this unsettled trade for me and provide an update?'. The second view, titled 'Money Transfer request' (Identifier: Y2ZCJ3), shows a message from Jenny W: 'Rob S marked the issue as Resolved and Finished the Bubble'. Below these views is a table of issues with columns: Identifier, State, Priority, Scope, Need by, Parties, Unread, Topic, Idle, By, and Last Message. The table contains 11 rows of data, including entries like '60T76C' (Pending), 'U29PDD' (In Progress), 'MMNALX' (Resolved), 'ZRUDDOT' (Cancelled), 'Y2ZCJ3' (Resolved), 'MD3YP2' (In Progress), 'CDULGG' (Resolved), 'GJLPYH' (Resolved), 'PZ3UH2' (In Progress), and 'J4WWTL' (In Progress). At the bottom right, there is a footer with the date '01 Aug 14:08', a notification 'Jenny W joined the Bubble, Money Transfer request', and '11 Bubbles'. The Taskize logo is in the bottom right corner.

Open architecture integrates services important to you





Who we are?

Euroclear group is the financial industry's trusted provider of post trade services.

Our expertise:

- domestic and cross border connectivity
- fast, efficient and low risk acceptance, issuance and distribution of securities
- ability to provide unrivalled market proximity to local users
- focus on client and investor safety
- position as the preferred settlement provider for the Euronext markets

A large, light gray graphic of a globe with a grid of latitude and longitude lines. Two curved arrows, one above and one below the globe, point in a clockwise direction, suggesting a cycle or process.

€791 trillion per annum
of securities transactions
X10 global GDP

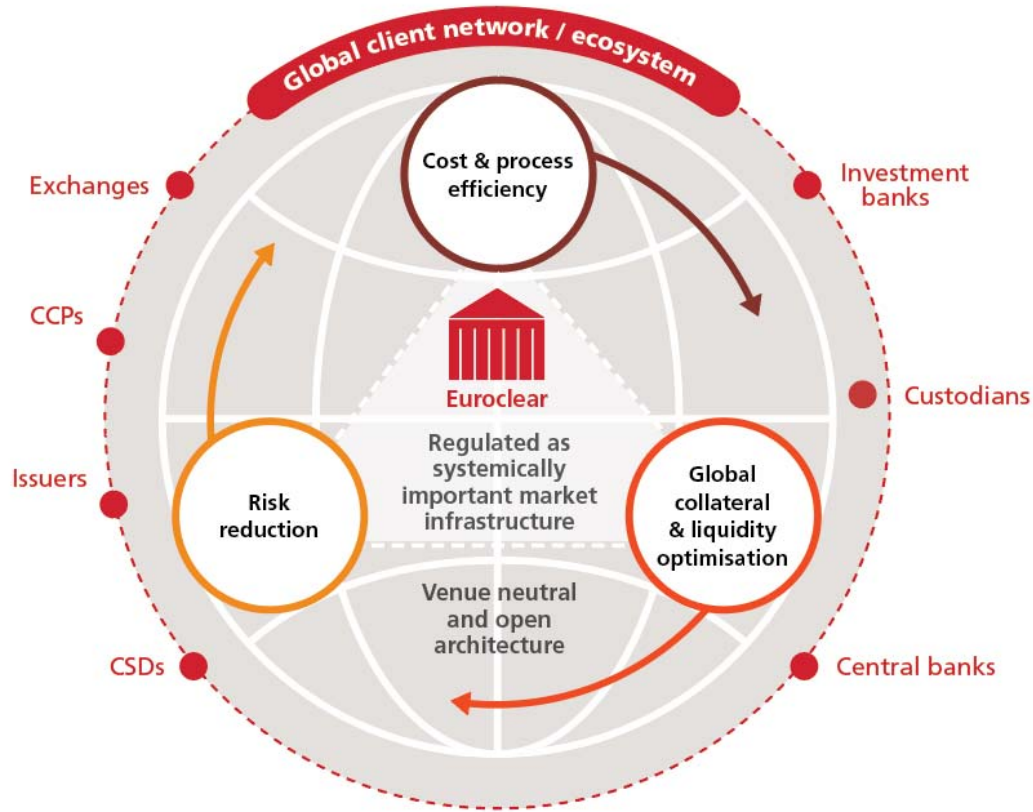
€30 trillion in assets
for clients



X2 European Union GDP



Protecting your assets



1 ICSD / 6 CSD

AA⁺
Fitch

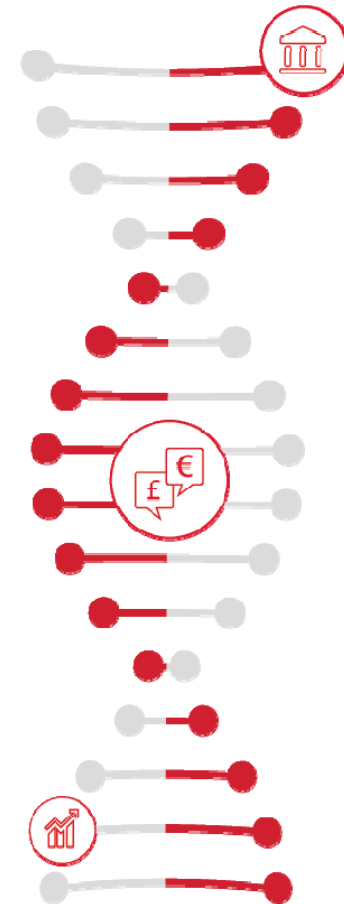
AA
Standard & Poor's



Why work with us?

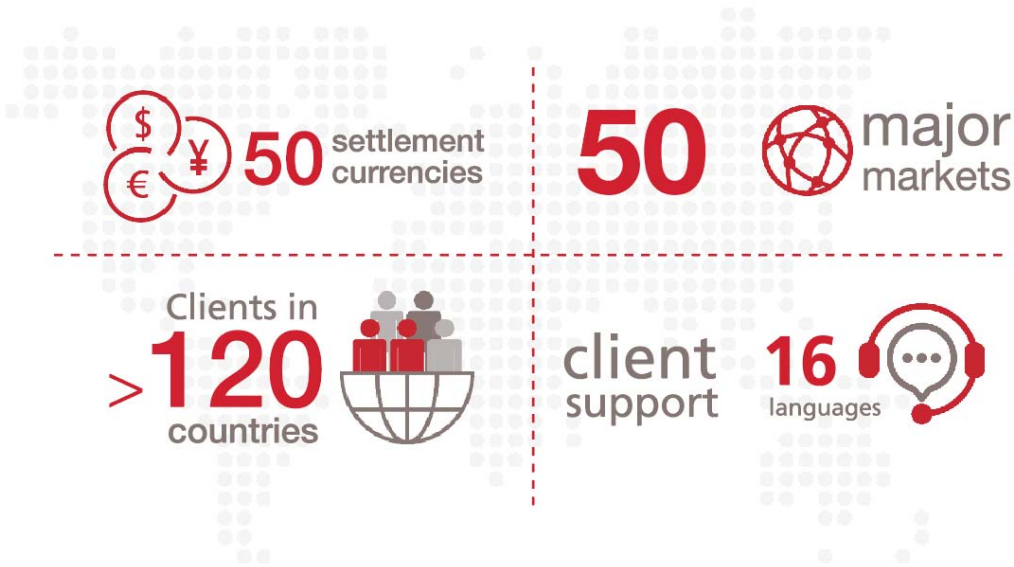
A systemically important Financial Market Infrastructure

- We advocate an open marketplace
- We invest to support market stability
- We are focused on delivering solutions that reduce risk
- We encourage a high performing corporate culture
- We contribute to the safety efficiency of the financial markets
- We connect issuers and investors around the world
- We operate with a highly regulated framework
- We have robust risk management structure and a strong capital position
- We are highly rated by global rating agencies.
- We continue to invest in the future of our industry and our people





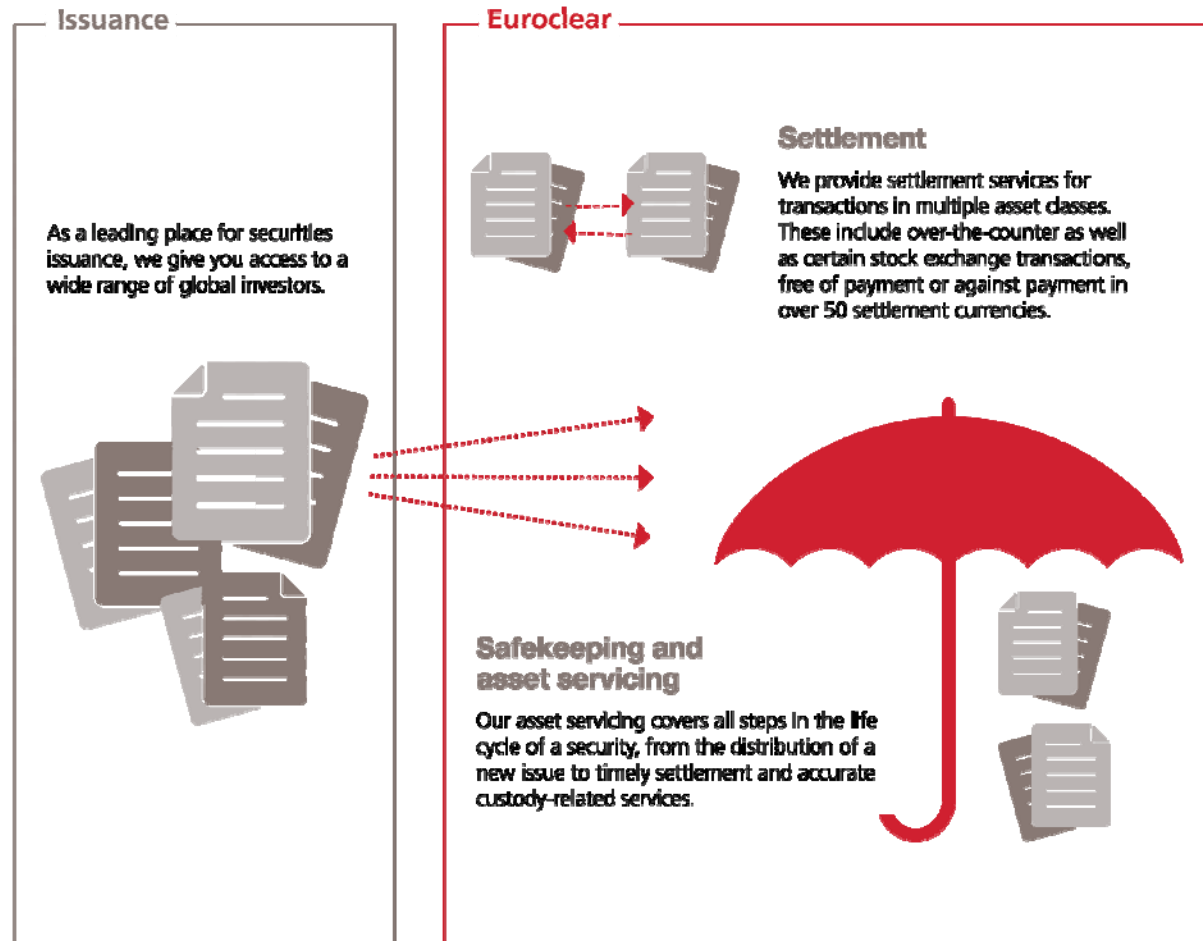
The **trusted** global partner for the financial industry





Expand your core network with us 1/2

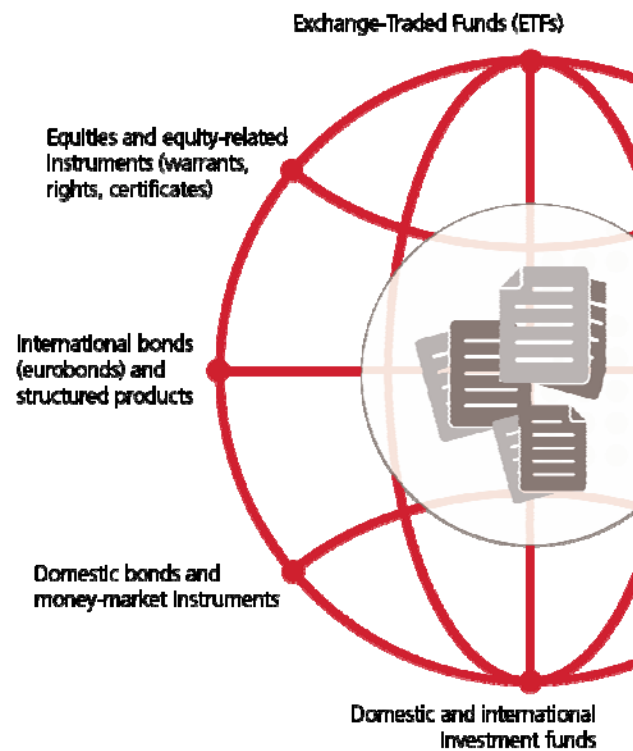
Settlement and safekeeping of securities





Expand your core network with us 2/2

Multiple asset classes



Initiatives

T2S made easy

We offer flexible access to all markets that will settle through TARGET2-Securities (T2S). It is the European securities settlement engine which aims to offer centralised delivery-versus-payment (DvP) settlement in central bank funds across all European securities markets.

Single CSD

Our single CSD platform provides access to the ECB's TARGET2-Securities (T2S) ecosystem.

Euroclear FundsPlace

Our FundSettle International service supports both the buy- and sell sides of fund distribution, providing automated order routing, settlement and asset servicing.

€2 trillion
funds under custody

145,000
investment funds
processed by Euroclear

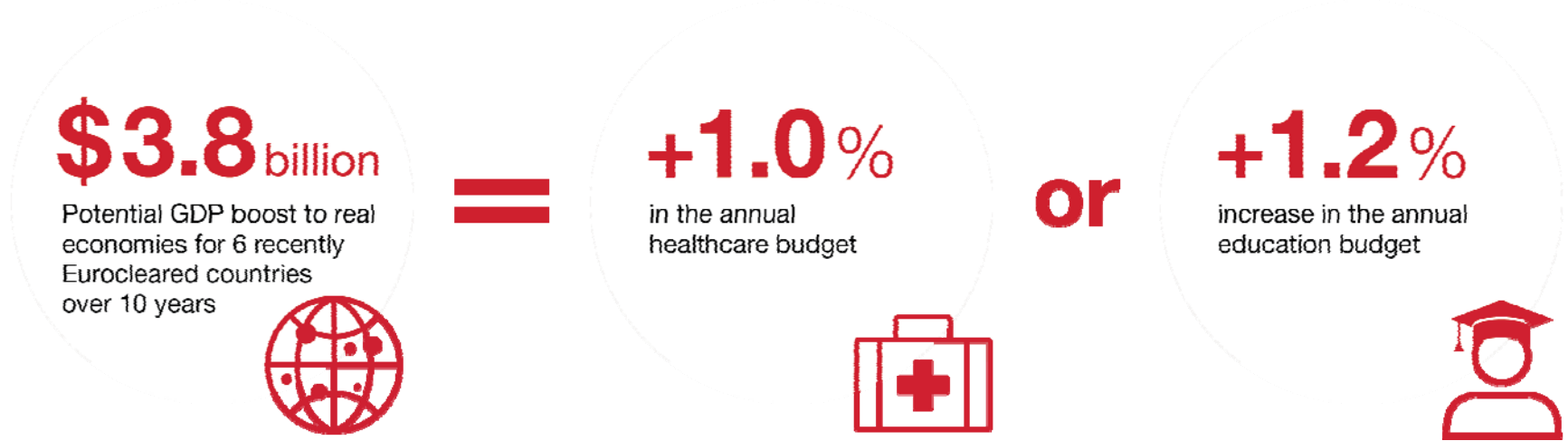
11 million
funds orders
routed annually

>1200
fund administrators



Growing your business 1/2

Euroclearability delivers real world, proven benefits



(Source: white paper "Impact of Euroclearability" by PwC, 2019)



Growing your business

The Collateral Highway

Mobilise your collateral from where you keep it to where your counterparts take it, across borders, providers and time zones using our neutral and global, open-architecture infrastructure for collateral management.



Make your
assets work
24/7
around the
globe

A red line-art icon of a globe with latitude and longitude lines, positioned to the right of the text. A red arrow curves around the globe from the top right to the bottom left.



Innovative tools to make your processes safer and more efficient

EasyWay

A web-based interface that offers clients a clear overview of their activity with accurate, real-time data.

MyEuroclear

A website offering all service information, news and handy apps to help you with your day-to-day business with us.





Innovative ideas

Taskize

A web-based networking platform proven to increase operational productivity and control by enabling clients, colleagues, and counterparties to securely resolve queries efficiently across firms.

LiquidShare

A dynamic and innovative company improving SME's access to capital markets through blockchain.

Data solutions

Euroclear Information Solutions (EIS) leverages data to support you and bring greater efficiency to the functioning of our capital markets.





Corporate Responsibility

Our Corporate Responsibility (CR) mission is to conduct business in an ethical, responsible and sustainable way, while giving back to the wider community where possible. As a Financial Markets Infrastructure (FMI), we are committed to the stability and smooth running of the financial markets.



