ECB OMG

CSDR Refit

March 23th, 2023

INDEX

1

CSDR review legislative process

The CSDR review legislative process

Central Securities Depositories Regulation (CSDR) - Regulation (EU) No 909/2014 of the European Parliament and of the Council
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 EU[1].

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

2022

- **16/03/2022** → the Commission published a **proposal** for a review of the CSDR
- **13/06/2022** → the European Economic and Social Committee adopted an **opinion** on the proposal
- **28/07/2022** → the European Central Bank adopted its **opinion** on the proposal
- **13/10/2022** → the **Draft Report** of the European Parliament was published
- **20/12/2022** → the Council of the EU adopted its position (so-called **General Approach**) on the proposal

2023

- **09/03/2023** → **EP published** the Report on the review of CSDR. The Report was adopted by ECON on 01/03/2023.
- **31/03/2023 (expected)** → **negotiations** between Commission, Council of the EU and European Parliament to start.

[1] https://www.esma.europa.eu/esmas-activities/markets-and-infrastructure/central-securities-depositories
[2] https://finance.ec.europa.eu/publications/commission-proposes-simpler-rules-make-settlement-eu-financial-markets-safer-and-more-efficient_en

2

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 COINTAINED 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

3

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

4

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..)?

5

The Intesa Sanpaolo Group

Intesa Sanpaolo in brief

Loans to customers
€ 473,746 M

Direct deposits from banking business
€ 550,678 M

Market capitalisation[1]
€ 36.6 Bn

Cost/Income ratio
52.6 %

Shareholders' Equity[2]
€ 64,017 M

Net Income 9M2022
€ 3,284 M

4,620
Branches, of which 21% abroad

20.6 million
customers, of which 34% abroad

- 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[1].
- 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)

	Moody's	S&P Global Ratings	Fitch Ratings	DBRS
Long term senior preferred (unsecured)	Baa1	BBB	BBB	BBB (high)
Short term	P-2	A-2	F2	R-1 (low)

Market shares in Italy

Note: Results as at 30 September 2022
1. At 31 October 2022
2. 2. Including Net Income
3. 3. Including bonds
4. 4. Mutual funds; data as at 30.06.2022
5. 5. Data as at 30.06.2022

Source: Intesa Sanpaolo website (About us), data as at 09.11.2022

Intesa Sanpaolo: the international network

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

Europe

Direct branches

- Frankfurt
- Istanbul
- London
- Madrid
- Paris
- Warsaw

Representative offices

- Brussels[1]
- Moscow

Subsidiaries

- Intesa Sanpaolo Bank Albania (Albania)
- Intesa Sanpaolo Banka Bosna i Hercegovina (Bosnia - Herzegovina)
- Privredna Banka Zagreb (Croatia)
- 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)

Americas

Direct branches

- New York

Representative offices

- Washington DC

Subsidiaries

- Intesa Sanpaolo Brasil (Brazil)

Africa

Representative offices

- Cairo

Subsidiaries

- Bank of Alexandria (Egypt)

Asia

Direct branches

- Abu Dhabi
- Doha
- Dubai
- Hong Kong
- Shanghai
- Singapore
- Tokyo

Representative offices

- Beirut
- Ho Chi Minh City
- Jakarta
- Mumbai
- Beijing
- Seoul

Subsidiaries

- Reyl (UAE)

Oceania

Direct branch

- Sydney

Data as at 31.12.2021

1. European Regulatory and Public Affairs

Disclaimer