



SERVICEINFORMATION

Regulation (EU) No 909/2014 on improving securities settlement in the European Union and on central securities depositories in force since 17 September 2014 (Central Securities Depositories Regulation).

Dear Sir/Madam,

We would like to inform you in the following service information about the European Central Securities Depositories Regulation (CSDR), which will enter into force next year.

Like numerous other regulatory measures adopted in the wake of the financial crisis of 2008, the new European regulation aims to make securities settlement safer and more efficient on a uniform basis throughout Europe.

In particular, the CSDR aims to achieve uniform regulation of the European Central Securities Depository (CSD) as the central body for the custody of financial instruments, which have hitherto been subject to different national legislations.

Although the Regulation is primarily addressed to the European CSD, parts of the CSDR **also affect all market participants involved in the securities settlement process**. Thus, the measures to be taken to prevent "**failed trades**" (Art. 6) of financial instruments (securities transactions not settled by the agreed settlement date) and measures against settlement fails of financial instruments (Art. 7) **also include professional investors and investment firms**.

Delegated Regulation (EU) 2018/1229 on the (technical) regulations in Articles 6 and 7 shall be implemented accordingly **by 1 February 2022**.

In the following, we would like to inform you regarding the essential aspects of the new regulation and explain them in more detail:

- **Who is** affected by the implementation of Articles 6 and 7 of the new regulation?
 - All trading participants (from the originator of a securities order to the central securities depository) – the geographical location is not relevant.
 - No exemptions for non-EU customers
- What **financial instruments** does the new regulation cover?
 - Shares, bonds, investment funds (ETFs), emission allowances, certificates
 - Admitted to trading on an EU trading venue or settlement via a central counterparty (CCP)
 - Shares with a principal trading venue in a third country are exempt from this rule
- What **transactions** are covered by the new regulation?
 - Securities transactions between two counterparties settled OTC or via a trading venue / exchange, with or without clearing, and cleared via an EU CSD / ICSD.
 - Repo and securities lending transactions with a maturity of less than thirty days are excluded
- What **measures** does the new regulation introduce?
 - Stricter measures to prevent **failed trades** (minimum requirements for securities orders, reporting, partial deliveries)
 - New measures against failed trades
 - Penalty **fees** on failed **trades** for the originating party.

- Obligation to conclude "**buy-in**" transactions via a "buy-in agent": In the event that securities transactions are not successfully settled within legally prescribed periods ("extension period") after the scheduled settlement date, there will be an obligation in future to conclude ("**buy-in**") transactions via a "buy-in **agent**" who is to be appointed and who acquires and delivers the security via the organisation of an auction.

The core element of the new regulation is, in particular, the above-mentioned measures against failed trades.

For this reason, the implementation of the CSDR is essential both for you as a customer of our company and for us as a service provider.

Of course, we have already started preparing for implementation of the CSDR in our company. We have initiated an in-house project for this purpose and will systematically analyse the effects, consequences, etc. for **you and with you** in the coming weeks.

At this stage, however, it is still too early to be able to answer all possible questions in full.

However, we will be in contact with you in the coming weeks to involve you in the further implementation of the new directive.

Please do not hesitate to contact us if you have any questions.

Yours sincerely,

DZ PRIVATBANK S.A.

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