



Endringer som følge av ny verdipapirsentrallov og CSDR tillatelse

FINANSTILSYNETS VERDIPAPIRSEMINAR



EURONEXT VPS

Oslo, 20. oktober 2021

Euronext CSD ambition

- The mission is to connect local economies to global capital markets, to accelerate innovation and sustainable growth.
- The ambition of Euronext is to build the leading European market and CSD infrastructure.
- We provide our customers with value adding products and services through a network of CSDs - leveraging efficiency through economies of scale and local presence
- Servicing our customers through 4 CSDs connecting 20 countries through investor CSD links



Euronext VPS

- AUC: **NOK 7000 MRD**
- ISIN's: **9000**
- Settlement Instructions: **25 millions**
- Corporate Actions: **35000**
- Securities Accounts: **2 million**
- Account Operators: **1xx**
- Settlement Participants: **25**

Purpose of the CSDR – a new regulation for CSD's



- An overriding purpose of the regulation is to promote a **secure, efficient and well-functioning** securities settlement and recording of financial instruments. It is also an overall purpose to **reduce the risk and costs** of cross-border securities settlement.



- In addition, there is a stated goal of the regulation to promote competition between central securities depositories, among other things to give market participants the opportunity to choose the supplier so that the dependence on one infrastructure companies are reduced.

The Central Securities Depository Regulation (CSDR) was adopted in the EU in July 2014

3 LEVELS OF RULES AND REGULATION

Governing the Norwegian CSD and post trade market

The Euronext VPS Rule Books and SLA

- there will be two rulebooks; one for account operators and one for settlement participants, sharing the same SLA



The CSD Act (Verdipapirsentralloven)

- supplements the CSDR with Norwegian requirements



CSDR

- is the general regulation in Europe



GENERAL INTRODUCTION TO CSDR

To promote a secure, efficient and well-functioning securities settlement and recording of financial instruments and governing the following 3 main areas:

Notary and book-entry in a CSD

- Freedom for issuers to have its instruments recorded in any **CSD** in a Member State (MS).
- **CSDs** that wants to offer initial recording in instruments from another MS must document how the **CSD** can support its user's compliance with corporate law or other similar law of the MS under which the securities are constituted
- Transferable securities transferred following a financial collateral arrangement shall be recorded in a **CSD** prior to the settlement date

Securities settlement in a SSS

- Any participant to a **SSS** that settles on its own account or on behalf of a third party, shall settle transactions on the intended settlement date.
- **CSDs** to set up tools to enable participants to manage for the timely settlement of transactions (Technical standards by **ESMA**)
- **CSD** to set out cash penalties for participants that caused fails and further penalties when repeated noncompliant behavior

Maintenance of accounts

- **CSDs** shall keep records and accounts that segregate the securities of a participant from the securities of any other participant
- Participants have to segregate the securities of that participant from those of that participant's clients
- Participants have to segregate the securities of any of that participant's clients, if and as required by that participant
- A participant shall offer its client at least the choice between omnibus client segregation and individual client segregation

Services to foreign issuers going forward will be changed as a result of accommodating the CSDR requirements

Euronext VPS divides its recording services into two main categories

Primary recording

By primary recording of shares in Euronext VPS it follows that the Share Issuer has chosen Euronext VPS as the **initial register of recording its shares in a book-entry system** ("notary service"), where typically 100% of the shares are recorded. This implies that **Euronext VPS is the Issuer CSD** of the shares, and that the shares recorded in Euronext VPS are **not derived from another CSD or book-entry system**.

Secondary recording

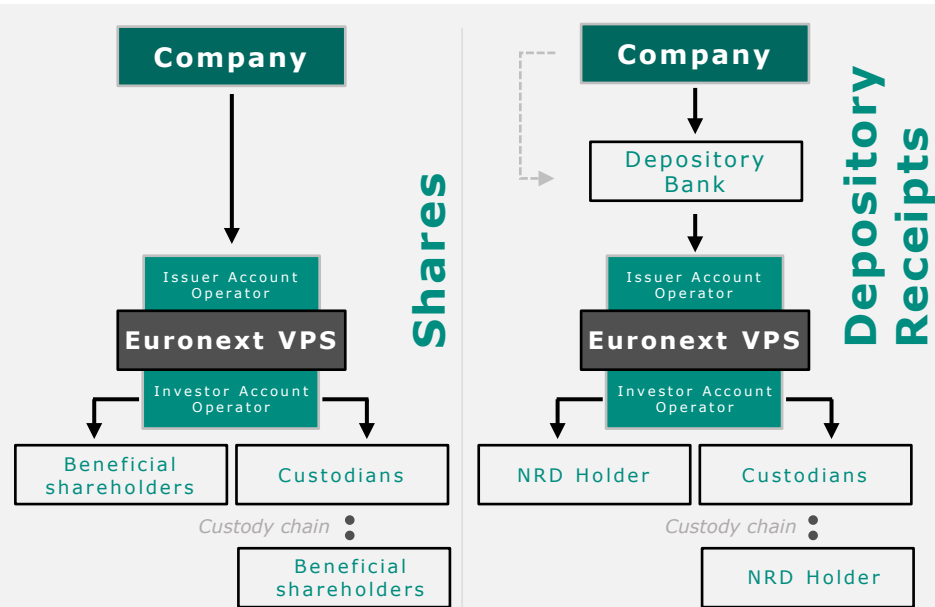
Secondary recording of shares in Euronext VPS is limited to **shares that are already recorded in another book-entry system**. This implies that the Share Issuer records shares in the VPS Register that are **derived from the shares already recorded in the other book-entry system**. The number of shares recorded in VPS Register could in principle be 100% of the total share capital or a limited amount of the total capital. The securities secondarily recorded in Euronext VPS is **held on behalf of Euronext VPS by an intermediary where the shares are recorded**.

To record foreign instruments in Euronext VPS in the future the Issuer Account Operators will need an additional authorization, hence **it is likely that not all Issuer Account Operators will provide services to foreign issuers going forward**.

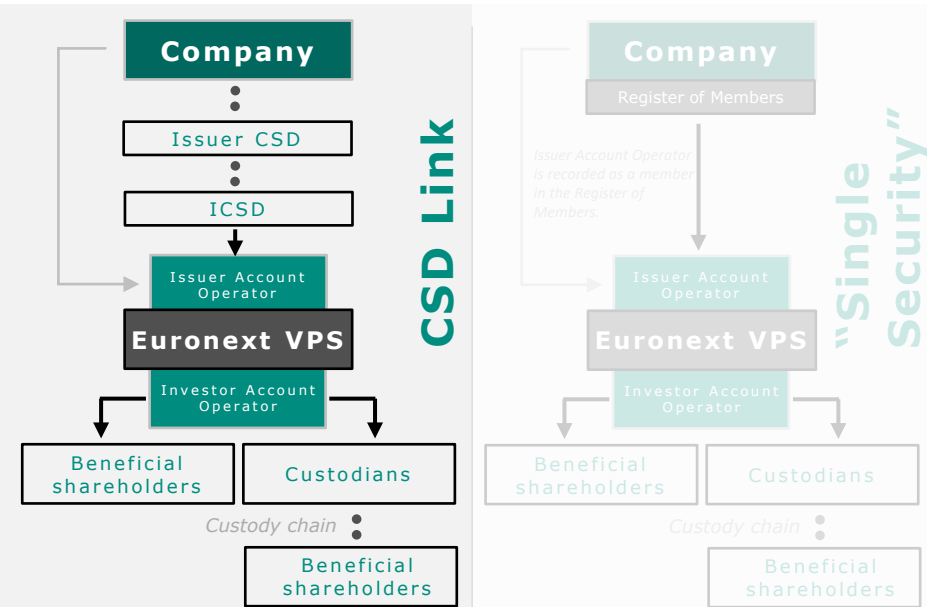
POST CSDR implementation – alternatives for recording of instruments

Faded alternative will not be available after implementation of CSDR

Primary recording

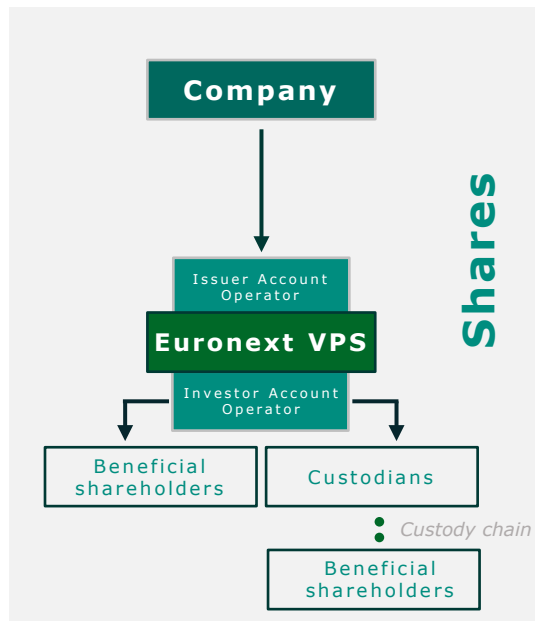


Secondary recording



Primary recording of shares – Key information about the alternative

For more detailed information, please see the detailed service description.



Key information

- **Operationally largely unaffected by the CSDR process**

Primary recording of instruments in Euronext VPS will largely be unaffected by the **CSDR** process. Foreign instruments will be subject to some additional requirements, as further described below.

- **Foreign jurisdictions must be approved by Euronext VPS prior to recording**

In order to be able to issue a foreign instrument it is required that Euronext VPS has obtained a “**CSDR Passport**” for the relevant **EEA** jurisdictions. For non-**EEA** jurisdictions, local laws must allow for primary recording. All jurisdictions, both **EEA** and non-**EEA**, approved by Euronext VPS will be listed on our website.

- **Euronext VPS intend to obtain “CSDR Passport” for all existing EEA jurisdictions in our register, and to verify compliance for existing non-EEA jurisdictions in cooperation w/ Issuer Account Operator**

In order to (1) enable existing foreign instruments to remain in the VPS Register and (2) allow future recording of instruments from the already present markets, Euronext VPS intend to obtain “**CSDR Passport**” for all the **EEA** jurisdictions of instruments currently recorded in the VPS Register. Obtaining **CSDR** Passports for jurisdictions that are not already present in the VPS Register will be evaluated on a case-by-case basis. **NOTE:** It is estimated that obtaining a **CSDR Passport** could require approx. 6 months, hence if advising on any new jurisdictions you should establish contact with an Issuer Account Operator early in the process.

'CSDR passports' from relevant EEA markets are required to support primary recording of foreign securities

▪ New requirement: CSDR Passports

In order to be able to primary record a foreign instrument it is required that Euronext VPS has obtained a "CSDR Passport" for the relevant EEA jurisdictions.

▪ Intention to cover existing markets

Euronext VPS will apply for CSDR Passports to enable existing foreign issuers to remain recorded. Furthermore, potential new jurisdictions that are relevant will be evaluated on a case-by-case basis on demand. Each application is subject to approval by the relevant regulator in each market.

▪ Application process

To obtain CSDR Passports for new jurisdictions, an application must be submitted by Euronext VPS to the Norwegian FSA and the local regulator in the respective market. Obtaining a CSDR Passport for a new jurisdiction could require approx. 6 months.

Other EEA markets will be considered on a case-by-case basis for all asset classes.

	Issuer jurisdiction	Shares	Bonds	Warrants	Mutual funds
1	Cyprus	Yes	Yes	-	-
2	Denmark	Yes	Yes	-	-
3	Finland	Yes	Yes	Yes	-
4	France	-	Yes	Yes	-
5	Germany	-	Yes	Yes	-
6	Iceland	Yes	Yes	-	-
7	Ireland	-	Yes	-	-
8	Luxembourg	Yes	Yes	Yes	-
9	Malta	Yes	Yes	-	-
10	Netherlands	Yes	Yes	Yes	-
11	Spain	-	Yes	-	-
12	Sweden	Yes	Yes	Yes	Yes

Measure to prevent settlement fails

Harmonised settlement rules for :

- | | | | | | | | |
|-----------|---|-----------|----------------|-----------|---------------------------|-----------|--------------------|
| 1. | Settlement processing (number of settlement cycles, T+2, use of Intended Settlement Date (ISD)) | 2. | Matching | 3. | Tolerance level | | |
| 4. | Cancellation | 4. | Hold & Release | 5. | Recycling of instructions | 6. | Partial processing |

CSDR introduced a common rulebook for settlement processing in EU. ECSDA have in cooperation with all European CSDs defined a common understanding of how to implement CSDR technical standards across Europe.

Measure to address settlement fails

Monitoring. Each CSD have to monitor all details of the life cycle of a settlement instruction. Needed for reporting, penalty processing and Buy-in registration.

In addition participants who consistently and systematically failing to deliver shall be followed to up by the CSD. Part of the monthly reporting to competent authorities.

Cash penalty mechanism. All CSDs shall calculate, charge and collect penalties on at least monthly basis.

Common mandatory **Buy-in** process. The CSD must as a part of the monitoring requirement offer their participants tools to report the result of an buy-in.

Reporting. The CSD shall report monthly and yearly to competent authorities on settlement efficiency defined in Guide lines given by ESMA. In addition CDSs shall yearly present statistics on settlement efficiency available through their web-site.

More information

See our latest Newsletter, or enter our website and register for the Information Meetings listed below.

Newsletter



Information Meetings

- 1. Introduction meeting for main contacts and master users in Euronext VPS**
 - Tuesday 26th October at 14:00-15:00 (meeting held in Norwegian)
- 2. Information meeting for Issuer Account Operators (KU)**
 - Wednesday 27th October at 14:00-15:30 (meeting held in Norwegian)
- 3. Information meeting for Settlement Participants**
 - Thursday 28th October at 10:30-12:00 (meeting held in Norwegian)
- 4. Information meeting for Investor Account Operators**
 - Wednesday 3rd November at 09:00-10:30 (meeting held in Norwegian)
- 5. General information meeting for foreign Account Operators and Settlement Participants**
 - Monday 8th November at 10:00-11:30 (Meeting held in English)

