



Commission de Surveillance
du Secteur Financier

Circular CSSF 22/792

Application of the
Guidelines of the European
Securities and Market
Authority on Settlement
Fails Reporting under
Article 7 of CSDR
(ESMA70-156-4717)



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Re: Application of the Guidelines of the European Securities and Market Authority on Settlement Fails Reporting under Article 7 of CSDR (ESMA70-156-4717)

Luxembourg, 10 January 2022

**To all Central Securities
Depositories**

Ladies and Gentlemen,

The purpose of the present circular is to inform you that the CSSF, in its capacity as competent authority, applies the Guidelines on Settlement Fails Reporting under Article 7 of CSDR¹ (ESMA70-156-4717) (the “Guidelines”), published on 8 December 2021. Consequently, the CSSF has integrated the Guidelines into its administrative practice and regulatory approach with a view to promote supervisory convergence in this field at European level.

All Central Securities Depositories (“CSDs”), as defined in Article 2(1)(1) of CSDR, supervised by the CSSF shall duly comply with these Guidelines.

The Guidelines are issued by ESMA based on Article 16(1) of the ESMA Regulation. The purpose of these Guidelines is to establish consistent, efficient and effective supervisory practices within the European system of financial supervision and to ensure common, uniform and consistent application of Article 7(1) of CSDR and Articles 14 and 39 of the Commission Delegated Regulation (EU) 2018/1229 on settlement discipline², related to the exchange of information between ESMA and the competent authorities regarding settlement fails, and the content of the related reporting made by CSDs.

The Guidelines apply from the date of entry into force of the RTS on settlement discipline.

The Guidelines are attached to this circular and are available on the ESMA’s website (www.esma.europa.eu).

The present circular shall apply to all CSDs established in Luxembourg.

This circular enters into force on the day of its publication.

¹ Regulation (EU) No 909/2014 of the European Parliament and of the Council of 23 July 2014 on improving securities settlement in the European Union and on central securities depositories and amending Directives 98/26/EC and 2014/65/EU and Regulation (EU) No 236/2012.

² RTS (EU) 2018/1229 on Settlement Discipline (as modified by RTS (EU) 2020/1212, and RTS (EU) 2021/70 which postponed its date of entry into force to 1 February 2022).



Commission de Surveillance
du Secteur Financier

Yours faithfully,

Claude WAMPACH
Director

Marco ZWICK
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Annex: ESMA Guidelines on Settlement Fails Reporting (Europa.eu)



esma70-156-4717_guidelines_on_settlement



European Securities and
Markets Authority

Final Report

Guidelines on Settlement Fails Reporting under Article 7 of CSDR

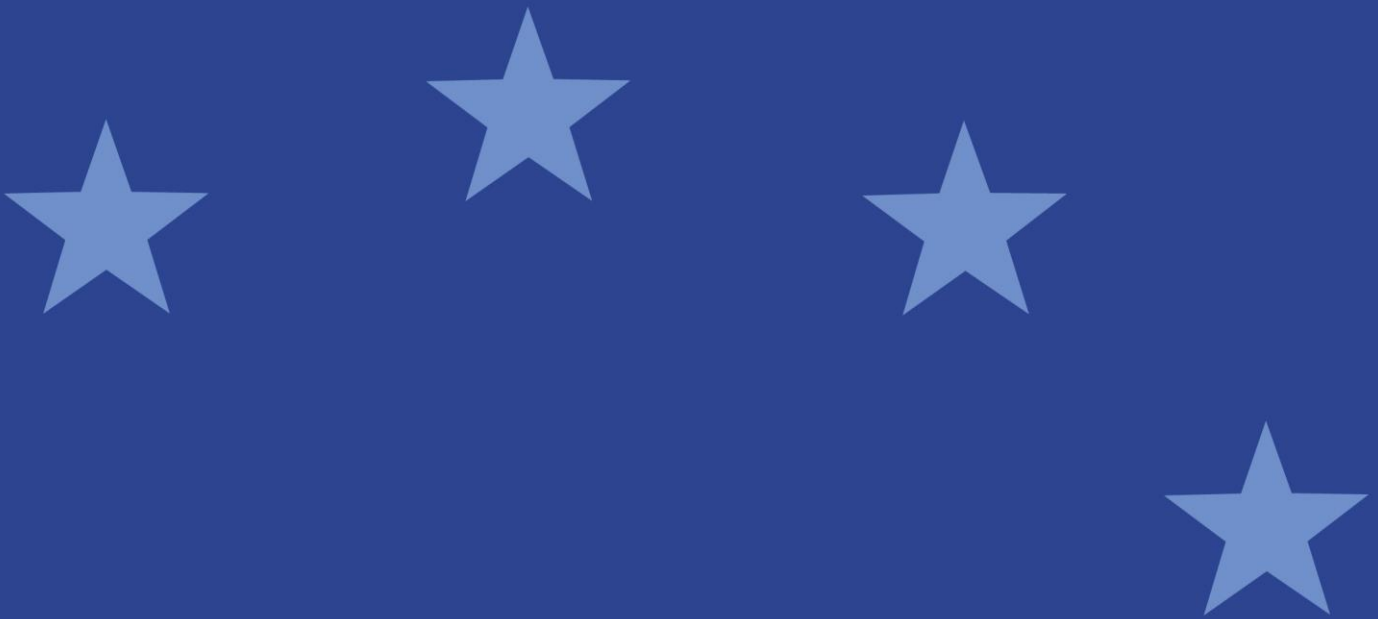




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Guidelines on Settlement Fails Reporting under Article 7 of CSDR

1. Scope

Who?

1. These Guidelines apply to competent authorities designated under Article 11 of CSDR and to CSDs as defined in Article 2(1)(1) of CSDR.

What?

2. These Guidelines apply in relation to Article 7(1) of CSDR and Articles 14 and 39 of the RTS on settlement discipline.

When?

3. These Guidelines apply from the date of entry into force of the RTS on settlement discipline.

2. Legislative references, abbreviations and definitions

Legislative references

<i>ESMA Regulation</i>	Regulation (EU) No 1095/2010 of the European Parliament and of the Council of 24 November 2010 establishing a European Supervisory Authority (European Securities and Markets Authority), amending Decision No 716/2009/EC and repealing Commission Decision 2009/77/EC ¹
<i>CSDR</i>	Regulation (EU) No 909/2014 of the European Parliament and of the Council of 23 July 2014 on improving securities settlement in the European Union and on central securities depositories and amending Directives 98/26/EC and 2014/65/EU and Regulation (EU) No 236/2012 ²
RTS on settlement discipline	Commission Delegated Regulation (EU) 2018/1229 of 25 May 2018 supplementing Regulation (EU) No 909/2014 of the European Parliament and of the Council with regard to regulatory technical standards on settlement discipline ³

¹ OJ L 331, 15.12.2010, p. 84

² OJ L 257, 28.8.2014, p. 1

³ OJ L 230, 13.9.2018, p. 1



<i>FCD</i>	Directive 2002/47/EC of the European Parliament and of the Council of 6 June 2002 on financial collateral arrangements ⁴
<i>SFD</i>	Directive 98/26/EC of the European Parliament and of the Council of 19 May 1998 on settlement finality in payment and securities settlement systems ⁵
<i>MiFID II</i>	Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Directive 2002/92/EC and Directive 2011/61/EU ⁶
<i>MiFIR</i>	Regulation (EU) No 600/2014 of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Regulation (EU) No 648/2012 ⁷
<i>MAR</i>	Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse (Market Abuse Regulation) and repealing Directive 2003/6/EC of the European Parliament and of the Council and Commission Directives 2003/124/EC, 2003/125/EC and 2004/72/EC ⁸
<i>SSR</i>	Regulation (EU) No 236/2012 of the European Parliament and of the Council of 14 March 2012 on short selling and certain aspects of credit default swaps ⁹

Abbreviations

<i>CP</i>	Consultation Paper
<i>CSD</i>	Central securities depository
<i>EC</i>	European Commission
<i>ESMA</i>	European Securities and Markets Authority
<i>EU</i>	European Union
<i>ISD</i>	Intended settlement date
<i>DVP</i>	Delivery versus Payment
<i>FOP</i>	Free of Payment

⁴ *OJ L 168*, 27/06/2002, p. 43

⁵ *OJ L 166*, 11.6.1998, p. 45

⁶ *OJ L 173*, 12.6.2014, p. 349

⁷ *OJ L 173*, 12.6.2014, p. 84

⁸ *OJ L 173*, 12.6.2014, p. 1

⁹ *OJ L 86*, 24.3.2012, p. 1



DWP Delivery with Payment

RWP Receive with Payment

3. Purpose

4. These Guidelines are based on Article 16(1) of the ESMA Regulation. The purpose of these guidelines is to establish consistent, efficient and effective supervisory practices within the ESFS and to ensure common, uniform and consistent application of Article 7(1) of CSDR as well as Articles 14 and 39 of the RTS on settlement discipline, including the exchange of information between ESMA and the competent authorities regarding settlement fails, and the content of such reporting.
5. According to Article 7(1) of CSDR, for each securities settlement system it operates, a CSD shall establish a system that monitors settlement fails of transactions in financial instruments referred to in Article 5(1). It shall provide regular reports to the competent authority and relevant authorities, as to the number and details of settlement fails and any other relevant information, including the measures envisaged by CSDs and their participants to improve settlement efficiency. The competent authorities shall share with ESMA any relevant information on settlement fails.
6. The RTS on settlement discipline specifies the details of the reports on settlement fails referred to in Article 7(1) of CSDR.
7. In particular, regarding Articles 14 and 39 of the RTS on settlement discipline, the objective of these Guidelines is to clarify the scope of the data to be reported by CSDs, the representation and valuation of financial instruments, as well as how to report settlement fails based on the reason (cause) of the settlement fails.

4. Compliance and reporting obligations

Status of the guidelines

8. In accordance with Article 16(3) of the ESMA Regulation, competent authorities and CSDs must make every effort to comply with these Guidelines.
9. Competent authorities to which these Guidelines apply should comply by incorporating them into their national legal and/or supervisory frameworks as appropriate, including where particular guidelines are directed primarily at CSDs. In this case, competent authorities should ensure through their supervision that CSDs comply with the guidelines.

Reporting requirements

10. Within two months of the date of publication of the guidelines on ESMA's website in all EU official languages, competent authorities to which these Guidelines apply must notify ESMA whether they (i) comply, (ii) do not comply, but intend to comply, or (iii) do not comply and do not intend to comply with the guidelines.
11. In case of non-compliance, competent authorities must also notify ESMA within two months of the date of publication of the guidelines on ESMA's website in all EU official languages of their reasons for not complying with the guidelines.
12. A template for notifications is available on ESMA's website. Once the template has been filled in, it shall be transmitted to ESMA.
13. CSDs are not required to report whether they comply with these Guidelines.

5. Guidelines on settlement fails reporting under Article 7 of CSDR

I. Scope of data to be reported by CSDs

14. **Guideline 1:** When reporting to competent authorities and relevant authorities in accordance with Article 7(1) of CSDR, a CSD should send separate reports for each securities settlement system it operates, covering all financial instruments referred to in Article 5(1) of CSDR, recorded in the CSD, excluding shares that have the principal venue for the trading located in a third country.
15. In accordance with Article 7(13) of CSDR, CSDs should not include in the reports data regarding shares for which the principal venue for the trading is located in a third country. For the purpose of determining the location of the principal venue for the trading of shares in accordance with Article 16 of SSR, CSDs should use the List of Exempted Shares under the Short Selling Legal Framework¹⁰ published by ESMA.
16. In order to report financial instruments in accordance with the categories referred to in Article 13(1)(c) of the RTS on settlement discipline, CSDs may use the Financial Instruments Reference Data System (FIRDS)¹¹ published by ESMA in accordance with Article 27 of MiFIR and Article 4 of MAR, and the ISIN ANNA Lookup Service¹² to obtain the CFI¹³ codes. CSDs may use a mapping table with the CFI codes published by ECSDA for the purposes of CSDR implementation.
17. CSDs should report all settlement instructions that are in the scope of Article 7(1) of CSDR, irrespective of whether they relate to transactions that are executed on a trading venue or to OTC transactions.

¹⁰ https://registers.esma.europa.eu/publication/searchRegister?core=esma_registers_mifid_shsex

¹¹ https://registers.esma.europa.eu/publication/searchRegister?core=esma_registers_firds

¹² <https://www.anna-web.org/standards/isin-iso-6166/>

¹³ *Classification of Financial Instruments – ISO 10962*

18. **Guideline 2:** For the purpose of the reports on settlement fails under Article 7(1) of CSDR, a CSD should take into account all matched settlement instructions entered into the securities settlement system it operates, as well the instructions referred to in point c) of Article 5(2) of the RTS on settlement discipline for which matching is not required.

II. Data reporting parameters

19. **Guideline 3:** The term 'volume' in respect of settlement instructions mentioned in the Annexes to the RTS on settlement discipline should be read as 'the number of settlement instructions'.
20. **Guideline 4:** The reports on settlement fails under Article 7(1) of CSDR as supplemented by Article 14 of the RTS on settlement discipline should include the number and value of settled instructions during the period covered by the reports, which can be calculated by deducting the number and value of settlement fails from the number and value of settlement instructions.
21. **Guideline 5:** Settlement instructions should be considered as 'failing settlement instructions' (and included in the data regarding 'settlement fails') from the moment when settlement on the intended settlement date (ISD) is no longer possible due to a lack of securities or cash and regardless of the underlying cause.
22. Settlement instructions (submitted by the relevant cut-off time) should be included in the data regarding 'settlement fails' if they are still pending after the relevant settlement cycle has been completed. The cut-off time is understood as the deadline set by a system operator for the acceptance of settlement instructions for a given settlement cycle, for the relevant settlement instructions, i.e. there could be different cut-off times for different settlement instructions.
23. If, during a period covered by a report, a settlement instruction fails to settle for several business days after the ISD, including in the case where the settlement instruction is cancelled after the relevant cut-off time, then it should be reported as "failed" by taking into account each business day when it fails to settle. It should be reported as "settled" if it is settled during the period covered by the report.
24. Settlement instructions that are cancelled before the relevant cut-off time should not be reported either in the 'total' or 'failed' categories (only for the day when the settlement instructions are cancelled and only for the part of the settlement instructions that is cancelled).
25. **Guideline 6:** The rate of settlement fails should be calculated by taking into account recurring settlement fails as well (i.e. settlement fails that last more than one business day).
26. For the aggregated figures included in the monthly reports as per Table 1 of Annex I to the RTS on settlement discipline, CSDs should take into account the sum of the number or of the value, respectively, of individual settlement instructions eligible for settlement on each business day of the month.
27. Please see the following example for the number of settlement instructions ("settlement instructions (SIs) entered" are shown for illustration purposes only). The settlement fails

rate on a specific business day is calculated as follows: all failed SIs on a business day divided by the total SIs on a business day (settlement instructions may have an ISD equal to the current business day or previous business days).

Settled and failed instructions (based on volume – number of instructions)							
	Daily					Monthly	
	Day 1	Day 2	Day 3	Day 4		4 days	
Settled	3	2	5	4		14	Settled
Failed	1	2	3	1		7	Failed
Total	4	4	8	5		21	Total
Rate of fails	25%	50%	35.50%	20%		33.33%	Rate of fails
SIs entered	4	3	6	2		15	SIs entered
SIs recycled	0	1	2	3		6	SIs recycled

28. **Guideline 7:** For the purpose of the reports on settlement fails under Article 7(1) of CSDR, a CSD should report a partially settled instruction as both failed and settled, as long as the settlement instruction is not fully settled.

29. Please see the following example to illustrate the proposed approach: DVP instruction with counter value 100€ partially settles for 50€ at ISD, 20€ at ISD+1 and 30€ to full settlement on ISD+3.

Cumulative settlement amounts

ISD	ISD+1	ISD+2	ISD+3
50/100	70/100	70/100	100/100

Reporting logic:

Volume (number): The settlement instruction is reported as failed as long as it is not fully settled, and as settled for each business day where the instruction settles, partially or fully.

Value: For each business day on which a settlement instruction is not fully settled, the partially settled value on that day is reported as settled, the remaining value to be settled is reported as failing.

Reporting of the settled and failing part									
	Volume					Value			
	ISD	ISD+1	ISD+2	ISD+3		ISD	ISD+1	ISD+2	ISD+3
	50/100	70/100	70/100	100/100		50/100	70/100	70/100	100/100
Settled	1	1	0	1		50	20	0	30
Failed	1	1	1	0		50	30	30	0
Total	2	2	1	1		100	50	30	30
Rate of fails	50%	50%	100%	0%		50%	60%	100%	0%

30. **Guideline 8:** CSDs should report late matching instructions as settlement fails for each business day as from the ISD.

31. Please see the following example: a DVP instruction with counter value 100€ matches on ISD+3 and settles intraday (the late matching fail is reflected as if it had been entered on ISD, for both monthly and daily breakdowns, in accordance with Tables 1 and 2 of Annex I to the RTS on settlement discipline).

Reporting as settled and failed for previous settlement days									
	Volume					Value			
	ISD	ISD+1	ISD+2	ISD+3		ISD	ISD+1	ISD+2	ISD+3
Settled	0	0	0	1		0	0	0	100
Failed	1	1	1	0		100	100	100	0
Total	1	1	1	1		100	100	100	100
	Monthly Volume					Monthly Value			
Settled				1					100
Failed				3					300
Total				4					400
Failed rate				75%					75%

32. If there are significant discrepancies between the annual report and the aggregated figures in the monthly reports, CSDs should verify the reasons for the discrepancies and should resubmit the corrected reports.

33. **Guideline 9:** CSDs should capture the value of all settlement instructions, whereby each settlement instruction represents the value of either its securities component or its cash component.

34. Please see Annex I for more details on the method for the valuation and representation of settlement instructions which should be used by CSDs.

35. **Guideline 10:** For the purpose of the daily data referred to in Table 2 of Annex I to the RTS on settlement discipline (Table 2), in order to distinguish between settlement fails due to “failure to deliver securities” and those due to “failure to deliver cash”, CSDs should take into account the reason (cause) of each settlement fail, in the format referred to in Guideline 17.

36. The volume and value of all settlement instructions should be reported as “Total Instructions” both under “failure to deliver securities” and “failure to deliver cash”.

37. The volume and value of all settlement instructions which are settled should be reported as “Settled Instructions” both under “failure to deliver securities” and “failure to deliver cash”.

38. On the contrary, the volume and value of all settlement instructions which are not settled should only be reported as “Settlement fails” in the relevant section (“failure to deliver cash” and “failure to deliver securities”), depending on the reason (cause) of each settlement fail.

39. A CSD should check the securities leg first and, if there is a settlement fail, no further checks on the cash leg would need to be performed.
40. Regarding **DVP/RVP settlement instructions** which are not settled, if there is a settlement fail because of the failure to deliver securities (including where the DVP instruction is on hold), both DVP/RVP settlement instructions should be reported in the section “failure to deliver securities”. The same applies in case of late matching, where the (securities) delivering participant has matched the pair of corresponding settlement instructions last.
41. If there is a settlement fail because of the failure to deliver cash (including where the RVP instruction is on hold), both settlement instructions should be reported in the section “failure to deliver cash”. The same applies in case of late matching, where the (cash) delivering participant has matched the pair of corresponding settlement instructions last.
42. If both DVP/RVP settlement instructions are on hold and in case of late matching instructions that are entered into the system as already matched, one settlement instruction should be reported in the section “failure to deliver securities” and one settlement instruction should be reported in the section “failure to deliver cash”.
43. Regarding **DWP/RWP settlement instructions** which are not settled, if there is a settlement fail because of the failure to deliver securities, both settlement instructions should be reported in the section “failure to deliver securities”.
44. If there is a settlement fail because of the failure to deliver cash, both DWP/RWP settlement instructions should be reported in the section “failure to deliver cash”.
45. If one or both DWP/RWP settlement instructions is/are on hold, one settlement instruction should be reported in the section “failure to deliver securities” and one settlement instruction should be reported in the section “failure to deliver cash”. The same applies in case of late matching, independently of the participant that has matched the pair of corresponding settlement instructions last.
46. Where settlement fails refer to **DPFOD/CPFOD settlement instructions**, including where the settlement instructions are on hold, both settlement instructions should be reported in the section “failure to deliver cash”. The same applies in case of late matching, independently of the participant that has matched the pair of corresponding settlement instructions last.
47. Where settlement fails refer to **DFP/RFP settlement instructions**, including where the settlement instructions are on hold, both settlement instructions should be reported in the section “failure to deliver securities. The same applies in case of late matching, independently of the participant that has matched the pair of corresponding settlement instructions last.
48. For more details on how to report settlement fails for the different types of settlement instructions, please see the examples included in Annex II.
49. **Guideline 11:** The average duration of settlement fails to be reported by CSDs in accordance with line 41 of Table 1 of the Annex I to the RTS on settlement discipline (the difference between actual settlement date and intended settlement date, weighted for the value of the settlement fail) should be calculated as follows:

The sum of the values of all settlement fails reported in the current reporting period (whether or not the ISD falls in the same reporting period) divided by the sum of the values of settlement fails on ISD reported in the current reporting period (the ISD falls in the same reporting period).

Please see the example in Annex III.

50. **Guideline 12:** The monthly reports on settlement fails referred to in Article 14(1) of the RTS on settlement discipline should include only the business days of the respective month.
51. **Guideline 13:** In accordance with Article 14(1) of the RTS on settlement discipline, all values included in the reports on settlement fails referred to therein should be provided in EUR.
52. For the data per currency in which the settlement instructions are denominated which has to be included in the monthly reports as per Table 1 of Annex I to the RTS on settlement discipline, CSDs should provide the values in EUR, while specifying the original currencies.

Please see the following example regarding item 22 of Table 1 of Annex I to RTS on settlement discipline:

Value of settlement instructions per currency in which the settlement instructions are denominated during the period covered by the report -> “Currency = USD, Value = 500,000” means that the value of settlement instructions denominated in USD was 500,000 EUR.

53. **Guideline 14:** The top 10 direct participants with the highest rates of settlement fails and the top 20 ISINs that are the object of settlement fails (as mentioned in fields 17-18 and 37-38, respectively, of Table 1 of Annex I to the RTS on settlement discipline), should be listed starting with the highest rate of settlement fails.
54. In order to determine the ranking (according to the rates of settlement fails based on the value and the number of settlement fails), CSDs should be able to use more than two decimals (even though, for reporting purposes, CSDs need to report the rates of settlement fails as percentages with up to 2 decimal places). In case of a tie in the 20th or 10th rank, more than 20 or 10 entries would be reported, respectively.

Please see the following example:

- 1 – Participant A
- 2 – Participant B
- 3 – Participant C
- 4 – Participant D
- ...
- 10 – Participant X
- 11 – Participant Y

(Participants X and Y are tied for the 10th rank, therefore they should both be reported; in order to determine which should be reported as being ranked 10th and which should

be reported as being ranked 11th, the alphabetical order of the participants' names may be used.)

55. **Guideline 15:** CSDs should send data regarding the number and value of cash penalties (as mentioned in fields 39 and 40 of Table 1 of Annex I to the RTS on settlement discipline) in relation to penalties processed (i.e. collected and distributed) during the reporting month covering the previous month.
56. The number of cash penalties to be reported should reflect the number of settlement instructions referring to failing participants.

Please see the example below:

There are the following settlement fails: 2 DVP instructions to deliver 50 securities and receive 100 EUR, and 2 corresponding RVP instructions to receive 50 securities and pay 100 EUR. Each pair of settlement instructions (DVP/RVP) fails for the inability of the participant(s) to deliver securities. The number of penalties reported should be 2 (the 2 DVP instructions to deliver 50 securities and receive 100 EUR).

57. **Guideline 16:** These Guidelines should also apply for the purpose of determining participants considered as consistently and systematically failing to deliver in a security settlement system, as referred to in Article 7(9) of CSDR and in Article 39 of the RTS on settlement discipline.

III. Process for the submission of settlement fails reports

58. **Guideline 17:** Competent authorities should send ESMA all reports they receive from the CSDs in their jurisdiction in accordance with Article 7(1) of CSDR as supplemented by Article 14 of the RTS on settlement discipline.
59. Competent authorities should ensure that CSDs submit the monthly and annual reports in accordance with Article 7(1) of CSDR and Article 14 of the RTS on settlement discipline in an XML format and using the templates developed in accordance with the ISO 20022 methodology, agreed and communicated by ESMA to the competent authorities, which should then be used by competent authorities when submitting the data to ESMA.
60. Following the validation checks performed by the ESMA dedicated IT system, such as data transmission validation rules (e.g. not corrupted file), data format validation rules (e.g. abides to the ISO-20022 XSD schema), and data content validation rules, competent authorities will receive a feedback file confirming reception or notifying of validation errors.
61. In case of validation errors notified by ESMA, competent authorities should check the data with the CSDs and should provide feedback to ESMA. If necessary, competent authorities should resubmit the corrected data to ESMA.
62. In accordance with Article 14(1) of the RTS on settlement discipline, CSDs shall send monthly reports on settlement fails to their competent authorities and relevant authorities by close of business on the fifth business day of the following month. Competent authorities should submit the respective reports to ESMA as soon as



possible after having received them, but no later than the tenth business day of the month.

63. The first monthly reports to be sent by CSDs should cover the month including the date of the entry into force of the RTS on settlement discipline (e.g. if the entry into force is on 1 February, then the first monthly report should be sent by CSDs by close of business on the fifth business day in March, covering data for the month of February).
64. In accordance with Article 14(2) of the RTS on settlement discipline, by 20 January of each year, CSDs shall send annual reports on settlement fails, including the measures planned or taken by CSDs and their participants to improve the settlement efficiency of the security settlement systems they operate. Competent authorities should submit the respective reports to ESMA as soon as possible after having received them, but no later than 31 January of each year.
65. The first annual reports to be sent by CSDs should cover the year including the date of the entry into force of the RTS on settlement discipline (e.g. if the entry into force is on 1 February, then the first annual report should be sent by CSDs by 20 January of the following year, covering data for the previous year starting from the entry into force of the RTS on settlement discipline).

Annex I – Method for the valuation and representation of settlement instructions (SIs)

SIs represent the value of all SIs (one single component per SI)

Instruction type	Representation / Valuation
DVP/RVP	<p>There is a securities component and a cash component for each pair of SIs</p> <p>The securities component can be conventionally associated to the DVP SI, while the cash component can be conventionally associated to the RVP SI</p> <p>Each SI is valued as the settlement amount of the SI itself (*)</p> <p>Each pair of SIs is represented as twice the settlement amount of each SI</p> <p>All DVP and RVP SIs should be considered under the SFR regime and each SI should be valued as the settlement amount of the SI itself</p>
DWP/ RWP	<p>There is a securities component and a cash component for each pair of SIs</p> <p>The securities component can be conventionally associated to the DWP SI, while the cash component can be conventionally associated to the RWP SI</p> <p>Each SI is valued as the settlement amount of the SI itself</p> <p>Each pair of SIs is represented as twice the settlement amount of each SI</p> <p>All DWP and RWP SIs should be considered under the SFR regime and each SI should be valued as the settlement amount of the SI itself</p>
DPFOD/CPFOD	<p>Each SI is valued as the settlement amount of the SI itself</p> <p>Each pair of SIs is represented as twice the settlement amount of each SI</p> <p>All DPFOD and CPFOD SIs should be considered under the SFR regime and each SI should be valued as the settlement amount of the SI itself</p>
DFP/RFP	<p>Each SI is valued as the market value of the securities to be delivered/received (**)</p> <p>Each pair of SIs is represented as twice the market value of the securities to be delivered/received</p> <p>All DFP and RFP SIs should be considered under the SFR regime and each SI should be valued as the market value of the securities to be delivered/received</p>

(*) Article 14(4)(a) of the RTS on settlement discipline

(**) Article 14(4)(b) the RTS on settlement discipline

Annex II – Examples of reporting settlement fails based on the reason of the settlement fail

1) DVP/RVP Settlement Instructions (SIs)

The value of a pair of DVP/ RVP SIs should be reported as follows:

- a) Twice the settlement amount of a SI, in the “total instructions”
- b) In case of a settlement fail:
 - i) twice the settlement amount of a SI, in the section “failure to deliver securities” (if the reason for the settlement fail is failure to deliver securities) or
 - ii) twice the settlement amount of a SI, in the section “failure to deliver cash” (if the reason for the settlement fail is failure to deliver cash) or
- c) In case of SIs put on hold by both participants:
 - i) the settlement amount of a SI, in the section “failure to deliver securities” and
 - ii) the settlement amount of a SI, in the section “failure to deliver cash”

The volume (number) of a pair of DVP/ RVP SIs should be reported as follows:

- a) 2 SIs, in the “total instructions”
- b) In case of a settlement fail:
 - i) 2 SIs, in the section “failure to deliver securities” (if the reason for the settlement fail is failure to deliver securities) or
 - ii) 2 SIs, in the section “failure to deliver cash” (if the reason for the settlement fail is failure to deliver cash) or
- c) In case of SIs put on hold by both participants:
 - i) 1 SI, in the section “failure to deliver securities” and
 - ii) 1 SI, in the section “failure to deliver cash”

Examples:¹⁴

- ✓ 1 DVP instruction to deliver 50 securities and receive 100 EUR, and corresponding RVP instruction to receive 50 securities and pay 100 EUR
- ✓ Total number of DVP/RVP SIs = 10 (5 DVP and 5 RVP)
- ✓ Total value of securities for DVP/RVP SIs = 1,000 EUR (based on the settlement amount of the cash leg)
- ✓ *Settlement fails:* 1 DVP instruction to deliver 50 securities and receive 100 EUR, and corresponding RVP instruction to receive 50 securities and pay 100 EUR (2 settlement instructions for a value of 100 EUR each)
 - a) settlement fail due to failure to deliver securities
 - b) settlement fail due to failure to deliver cash
 - c) settlement fail due to SIs being put on hold by both participants (settlement fail due to failure to deliver securities and failure to deliver cash)

2) DWP/RWP SIs

The value of a pair of DWP/ RWP SIs should be reported as follows:

- a) Twice the settlement amount of a SI, in the “total instructions”

¹⁴ For the purpose of this example, we assume all DVP/RVP SIs have the same value. The same applies for the examples for the other types of SIs.

- b) In case of a settlement fail:
 - i) twice the settlement amount of a SI, in the section “failure to deliver securities” (if the reason for the settlement fail is failure to deliver securities) or
 - ii) twice the settlement amount of a SI, in the section “failure to deliver cash” (if the reason for the settlement fail is failure to deliver cash)
- c) In case of SIs put on hold by one or both participants:
 - i) the settlement amount of a SI, in the section “failure to deliver securities”, and
 - ii) the settlement amount of a SI, in the section “failure to deliver cash”

The number (volume) of a pair of DWP/ RWP SIs should be reported as follows:

- a) 2 SIs, in the “total instructions”
- b) In case of a settlement fail:
 - i) 2 SIs, in the section “failure to deliver securities” (if the reason for the settlement fail is failure to deliver securities) or
 - ii) 2 SIs, in the section “failure to deliver cash” (if the reason for the settlement fail is failure to deliver cash)
- c) In case of SIs put on hold by one or both participants:
 - i) 1 SI, in the section “failure to deliver securities”, and
 - ii) 1 SI, in the section “failure to deliver cash”

Examples:

- ✓ 1 DWP instruction to deliver 50 securities and 100 EUR, and corresponding RWP instruction to receive 50 securities and 100 EUR
- ✓ Total number of DWP/RWP SIs = 10 (5 DWP and 5 RWP)
- ✓ Total value of securities for DWP/RWP SIs = 1000 EUR (based on the settlement amount)
- ✓ *Settlement fails:* 1 DWP instruction to deliver 50 securities and 100 EUR, and corresponding RWP instruction to receive 50 securities and 100 EUR
 - a) settlement fail due to failure to deliver securities
 - b) settlement fail due to failure to deliver cash
 - c) settlement fail due to SIs being put on hold by one or both participants (settlement fail due to failure to deliver securities and settlement fail due to failure to deliver cash)

3) DPFOD/CPFOD SIs

The value of a pair of DPFOD/CPFOD SIs should be reported as follows:

- a) Twice the settlement amount of a SI, in the “total instructions”
- b) In case of a settlement fail (including in the case of SIs put on hold by one or both participants): twice the settlement amount of a SI, in the section “failure to deliver cash”

The number (volume) of a pair of DPFOD/CPFOD SIs should be reported as follows:

- a) 2 SIs, in the “total instructions”
- b) In case of a settlement fail (including in the case of SIs put on hold by one or both participants): 2 SI, in the section “failure to deliver cash”

Examples:

- ✓ 1 DPFOD instruction to deliver 100 EUR, and corresponding CPFOD instruction to receive 100 EUR
- ✓ Total number of DPFOD/CPFOD SIs = 10 (5 DPFOD and 5 CPFOD)
- ✓ Total value of securities for DPFOD/CPFOD SIs = 1,000 EUR (based on the settlement amount)
- ✓ *Settlement fails:* 1 DPFOD instruction to deliver 100 EUR, and corresponding CPFOD instruction to receive 100 EUR (2 settlement instructions for a value of 100 each)

- a) settlement fail due to failure to deliver cash
- b) settlement fail due to SIs being put on hold by one or both participants (settlement fail due to failure to deliver cash)

4) DFP/RFP SIs

The value of a pair of DFP/RFP SIs should be reported as follows:

- a) Twice the market value of the securities to be delivered/received, in the “total instructions”
- b) In case of a settlement fail (including in the case of SIs put on hold by one or both participants): twice the market value of the securities to be delivered/received, in the section “failure to deliver securities”

The number (volume) of a pair of DFP/RFP SIs should be reported as follows:

- a) 2 SIs, in the “total instructions”
- b) In case of a settlement fail (including in the case of SIs put on hold by one or both participants): 2 SI, in the section “failure to deliver securities”

Examples:

- ✓ 1 DFP instruction to deliver 50 securities (with 110 EUR market value), and corresponding RFP instruction to receive 50 securities (with 110 EUR market value)
- ✓ Total number of DFP/RFP SIs = 10 (5 DFP and 5 RFP)
- ✓ Total value of securities for DFP/RFP SIs = 1,100 EUR (based on the market value of the securities)
- ✓ *Settlement fails:* 1 DFP instruction to deliver 50 securities (with 110 EUR market value), and corresponding RFP instruction to receive 50 securities (with 110 EUR market value), (2 settlement instructions for a value of 110 each)
 - a) settlement fail due to failure to deliver securities
 - b) settlement fail due to SIs being put on hold by one or both participants (settlement fail due to failure to deliver securities)

Date (for each reporting day in the month)

Type of instruction	Failure to deliver securities								Failure to deliver cash							
	Settled instructions		Settlement fails		Total instructions		Rate of fails		Settled instructions		Settlement fails		Total instructions		Rate of fails	
	Volume	Value (€)	Volume	Value (€)	Volume	Value (€)	Volume	Value (€)	Volume	Value (€)	Volume	Value (€)	Volume	Value (€)	Volume	Value (€)
DVP/RVP (1a example – failure to deliver securities)	8	800	2	200	10	1,000	20%	20%	8	800	0	0	10	1,000	0%	0%
DVP/RVP (1b example – failure to deliver cash)	8	800	0	0	10	1,000	0%	0%	8	800	2	200	10	1,000	20%	20%
DVP/RVP (1c example – both instructions on hold)	8	800	1	100	10	1,000	10%	10%	8	800	1	100	10	1,000	10%	10%
DWP/RWP (2a example – failure to deliver securities)	8	800	2	200	10	1000	20%	20%	8	800	0	0	10	1000	0%	0%
DWP/RWP (2b example – failure to deliver cash)	8	800	0	0	10	1000	0%	0%	8	800	2	200	10	1000	20%	20%
DWP/RWP (2c example – one or both instructions on hold)	8	800	1	100	10	1000	10%	10%	8	800	1	100	10	1000	10%	10%

DPFOD/CPF OD (3a example – failure to deliver cash)	8	800	0	0	10	1,000	0%	0%	8	800	2	200	10	1,000	20%	20%
DPFOD/CPF OD (3b example one or both instructions on hold)	8	800	0	0	10	1,000	0%	0%	8	800	2	200	10	1,000	20%	20%
DFP/RFP (4a example – failure to deliver securities)	8	880	2	220	10	1,100	20%	20%	8	880	0	0	10	1,100	0%	0%
DFP/RFP (4b example – one or both instructions on hold)	8	880	2	220	10	1,100	20%	20%	8	880	0	0	10	1,100	0%	0%

Annex III –Example of calculation of the average duration of settlement fails

Consider a reporting month with exactly 4 transactions that failed over several days, with some of the settlement instructions partially settling on some days. More precisely, consider the following data on those settlement fails:

Daily Settlement Fails Reporting ¹⁵							
Transaction	M-1	Reporting Month (M)					M+1
	EOM ¹⁶	SOM ¹⁷	SOM+1	SOM+3	SOM+4	EOM	SOM
1	100	100	50				
2			40	40	10		
3				20			
4						85	85

Indicator whether the settlement fail occurred on ISD							
Transaction	M-1	Reporting Month					M+1
	EOM	SOM	SOM+1	SOM+3	SOM+4	EOM	SOM
1	YES						
2			YES				
3				YES			
4						YES	

The sum of all settlement fails in the reporting month, i.e. $100 + 50 + 40 + 40 + 10 + 20 + 85 = 345$

The sum of all settlement fails on ISD in the reporting month, i.e. $40 + 20 + 85 = 145$

The duration of settlement fails in the reporting month should be calculated as the ratio¹⁸ thereof, i.e. $345/145 = 2,4$

¹⁵ Settlement Fails by Value calculated for, and reported in, the Daily Fails Reporting. Note that for the sake of clarity, days with no settlement fails are not included in the example as they do not impact the calculation.

¹⁶ End of the month, i.e. the last business day of the month where settlement fails need to be reported for.

¹⁷ Start of the Month, i.e. the first business day of the month where settlement fails need to be reported for.

¹⁸ According to line 41 of Table 1 of Annex I to the RTS on settlement discipline, the duration should be rounded to one decimal.



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