

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 (Text with EEA relevance)

TITLE III

**CENTRAL SECURITIES DEPOSITORIES**

*CHAPTER II*

***Requirements for CSDs***

*Section 3*

***Requirements for CSD services***

*Article 36*

**General provisions**

For each securities settlement system it operates a CSD shall have appropriate rules and procedures, including robust accounting practices and controls, to help ensure the integrity of securities issues, and reduce and manage the risks associated with the safekeeping and settlement of transactions in securities.

*Article 37*

**Integrity of the issue**

1 A CSD shall take appropriate reconciliation measures to verify that the number of securities making up a securities issue or part of a securities issue submitted to the CSD is equal to the sum of securities recorded on the securities accounts of the participants of the securities settlement system operated by the CSD and, where relevant, on owner accounts maintained by the CSD. Such reconciliation measures shall be conducted at least daily.

2 Where appropriate and if other entities are involved in the reconciliation process for a certain securities issue, such as the issuer, registrars, issuance agents, transfer agents, common depositories, other CSDs [<sup>F1</sup>, third-country CSDs] or other entities, the CSD and any such entities shall organise adequate cooperation and information exchange measures with each other so that the integrity of the issue is maintained.

3 Securities overdrafts, debit balances or securities creation shall not be allowed in a securities settlement system operated by a CSD.

4 [<sup>F2</sup>The Bank of England may make] regulatory technical standards to specify the reconciliation measures a CSD is to take under paragraphs 1, 2 and 3.

*Status: Point in time view as at 31/12/2020.*

*Changes to legislation: Regulation (EU) No 909/2014 of the European Parliament and of the Council, Section 3 is up to date with all changes known to be in force on or before 06 July 2024. There are changes that may be brought into force at a future date. Changes that have been made appear in the content and are referenced with annotations. (See end of Document for details)*

F3 ...  
 F3 ...

#### Textual Amendments

- F1** Words in Art. 37(2) inserted (31.12.2020) by [The Central Securities Depositories \(Amendment\) \(EU Exit\) Regulations 2018 \(S.I. 2018/1320\)](#), regs. 1(3), **16(1)(a)** (with savings in S.I. 2019/680, reg. 11); 2020 c. 1, Sch. 5 para. 1(1)
- F2** Words in Art. 37(4) substituted (31.12.2020) by [The Central Securities Depositories \(Amendment\) \(EU Exit\) Regulations 2018 \(S.I. 2018/1320\)](#), regs. 1(3), **16(1)(b)(i)** (with savings in S.I. 2019/680, reg. 11); 2020 c. 1, Sch. 5 para. 1(1)
- F3** Words in Art. 37(4) omitted (31.12.2020) by virtue of [The Central Securities Depositories \(Amendment\) \(EU Exit\) Regulations 2018 \(S.I. 2018/1320\)](#), regs. 1(3), **16(1)(b)(ii)** (with savings in S.I. 2019/680, reg. 11); 2020 c. 1, Sch. 5 para. 1(1)

### Article 38

#### Protection of securities of participants and those of their clients

1 For each securities settlement system it operates, a CSD shall keep records and accounts that shall enable it, at any time and without delay, to segregate in the accounts with the CSD, the securities of a participant from those of any other participant and, if applicable, from the CSD's own assets.

2 A CSD shall keep records and accounts that enable any participant to segregate the securities of the participant from those of the participant's clients.

3 A CSD shall keep records and accounts that enable any participant to hold in one securities account the securities that belong to different clients of that participant ('omnibus client segregation')

4 A CSD shall keep records and accounts that enable a participant to segregate the securities of any of the participant's clients, if and as required by the participant ('individual client segregation').

5 A participant shall offer its clients at least the choice between omnibus client segregation and individual client segregation and inform them of the costs and risks associated with each option.

F4 ...

6 CSDs and their participants shall publicly disclose the levels of protection and the costs associated with the different levels of segregation that they provide and shall offer those services on reasonable commercial terms. Details of the different levels of segregation shall include a description of the main legal implications of the respective levels of segregation offered, including information on the insolvency law applicable in the relevant jurisdictions.

7 A CSD shall not use for any purpose securities that do not belong to it. A CSD may however use securities of a participant where it has obtained that participant's prior express consent. The CSD shall require its participants to obtain any necessary prior consent from their clients.

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#### Textual Amendments

- F4** Words in Art. 38(5) omitted (31.12.2020) by virtue of [The Central Securities Depositories \(Amendment\) \(EU Exit\) Regulations 2018 \(S.I. 2018/1320\)](#), regs. 1(3), **16(2)** (with savings in S.I. 2019/680, reg. 11); 2020 c. 1, Sch. 5 para. 1(1)

### Article 39

#### Settlement finality

1 A CSD shall ensure that the securities settlement system it operates offers adequate protection to participants. [<sup>F5</sup>The competent authority] shall designate and notify the securities settlement systems operated by CSDs according to the procedures referred to in [<sup>F6</sup>regulation 4 of the Financial Markets and Insolvency (Settlement Finality) Regulations 1999].

2 A CSD shall ensure that each securities settlement system that it operates defines the moments of entry and of irrevocability of transfer orders in that securities settlement system in accordance with [<sup>F7</sup>regulation 20 of, and paragraph 5 of the Schedule to, the Financial Markets and Insolvency (Settlement Finality) Regulations 1999].

3 A CSD shall disclose the rules governing the finality of transfers of securities and cash in a securities settlement system.

4 Paragraphs 2 and 3 shall apply without prejudice to the provisions applicable to CSD links, and without prejudice to paragraph 8 of Article 48.

5 A CSD shall take all reasonable steps to ensure that, in accordance with the rules referred to in paragraph 3, finality of transfers of securities and cash referred to in paragraph 3 is achieved either in real time or intra-day and in any case no later than by the end of the business day of the actual settlement date.

6 Where the CSD offers the services referred to in Article 40(2), it shall ensure that the cash proceeds of securities settlements shall be available for recipients to use no later than by the end of the business day of the intended settlement date.

7 All securities transactions against cash between direct participants in a securities settlement system operated by a CSD and settled in that securities settlement system shall be settled on a DVP basis.

#### Textual Amendments

- F5** Words in Art. 39(1) substituted (31.12.2020) by [The Central Securities Depositories \(Amendment\) \(EU Exit\) Regulations 2018 \(S.I. 2018/1320\)](#), regs. 1(3), **16(3)(a)(i)** (with savings in S.I. 2019/680, reg. 11); 2020 c. 1, Sch. 5 para. 1(1)
- F6** Words in Art. 39(1) substituted (31.12.2020) by [The Central Securities Depositories \(Amendment\) \(EU Exit\) Regulations 2018 \(S.I. 2018/1320\)](#), regs. 1(3), **16(3)(a)(ii)** (with savings in S.I. 2019/680, reg. 11); 2020 c. 1, Sch. 5 para. 1(1)
- F7** Words in Art. 39(2) substituted (31.12.2020) by [The Central Securities Depositories \(Amendment\) \(EU Exit\) Regulations 2018 \(S.I. 2018/1320\)](#), regs. 1(3), **16(3)(b)** (with savings in S.I. 2019/680, reg. 11); 2020 c. 1, Sch. 5 para. 1(1)

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## Article 40

### Cash settlement

1 For transactions denominated in the currency of the country where the settlement takes place, a CSD shall settle the cash payments of its securities settlement system through accounts opened with a central bank of issue of the relevant currency where practical and available.

2 Where it is not practical and available to settle in central bank accounts as provided in paragraph 1, a CSD may offer to settle the cash payments for all or part of its securities settlement systems through accounts opened with a credit institution or through its own accounts. If a CSD offers to settle in accounts opened with a credit institution or through its own accounts, it shall do so in accordance with the provisions of Title IV.

3 A CSD shall ensure that any information provided to market participants about the risks and costs associated with settlement in the accounts of credit institutions or through its own accounts is clear, fair and not misleading. A CSD shall make available sufficient information to clients or potential clients to allow them to identify and evaluate the risks and costs associated with settlement in the accounts of credit institutions or through its own accounts and shall provide such information on request.

## Article 41

### Participant default rules and procedures

1 For each securities settlement system it operates, a CSD shall have effective and clearly defined rules and procedures to manage the default of one or more of its participants ensuring that the CSD can take timely action to contain losses and liquidity pressures and continue to meet its obligations.

2 A CSD shall make its default rules and relevant procedures available to the public.

3 A CSD shall undertake with its participants and other relevant stakeholders periodic testing and review of its default procedures to ensure that they are practical and effective.

<sup>F8</sup>4 .....

#### Textual Amendments

**F8** Art. 41(4) omitted (31.12.2020) by virtue of [The Central Securities Depositories \(Amendment\) \(EU Exit\) Regulations 2018](#) (S.I. 2018/1320), regs. 1(3), **16(4)** (with savings in S.I. 2019/680, reg. 11); 2020 c. 1, Sch. 5 para. 1(1)

**Status:**

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