

Commission Delegated Regulation (EU) 2017/392 of 11 November 2016 supplementing Regulation (EU) No 909/2014 of the European Parliament and of the Council with regard to regulatory technical standards on authorisation, supervisory and operational requirements for central securities depositories (Text with EEA relevance)

CHAPTER IX

RECONCILIATION MEASURES

(Article 37(4) of Regulation (EU) No 909/2014)

Article 59

General reconciliation measures

1 A CSD shall perform the reconciliation measures referred to in Article 37(1) of Regulation (EU) No 909/2014 for each securities issue recorded in securities accounts centrally and not centrally maintained by the CSD.

The CSD shall compare the previous end-of-day balance with all the settlements processed during the day and the current end-of-day balance for each securities issue and securities account centrally or not centrally maintained by the CSD.

A CSD shall use double-entry accounting, according to which for each credit entry made on a securities account maintained by the CSD, centrally or not centrally, there is a corresponding debit entry on another securities account maintained by the same CSD.

2 The audits referred to in Article 26(6) of Regulation (EU) No 909/2014 shall ensure that the records of a CSD related to securities issues are accurate, and that its reconciliation measures referred to in Article 37(1) of Regulation (EU) No 909/2014 and the measures concerning cooperation and exchanges of information with third parties related to reconciliation referred to in Article 37(2) of Regulation (EU) No 909/2014 are adequate.

3 Where the reconciliation process concerns securities subject to immobilisation, a CSD shall put in place adequate measures to protect the physical securities from theft, fraud, and destruction. Those measures shall at least include the use of vaults whose design and location ensure a high level of protection against floods, earthquakes, fire and other disasters.

4 Audits referred to in Article 26(6) of Regulation (EU) No 909/2014 with respect to the vaults, including physical inspections, shall be performed at least annually. The CSD shall share the results of those audit controls with the competent authority.

Article 60

Reconciliation measures for corporate actions

1 A CSD shall not determine the entitlements to the proceeds of a corporate action on stock that would change the balance of securities accounts maintained by the CSD until the reconciliation measures specified in Article 59 and in Articles 61, 62 and 63 are completed.

Changes to legislation: Commission Delegated Regulation (EU) 2017/392, CHAPTER IX is up to date with all changes known to be in force on or before 02 August 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) EUR 2017 No. 392 may be subject to amendment by EU Exit Instruments made by the Bank of England under powers set out in The Financial Regulators' Powers (Technical Standards etc.) (Amendment etc.) (EU Exit) Regulations 2018 (S.I. 2018/1115), regs. 2, 3, Sch. Pt. 3. These amendments are not currently available on legislation.gov.uk. Details of 2 relevant amendments are available in the list of amendments to this document on the legislation.gov.uk website.

When a corporate action has been processed, a CSD shall ensure that all securities accounts maintained by the CSD, centrally or not centrally, are updated.

Article 61

Reconciliation measures for the registrar model

Where a registrar, issuance agent, or other similar entity is involved in the reconciliation process for a certain securities issue in accordance with Article 37(2) of Regulation (EU) No 909/2014, and maintains records of securities which are also recorded in the CSD, the measures to be taken by the CSD and that entity to ensure the overall integrity of the issue shall include a daily reconciliation of the total balance recorded on the securities accounts maintained by the CSD with the corresponding records of securities maintained by that entity. The CSD and that entity shall also conduct:

- (a) where the securities have been transferred during a given business day, an end-of-day reconciliation of the balance of each securities account maintained by the CSD with the balance of the corresponding record of securities maintained by that entity;
- (b) at least once every two weeks, a full reconciliation of all balances in a securities issue with all balances on the corresponding record of securities maintained by that entity.

Article 62

Reconciliation measures for the transfer agent model

Where a fund manager, transfer agent or other similar entity is responsible for the reconciliation process for an account that maintains a part of a securities issue recorded in a CSD, the measures to be taken by the CSD and that entity to ensure the integrity of this part of the issue shall include a daily reconciliation of the total balance of the securities accounts maintained by the CSD with that entity's records of securities maintained by the CSD, including the aggregated opening and closing balances.

Where the CSD maintains its accounts in that entity's register through a third party which is not a CSD, the CSD shall require the third party to inform that entity that it is acting on behalf of the CSD and to set up equivalent cooperation and information exchange measures with that entity to ensure that the requirements under this Article are met.

Article 63

Reconciliation measures for the common depository model

Where CSDs that have established an interoperable link use a common depository or any other similar entity, each CSD shall reconcile on a daily basis the total balance per securities issue recorded on the securities accounts it maintains, other than for other CSDs in the interoperable link, with the corresponding records of securities that the common depository or the other similar entity maintains for that CSD.

Where a common depository or any other similar entity is responsible for the overall integrity of a certain securities issue, the common depository or the other similar entity shall conduct a daily comparison of the total balance per securities issue against the balances in the securities accounts it maintains for each CSD.

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Article 64

Additional measures where other entities are involved in the reconciliation process

1 A CSD shall review at least annually its cooperation and information exchange measures with other entities referred to in Articles 61, 62 and 63. This review may be conducted in parallel with a review of the CSD link arrangements. When required by the competent authority, the CSD shall implement other cooperation and information exchange measures in addition to those specified in this Regulation.

2 When a CSD establishes links, they shall comply with the additional requirements provided in Article 86.

3 A CSD shall require its participants to reconcile their records with the information received from that CSD on a daily basis.

4 For the purposes of paragraph 3, the CSD shall provide participants on a daily basis the following information specified for each securities account and for each securities issue:

- a the aggregated balance of a securities account at the beginning of the respective business day;
- b the individual transfers of securities in or from a securities account during the respective business day;
- c the aggregated balance of a securities account at the end of the respective business day.

The CSD shall provide the information referred to in the first subparagraph at the request of other holders of securities accounts maintained by the CSD, centrally or not centrally, where that information is necessary for the reconciliation of those holders' records with the records of the CSD.

5 A CSD shall ensure that, upon its request, its participants, other holders of accounts in the CSD and the account operators provide the CSD with the information that the CSD deems necessary to ensure the integrity of the issue, in particular to solve any reconciliation problems.

For the purposes of this paragraph, 'account operator' shall mean an entity that is contracted by a CSD to record book entries into its securities accounts.

Article 65

Problems related to reconciliation

1 A CSD shall analyse any mismatches and inconsistencies resulting from the reconciliation process and endeavour to solve them before the beginning of settlement on the following business day.

2 Where the reconciliation process reveals an undue creation or deletion of securities, and the CSD fails to solve this problem by the end of the following business day, the CSD shall suspend the securities issue for settlement until the undue creation or deletion of securities has been remedied.

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3 In the event of suspension of the settlement, the CSD shall inform without undue delay its participants, competent authority, relevant authorities and all other entities involved in the reconciliation process referred to in Articles 61, 62 and 63.

4 The CSD shall take without undue delay all the necessary measures to remedy the undue creation or deletion of securities and shall inform its competent authority and relevant authorities with regard to the measures taken.

5 The CSD shall inform without undue delay its participants, competent authority, relevant authorities and the other entities involved in the reconciliation process that are referred to in Articles 61, 62 and 63, when the undue creation or deletion of securities has been remedied.

6 Where a securities issue is suspended from settlement, the settlement discipline measures set out in Article 7 of Regulation (EU) No 909/2014 shall not apply in relation to that securities issue for the period of suspension.

7 The CSD shall resume settlement as soon as the undue creation or deletion of securities has been remedied.

8 Where the number of instances of undue creation or deletion of securities referred to in paragraph 2 is higher than five per month, the CSD shall send within one month the competent authority and the relevant authorities a proposed plan of measures for mitigating the occurrence of similar instances. The CSD shall update the plan and shall provide a report on its implementation to the competent authority and the relevant authorities on a monthly basis, until the number of instances referred to in paragraph 2 falls below five per month.

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EUR 2017 No. 392 may be subject to amendment by EU Exit Instruments made by the [Bank of England](#) under powers set out in The Financial Regulators' Powers (Technical Standards etc.) (Amendment etc.) (EU Exit) Regulations 2018 ([S.I. 2018/1115](#)), regs. 2, 3, Sch. Pt. 3. These amendments are not currently available on [legislation.gov.uk](#). Details of relevant amending instruments can be found on their website/s.

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Changes and effects yet to be applied to :

- Regulation revoked by [2023 c. 29 Sch. 1 Pt. 13](#)