

2021 CSDR SURVEY UNDERSTANDING THE IMPACT OF THE SETTLEMENT DISCIPLINE REGIME

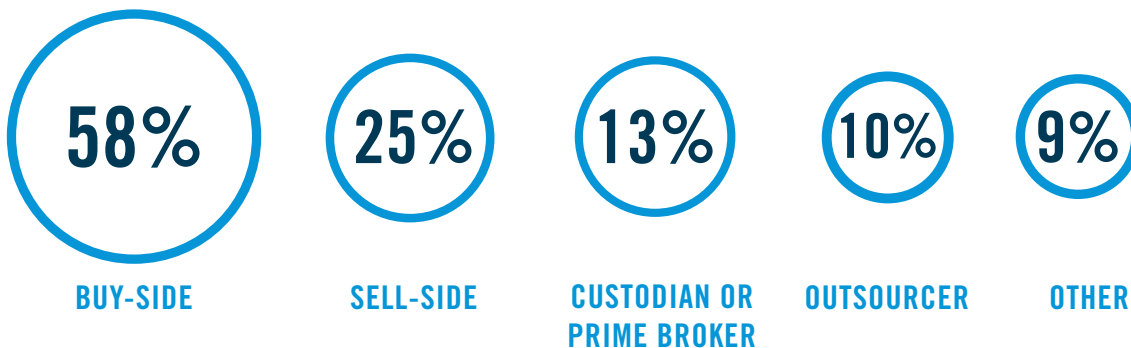
DTCC

DTCC recently surveyed over 200 participants from across the financial industry to analyze key strategic and operational issues as firms prepare for the implementation of the Central Securities Depositories Regulation's (CSDR) Settlement Discipline Regime (SDR) which enforces mandatory buy-ins and penalties for failed trades.

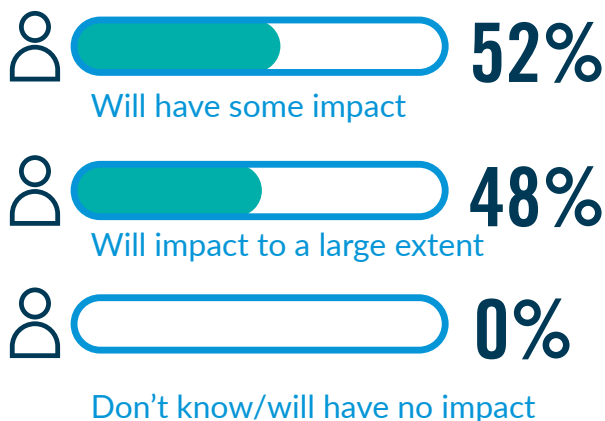


SURVEY PARTICIPANTS

Of the survey participants that settle trades in Europe over half were from the buy side.



WHAT IMPACT WILL CSDR HAVE ON THE SETTLEMENT OF TRADES IN EUROPE?



All respondents are confident that CSDR will have some/a large impact on settling their European trades.



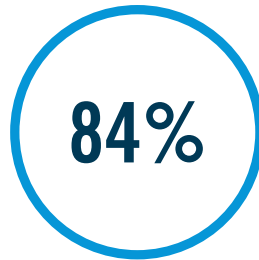
WHAT IS THE KEY REASON FOR YOUR SETTLEMENT FAILS TODAY?



Counterparty failing to deliver, and incorrect or missing SSIs were the top two reasons mentioned for why trades fail to settle.



IS YOUR FIRM INTRODUCING NEW MEASURES INTO OPERATIONAL PROCESSES TO ASSIST IN PREVENTING FAILS?



YES

And 4 out of 10 firms across buy side, sell side, custodian and outsourcer segments are looking to purchase new software solutions to assist with exception management.



HOW WILL YOUR FIRM ENSURE THAT A FAILING TRADE IS PARTIALLY SETTLED THE DAY BEFORE BUY-IN?



Identifying if a partial is available and initiating a standing instruction to partial is mostly how firms are planning to ensure that a failing trade is partially settled the day before buy-in.



DO YOU KNOW IF YOUR CUSTODIAN OR PRIME BROKER WILL SUPPORT PLACING TRANSACTIONS ON HOLD IF A BUY-IN IS INITIATED?

67%

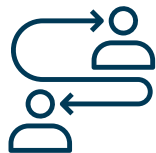
NO

33%

YES

When a buy-in is initiated, the CSDR obligation is to put the existing trade on hold, however only one out of three firms have spoken to their settlement agents about them supporting placing transactions on hold when a buy-in is initiated.

Of the 33% that have spoken to their settlement agents about placing transactions on hold, **over half (55%)** say that they will receive confirmation that trades have successfully been out on hold.



ARE YOU ENGAGING WITH AN INSTITUTION THAT WILL OFFER A BUY-IN AGENT SERVICE?

● YES

● NO

BUY-SIDE 36% 64%

SELL-SIDE 48% 52%

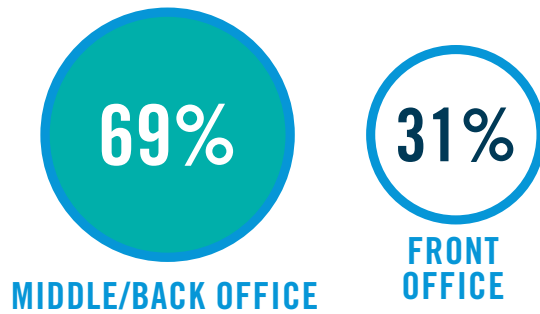
CUSTODIAN OR PRIME BROKER 46% 54%

OUTSOURCER 29% 71%

Nearly 40% of DTCC Users have been engaging institutions that will offer a buy-in agent service



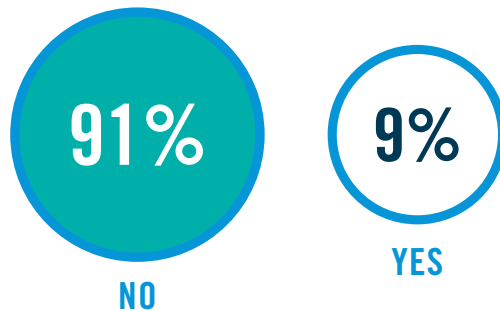
WHERE DOES THE BUY-IN INITIATION PROCESS RESIDE?



Most respondents felt that the middle/back office will have the most operational impact due to the buy-in process.



DOES THE INDUSTRY KNOW HOW CASH COMPENSATION PRICE AMOUNTS WILL BE SOURCED?



If the buy-in process is not successful (twice) and the failing transaction enters a cash compensation process, 91% respondents across all segments reported they have had no indication of the source of a cash compensation price / amount. This is slightly higher than last year's 88%.



WHAT DOES THIS MEAN?

Overall, the results from this survey are very similar to what DTCC saw in last year's 2020 client impact survey. **A year on, with a delay to implementation, clients are still saying that CSDR is going to have a big operational impact to their firm, yet they still have many unknowns to what the new processes will look like.**

That said, the best way to avoid penalties when it comes to SDR is to prevent fails from occurring in the first place. 18% of respondents indicated that incorrect or missing SSIs are one of the top reasons that their trades fail today and over 80% are looking to implement new measures to reduce their fails – including 4 out of 10 looking for new solutions to their exception management.

DTCC's Institutional Trade Processing provides an integrated suite of solutions to help support CSDR compliance, minimizing the risk of trade failure by ensuring that clean and accurate golden source data are used to create an authoritative trade record, automated processing and efficient exception management.

ALERT, the industry's largest SSI database, provides clients access to up to date SSI information, reducing the risk of failed trades due to inaccurate or incomplete instructions. Additionally, through ALERT Global Custodian Direct (GCD), SSIs stored in ALERT can come directly from and be maintained by source data providers such as global custodians, driving reliable source data. 9 major global custodians are currently live on ALERT GCD, covering 36% of the total SSIs in the database. DTCC is working with the industry to expand this coverage by onboarding additional large global custodians and developing tools to assist smaller global custodians that are not able to build directly to ALERT GCD.

DTCC's **CTM**, the central matching platform for cross-border and domestic transactions, automates the trade confirmation process across multiple asset classes. When used in conjunction with ALERT, CTM enables clients to automatically enrich trades with SSIs, to help ensure all account information is accurate. Additionally, clients can upgrade their ALERT enrichment capabilities by accessing our ALERT Key Auto Select (AKAS) functionality, a rules-based enrichment of CTM trades eliminating the need to provide ALERT Keys as part of the trade information.

DTCC Exception Manager gives you the ability to publish, manage and communicate on exceptions throughout the trade lifecycle based on accurate source data, helping you to quickly resolve exceptions and reduce delays in settlement. In addition, the CSDR add on module, to be launched later this year, will allow users to prioritize exceptions based on the size of predicted penalty prior to Settlement Date, to help manage activity and prevent a fail from occurring.

TO LEARN MORE

ABOUT HOW DTCC CAN HELP WITH CSDR [VISIT WWW.DTCC.COM/CSDR](http://WWW.DTCC.COM/CSDR)

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