DTCC
ADVANCING FINANCIAL MARKETS. TOGETHER.

CSDR – UNDERSTANDING THE IMPACT ON THE SELL-SIDE

In a recent survey conducted by DTCC with cross-industry market participants from across Europe, the majority felt that the sell-side would most significantly be affected by the Central Securities Depositories Regulation's (CSDR) Settlement Discipline Regime (SDR).

SELL-SIDE

SELL-SIDE	BUY-SIDE	CUSTODIAN	OTHERS
51%	25%	16%	16%

SDR Expected to come into effect 1st **February 2022**.

1 STOCK BORROW LOAN IMPACT

The sell-side's stock borrow loans (SBL) could increase exposure to SDR penalties and fines if SBL inventory is not segregated from normal trading and market making inventory.

2 ADDTIONAL RESOURCING

Sell-side firms may need to implement fully resourced teams to carry out stringent reconciliation processes and handle settlement penalties.

3 UPGRADE SYSTEMS

Sell-side firms will need to invest in real time inventory management systems to identify where stock/bonds are located, especially if they also run large SBL businesses, which may increase their exposure to SDR.

4 IMPACT ON COMMISSIONS

SDR will affect sell-side equity commissions. Under SDR, if a trade fails to settle on time, it will incur a charge of 1bp per day which could wipe out any commission charged.

5 HISTORIC SETTLEMENT FAILURES

Resources must also be allocated to address historic trade settlement fails prior to SDR's implementation to avoid potential failed trade penalties.

6 COMMUNICATION

Partial settlement rules under the SDR will require enhanced communication and further resources to ensure that buy-ins are executed correctly.

PREPARE TODAY

Effective planning and preparation and the adoption of automated front, middle and back office processing will help the sell-side to avoid SDR penalties.

TO LEARN MORE: www.dtcc.com/csdr