ICMA International Capital Market Association

**ICMA statement on decision of UK government not to implement CSDR-SD measures**

On 23 June 2020 the UK Treasury published a **Written Ministerial Statement** from the Chancellor of the Exchequer, Rishi Sunak. The Statement outlines a number of areas where the UK is looking to tailor the implementation of EU financial regulation. Of note, the UK has stated that it will not implement the EU CSDR-SD regime from February 2021:

*"The Government is committed to regulation that supports and enhances the functioning of UK capital markets. It will therefore* ***consider the future approach to the UK's settlement discipline framework****, given the importance of ensuring that regulation facilitates the settlement of market transactions in a timely manner while sustaining market liquidity and efficiency. As such, the UK will not be implementing the EU's new settlement discipline regime, set out in the Central Securities Depositories Regulation, which is due to apply in February 2021. UK firms should instead continue to apply the existing industry-led framework. Any future legislative changes will be developed through dialogue with the financial services industry, and sufficient time will be provided to prepare for the implementation of any new future regime."*

Whilst supporting settlement discipline overall, ICMA has long warned of the negative consequences of the mandatory buy-in element of the CSDR on the functioning of the debt capital markets. Consequently the announcement of HMT that they will not be implementing this aspect of the CSDR is a positive step, as is the comment that UK firms should continue to rely on the existing industry-led framework, and that any new regime in the UK will be developed through dialogue with industry, with sufficient time provided to prepare for implementation.

It is important to note, however, that UK trading entities, along with all third country trading entities, are still likely to be brought into scope of the EU CSDR as it applies at EU settlement level and requires trading parties to put enforceable contractual arrangements in place importing the mandatory buy-in regime.

ICMA supports integrated capital markets, and in the interests of avoiding fragmentation of regulatory requirements in Europe, as well as the functioning of markets in the EU27, will be responding to the current ESMA "Survey on Topics for the CSDR Review" recommending that the mandatory buy in regime is not implemented as planned, at least until its impact has been fully assessed and outstanding structural issues clarified. This is an evolving situation with which ICMA will continue to engage on behalf of its global membership.

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