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| 18 December 2014 |

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| Reply form for the Guidelines on the Access to a CCP or a Trading Venue by a CSD |
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| Date: 18 December 2014 |

Responding to this paper

The European Securities and Markets Authority (ESMA) invites responses to the specific questions listed in the ESMA Consultation Paper - Guidelines on the Access to a CCP or a Trading Venue by a CSD, published on the ESMA website.

***Instructions***

Please note that, in order to facilitate the analysis of the large number of responses expected, you are requested to use this file to send your response to ESMA so as to allow us to process it properly. Therefore, please follow the instructions described below:

1. use this form and send your responses in Word format;
2. do not remove the tags of type <ESMA\_QUESTION\_GUID\_CSDR\_1> - i.e. the response to one question has to be framed by the 2 tags corresponding to the question; and
3. if you do not have a response to a question, do not delete it and leave the text “TYPE YOUR TEXT HERE” between the tags.

Responses are most helpful:

1. if they respond to the question stated;
2. contain a clear rationale, including on any related costs and benefits; and
3. describe any alternatives that ESMA should consider

**Naming protocol:**

In order to facilitate the handling of stakeholders responses please save your document using the following format:

ESMA\_GUID\_CSDR\_NAMEOFCOMPANY\_NAMEOFDOCUMENT.

E.g. if the respondent were ESMA, the name of the reply form would be ESMA\_GUID\_CSDR \_ESMA\_REPLYFORM or ESMA\_GUID\_CSDR\_ESMA\_ANNEX1

To help you navigate this document more easily, bookmarks are available in “Navigation Pane” for Word 2010 and in “Document Map” for Word 2007.

Responses must reach us by **19 February 2015**.

All contributions should be submitted online at [www.esma.europa.eu](http://www.esma.europa.eu) under the heading ‘Your input/Consultations’.

***Publication of responses***

All contributions received will be published following the end of the consultation period, unless otherwise requested. **Please clearly indicate by ticking the appropriate checkbox in the website submission form if you do not wish your contribution to be publicly disclosed. A standard confidentiality statement in an email message will not be treated as a request for non-disclosure.** Note also that a confidential response may be requested from us in accordance with ESMA’s rules on access to documents. We may consult you if we receive such a request. Any decision we make is reviewable by ESMA’s Board of Appeal and the European Ombudsman.

***Data protection***

Information on data protection can be found at [www.esma.europa.eu](http://www.esma.europa.eu) under the heading ‘Disclaimer’.

# General information about respondent

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| Are you representing an association? | No |
| Activity: | Choose an item. |
| Country/Region | Europe |

Q1: What are your views on the proposed Guidelines?

<ESMA\_QUESTION\_ GUID\_CSDR\_1>

LSEG agrees with ESMA that it is important to deal with the situation where a CSD may seek access to transaction feeds of a trading venue and/or a CCP and that, in absence of a mandate under the Level 1 text of CSDR to develop technical standards, the proposed Guidelines would be helpful in promoting a consistent approach for CSD access to such transaction feeds. We also agree with ESMA’s comment that, where necessary, the relevant access provisions in CSDR and the guidelines on access to transaction feeds may need to be re-aligned once the RTS for MiFIR are finalised, although the scope and effect of the two pieces of legislation are not the same, so this may not be required at a detailed level.

We also agree that access by CSDs to transaction feeds, for consistency with other access provisions envisaged under European legislation (for example, EMIR and MiFIR) should be provided on the basis of transparent, proportionate and non-discriminatory criteria, as set out in Article 53(1) of CSDR.

We agree with ESMA’s general approach that granting and refusing access to transaction feeds by a trading venue and/or a CCP should mirror the risk considerations that CSDs must apply when considering a request for access to its own systems. We believe that this means that the framework for providing access for a CSD to transaction feeds of a CCP and/or a trading venue should include consideration of issues that might be detrimental to the safety and soundness of market infrastructures, or threaten the smooth and orderly functioning of the financial markets.

In this context it should be considered that the request for access to transaction feeds could be submitted to the CCPs and trading venue only where the requesting CSD has established proper links or interoperability arrangements with a CSD that already has access to the trading venue or the CCPs to settle transactions (an “incumbent CSD”). In particular, the access request should be assessed taking into account the following financial and operational risks for the CCPs and trading venues.

Where a CSDs request access for transaction feeds of a CCP who currently settles transactions in another CSD it may be the case that the CCP has to settle an obligation/transaction on behalf of/towards the delivering participant in one CSD and has to settle an obligation/transaction on behalf of/towards the receiving participant in the other CSD. In this scenario the CCP, will have to anticipate the amount of cash required to settle the first transaction and could potentially be exposed to liquidity risk. When the securities received by the CCP should be transferred via the link from the CSD of the delivering party to the CSD of the receiving party, this could bring further operational risk as the CCP may be considered as failing towards the receiving party until such transfer is performed.

In case of CSDs requesting access to transaction feeds of trading venue for the ability to settle non-guaranteed trades, the absence of proper interoperability arrangements between CSDs used by trading members might affect the smooth functioning of the market causing fragmentation of liquidity as in the absence of proper arrangements settlement across trading member using different CSDs is not possible.

On that basis, we would make the following suggestions for amendments to the draft Guidelines to ensure that the risks relevant to the provision of access to transaction feeds are clearly outlined:

12. When assessing financial risk, the CCP or the trading venue, and its competent authority should take into account at least the following criteria:

[…]

***(c) Where the requesting CSD’s proposed structure and arrangements with other market infrastructure exposes the CCP to further liquidity risk with reference to the settlement of transactions across different CSDs.***

13. When assessing the operational risks, the CCP or the trading venue, and its competent authority should take into account at least the following criteria:

[…]

(c) The granting of access requires the receiving party to undertake significant changes of its operations that would affect the risk management procedures of the receiving party **or *would adversely affect the smooth functioning of the trading venue, the CCP or the markets they serve or of the other CSDs that have access to the trading venues or to the CCP.***

[…]

(e) The CSD is not able to demonstrate that it has the operational capacity to support the operational activity of the trading venue or CCP in a way that does not affect the smooth functioning of the trading venue, the CCP or the markets they serve;

TYPE YOUR TEXT HERE

<ESMA\_QUESTION\_ GUID\_CSDR\_1>