

**EXPLANATORY MEMORANDUM TO**  
**THE CENTRAL SECURITIES DEPOSITORIES REGULATIONS 2014**

**2014 No. 2879**

1. This explanatory memorandum has been prepared by HM Treasury and is laid before Parliament by Command of Her Majesty.

**2. Purpose of the instrument**

2.1 These Regulations implement in part certain Articles of Regulation (EU) No 909/2014 of the European Parliament and of the Council of 23 July 2014 on improving securities settlement in the European Union and on central securities depositories (CSDs) (“the CSD Regulation”) (OJ No L 257, 28.8.2014, p1).

2.2 These Regulations designate the Financial Conduct Authority (FCA), the Bank of England and the Prudential Regulation Authority (PRA), as the various competent authorities in relation to different provisions in the CSD Regulation and provide those bodies with powers for the enforcement of the CSD Regulation and for sanctions.

**3. Matters of special interest to the Joint Committee on Statutory Instruments**

3.1 None

**4. Legislative Context**

4.1 These Regulations implement in part the CSD Regulation, which creates a common authorisation, supervision and regulatory framework for CSDs at European level. The CSD Regulation aims to harmonise the timing and conduct of securities settlement in Europe and the rules governing CSDs which operate the infrastructures enabling settlement.

4.2 The Regulations designate the FCA as the competent authority in relation to the supervision of trading venues and the functions in Article 4(3) of the CSD Regulation (supervision of requirement to record transactions in transferable securities in book entry form following a financial collateral arrangement). The Bank of England is the designated competent authority in relation to the authorisation and supervision of CSDs referred to in Article 11 of the CSD Regulation and the oversight of securities settlement systems in the UK referred to in Article 12(1)(a) of the CSD Regulation. The PRA is responsible for the authorisation as a credit institution of CSDs providing banking-type ancillary services, and for the supervision of banking-type ancillary services (provided either by CSDs or by designated credit institutions).

4.3. To ensure that the CSD Regulation is effective in the UK, the Regulations make amendments to the Financial Services and Markets Act 2000 (the “Act”) and the Financial Services and Markets Act 2000 (Qualifying EU Provisions)

Order 2013 (S.I. 2013/419) to provide for the enforcement of the CSD Regulation and for sanctions. The enforcement and sanctions regime in the Act (which applies to persons authorised or recognised under the Act) is extended to allow the enforcement of the CSD Regulation. The FCA is also given powers to enforce the CSD Regulation against persons who are not subject to regulation under the Act and to impose sanctions on such persons.

4.4 The CSD Regulation was submitted for scrutiny to the UK Parliament on 23 March 2012. It was cleared by the House of Commons Scrutiny Committee on 16 October 2013 and the House of Lords European Scrutiny Committee on 26 June 2012.

## **5. Territorial Extent and Application**

5.1 This instrument applies to all of the United Kingdom.

## **6. European Convention on Human Rights**

6.1 The Economic Secretary to the Treasury has made the following statement regarding Human Rights:

“In my view the provisions of the Central Securities Depositories Regulations 2014 are compatible with the Convention Rights.”

## **7. Policy background**

7.1 CSDs are systemically important financial market infrastructures that support the issuance, safekeeping and settlement of securities. The CSD Regulation provides a harmonised regulatory and prudential regime for CSDs, harmonises and increases the robustness and resilience of securities settlement arrangements and creates a single market for CSD services.

It does this by:

- Establishing the core and ancillary services that a CSD can provide;
- Establishing new common rules for the authorisation and ongoing supervision of CSDs;
- Setting prudential, technical, legal and organisational requirements for the operation of CSDs and their services;
- Harmonising securities settlement rules; and
- Establishing common access rules to support the creation of a competitive single market in securities settlement services.

7.2 The CSD Regulation also sets out regulatory roles and responsibilities for competent authorities in support of the above objectives. Member States are required to designate specific competent authorities as responsible for the application of provisions of the CSD Regulation and provide these authorities with the supervisory powers necessary for the exercise of their functions.

7.3 These Regulations designate the FCA, the Bank of England and the PRA as the various competent authorities in relation to different provisions in the CSD

Regulation. They further provide these bodies with the powers to fully carry out these regulatory obligations, which are consistent with their powers in other areas where they have supervisory activities. This will also provide businesses involved in providing settlement services or undertaking financial transactions on trading venues with clarity as to which bodies are the relevant competent authorities in the UK for the provisions of the CSD Regulation.

## **8. Consultation outcome**

8.1 The Government has not consulted on the Regulations. The Government has already consulted widely with Euroclear UK & Ireland, trading venues, CCPs, market participants, registrars, issuers, and shareholders and their trade associations as the CSD Regulation was developed.

## **9. Guidance**

9.1 The Treasury is not intending to issue any guidance in connection with these Regulations.

## **10. Impact**

10.1 There is no direct impact on business, charities or voluntary bodies. The Regulations only provide the FCA, the Bank of England and the PRA with the powers to fully carry out their regulatory obligations under the CSD Regulation. Any impact stemming from the enforcement of these powers is as a direct result of the CSD Regulation, not from these domestic Regulations.

10.2 The impact on the public sector is limited to the FCA, the Bank of England and the PRA who will have to undertake the regulatory obligations as designated competent authorities for the purposes of the CSD Regulation.

10.3 An Impact Assessment has not been prepared as there are no direct costs on business associated with this instrument.

## **11. Regulating small business**

11.1 The Regulations will enable the FCA to request information from persons who are not authorised under the Act in connection with compliance with the CSD Regulation, including Article 3(2) of it (requirement to record transactions in transferable securities in book entry form following a financial collateral arrangement). This would only affect small businesses, who will need to provide information in response to such an FCA notice, so the FCA can verify compliance with the CSD Regulation which directly applies in UK law.

## **12. Monitoring & review**

12.1 The Treasury are required to review the operation and effect of the Regulations within a five year period after the Regulations come into force and within every five years after that. Under Article 75 of the CSD Regulation the European Commission is required to review and prepare a general report on the CSD Regulation and submit

that report together with any appropriate proposals to the European Parliament and Council by 18<sup>th</sup> September 2019.

### **13. Contact**

Mark Griffin at the HM Treasury Tel: 020 7270 6651 or email [mark.griffin@hmtreasury.gsi.gov.uk](mailto:mark.griffin@hmtreasury.gsi.gov.uk) can answer any queries regarding the instrument.