

# CSDR: Clearstream Banking published its annual CSDR settlement efficiency rates for 2023

Clearstream Banking<sup>1</sup> informs clients that it has published the annual Clearstream Banking CSDR Settlement Fails Reports 2023 on its website under [Central Securities Depositories Regulation \[CSDR\]](#).

**Clearstream Banking and its clients achieved remarkable improvements as the relevant settlement fails rates “by value” and “by volume” decreased by up to 90% compared with 2022 data.**

## **Clearstream Banking S.A. client settlement efficiency 2023:**

- **by value: 95%** (2022: 41%)
- **by volume: 91%** (2022: 72%)

## **Clearstream Banking AG client settlement efficiency 2023:**

- **by value: 95%** (2022: 75%)
- **by volume: 92%** (2022: 65%)

## **Background**

CSDR Article 7.1 requires CSDs to “[...] *provide regular reports to the competent authority and relevant authorities, as to the number and details of settlement fails and any other relevant information, including the measures envisaged by CSDs and their participants to improve settlement efficiency. Those reports shall be made public by CSDs in an aggregated and anonymised form on an annual basis.*”

Clearstream Banking is determined to support clients in achieving best possible settlement efficiency, for example, by improving overall securities liquidity in the market. As a CSD, it however has limited means to directly influence the settlement efficiency of its clients. While it is difficult for Clearstream Banking to assess the detailed reasons why instructions are actually failing (beyond “lack of cash/ securities” or “on hold”), various actions were initiated by Clearstream Banking, including, inter alia, continuous joint interactions with the relevant clients through the CSDR monthly “working arrangements” communication streams with “Top 10 failing participants<sup>2</sup>” and the addition of further partial settlement windows for Clearstream Banking internal settlement. The underlying data of the relevant CSDR monthly “Settlement fails”, “Top 10 failing participants” and annual “Consistently and systematically failing participants” reports is being analysed to detect main fail reasons/patterns to support selected clients whose fails have a relevant impact on Clearstream Banking’s settlement efficiency. Processes such as “working arrangements” well serve their purpose to incentivise relevant clients to take mitigating actions, whenever possible (as the reasons for fails are quite diverse).

As a result of the above, **Clearstream Banking and its clients achieved remarkable improvements of the overall settlement fails rates in 2023 compared with 2022 data.**

**Clearstream Banking stays highly committed to identify means to increase settlement efficiency, hence, continues to analyse reasons for settlement fails and to assess potential measures to avoid settlement fails and to improve settlement efficiency jointly with its clients and via industry associations.**

In addition, Clearstream Banking is actively involved in the discussions about a potential shortening of the settlement cycle (T+1) in the EU and believes that measures should be identified and implemented to limit negative impacts on the clients' settlement efficiency before the settlement cycle would be shortened.

### **Clearstream Banking S.A. (CBL) efficiency data**

Thanks to the continuous joint interactions with the relevant clients, CBL's "by value" settlement efficiency **improved to 95%** in 2023<sup>3</sup> and the "by volume" efficiency **improved by 19% to reach 91%**. In absolute terms, **the number of failed settlement instructions declined by almost 7%** though the total instructions volume increased by 15%.

Many CBL clients confirmed to apply enhanced oversight of settlement activities, including using Clearstream Banking reporting and tools like the Settlement Dashboard, Settlement Prediction tool and the Xact Web Portal GUI, and took actions to reduce settlement fails, whenever possible.

**Note:** Some sanctions measures introduced already in 2022 significantly increased the number of CBL clients' (or underlying clients') accounts and transactions being blocked from settlement. As such transactions are not exempted from the settlement (fails) reporting, this generally negatively impacts the settlement efficiency rates.

### **Clearstream Banking AG (CBF) efficiency data**

Thanks to the continuous joint interaction with relevant clients via the CSDR monthly "working arrangements" stream, CBF's "by volume" efficiency **improved by 27% to reach 92%** while the "by value" efficiency rate saw an **even stronger improvement by 79% to reach 95%**.

In absolute terms, **the number of failed settlement instructions declined by almost 27%** (the total instructions volume remained stable).

For the CBF-i settlement via the Creation platform, the "by volume" efficiency **remained stable around 73%** but the "by value" efficiency **significantly improved by 61% to reach 97%**.

In absolute terms, the number of failed settlement instructions increased by 14%, in line with the total instructions volume increase.

Specifically, CBF clients with underlying broker/dealer clients reported structural issues that pose challenges for timely settlement to them.

In principle, room for improvement appears to exist for settlement in the instrument category Exchange Traded Funds (ETFs); a market-wide review of the current processes should be considered. Also, T2S cross-CSD settlement processes pose complexities that clients have to cope with. In this context, CBF has raised a T2S Change Request ([CR 797<sup>4</sup>](#)) to support cross-CSD settlement also via alternative links that is expected to be implemented by T2S latest in June 2025.

As CBF notes that a relevant portion of failed settlement instructions relates to share registrations, CBF supports the potential refinement of the CSDR Settlement Discipline Regime via the CSDR Refit to eliminate, amongst others, such non-trading related settlement instructions from the penalties and fails reporting scope.

For CBF-i, on top of some aspects stated for CBF, according to many major CBF clients, the low “by volume” efficiency results to a large extent from CBF being the only EU CSD that is running two different securities settlement systems (SSS)/security account setups in parallel, increasing process complexity and “cross-system” realignments needs.

Additionally, a large number of foreign/international ISINs can be traded on German stock exchanges that are eligible for settlement in both CBF SSSs so different places of settlement need to be handled and position realignments between CBF and CBF-i be arranged to cover the lack of securities in one of the accounts.

CBF is currently working with its clients to identify and implement options to enhance the CBF-i processing.

## Further information

For further information, please contact Client Service or your Relationship Officer.

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1. Clearstream Banking refers collectively to Clearstream Banking S.A., registered office at 42, avenue John F. Kennedy, L-1855 Luxembourg, and registered with the Luxembourg Trade and Companies Register under number B-9248, and Clearstream Banking AG, registered office at 61, Mergenthalerallee, 65760 Eschborn, Germany and registered in Register B of the Amtsgericht Frankfurt am Main, Germany under number HRB 7500.
2. Please refer to the section “CSDR Settlement Discipline Regime” of the [Client Handbooks](#) for details.
3. **Note:** In 2022, CBL’s settlement efficiency rate of only 41% was highly impacted by few failing CBL internal and Bridge transactions in debt instruments quoted in UNIT that were erroneously instructed by clients with a face amount (FAMT) settlement quantity, leading to the multiplication of the actual fails value by 1,000; the AFME paper “[Improving the Settlement Efficiency Landscape in Europe](#)” acknowledges that this industry wide issue should be addressed.
4. <https://www.ecb.europa.eu/paym/target/t2s/governance/html/changerequests.en.html>