

CSDR Settlement Discipline

These Frequently Asked Question (“**FAQs**”) set out answers to some questions you may have in relation to the services provided to you by KBC AM Group entities (KBC Asset Management NV, IVESAM NV, ČSOB Asset Management, a.s., investiční společnost and KBC Fund Management Limited) (“**KBC AM**”) in response to their obligations under the Regulation (EU) No 909/2014 of 23 July 2014 on improving securities settlement in the European Union and on central securities depositories and amending Directives 98/26/EC and 2014/65/EU and Regulation (EU) No 236/2012 (“**CSDR**”).

What is CSDR?

CSDR is an EU regulation, which introduces a number of measures to improve settlement discipline, i.e. the so-called Settlement Discipline Regime (“**SDR**”). SDR’s aim is to reduce the number of failed settlements in the EEA and to address such settlement fails when they occur.

One of the measures under SDR is the introduction of a **cash penalties regime** for market participants that cause settlement fails (**Failing Participants**). According to this regulation, cash penalties are calculated on a daily basis for each business day that a transaction fails to be settled after its intended settlement date, and until the actual settlement date. Penalties are collected on a net and, at least, monthly basis by the central securities depository. The concerned penalties are due by the Failing Participant and paid out to the participants that did not receive the financial instruments (**Receiving Participants**).

For the execution and settlement of its transactions, KBC AM depends on custodians and brokers. Cash penalties, both negative or positive, where KBC AM respectively finds itself on the side of the Failing Participant or Receiving Participant, may be passed down the settlement chain to KBC AM by the concerned custodians and brokers.

What is the CSDR cash penalties rules impact?

KBC AM intends to absorb both the negative and positive effects of cash penalties attributable to transactions of assets managed by KBC AM (both in case of investment funds or investment portfolios) and will not seek to pass these further on to clients. Therefore, the CSDR cash penalties regime will in general have no practical impact on clients.

When does the CSDR take effect?

The CSDR settlement discipline regime including cash penalties regime takes effect from 1 February 2022.