ASSOCIATION FRANÇAISE DES MARCHÉS FINANCIERS

CSDR - GUIDELINES ON CONFIRMATIONS AND ALLOCATIONS

ESMA'S CONSULTATION

AMAFI's answer

AMAFI is the trade association representing financial markets' participants of the sell-side industry located in France. It has a wide and diverse membership of more than 170 global and local institutions notably investment firms, credit institutions, broker-dealers, exchanges and private banks. They operate in all market segments, such as equities, bonds and derivatives including commodities derivatives. AMAFI represents and supports its members at national, European and international levels, from the drafting of the legislation to its implementation. Through our work, we seek to promote a regulatory framework that enables the development of sound, efficient and competitive capital markets for the benefit of investors, businesses and the economy in general.

I. General Comments

AMAFI welcomes ESMA's objective of improving settlement efficiency through the amendment of its Guidelines on standardised procedures and messaging protocols used between investment firms and their professional clients under Article 6(2) of CSDR[1]. In the context of the transition to T+1, greater automation of allocation and confirmation processes is indeed necessary, as T+1 will compress post-trade timelines, reducing the time available for trade confirmation, allocation, matching, funding and settlement preparation. However, the review of the Guidelines should remain guided by the broader EU objectives of simplification, with a view to enhance the competitiveness and attractiveness of European capital markets.

Against this background, the revised *Guidelines* should remain proportionate and focused on clarifying, in the context of T+1, the practical application of the requirements already set out in CSDR and in the RTS on Settlement Discipline[2]. They should not introduce additional requirements or operational rigidity beyond Level 1 and 2. While greater use of standardised, electronic and machine-readable communication is needed, the Guidelines should preserve sufficient flexibility for investment firms and their professional clients to organise their operational arrangements in a manner that is adapted to their specific circumstances, while ensuring that the regulatory objective is met.

[1] Regulation (EU) No 909/2014.
[2] Commission Delegated Regulation (EU) 2018/1229, Article 2.

An outcome-based approach would best support the objectives of enhancing settlement efficiency in a T+1 transition context and to ensure that the necessary settlement information is exchanged in a timely, reliable and automated manner. Market participants should therefore retain sufficient discretion to determine the most appropriate means of achieving this outcome: such an approach would help avoid introducing unnecessarily prescriptive requirements and would be consistent with the parallel objective of simplifying the EU regulatory framework

II. ANSWERS TO THE QUESTIONS

***Question 1**: Do you agree with the proposed amendment? If not, please elaborate.*

AMAFI does not support the proposed amendment stating that "*investment firms and professional clients should contractually agree on the arrangements referred to in these Guidelines*".

Requiring arrangements set out in non-binding Guidelines to be included in the contractual agreement appears disproportionate and unnecessarily prescriptive. It would introduce contractual rigidity that is not justified and would go beyond the flexibility afforded by the current version, which states that "*the arrangements agreed between the investment firm and its professional client could be included in any contractual agreement*". The current wording appropriately leaves investment firms with sufficient flexibility to determine how best to meet the requirements of the RTS on Settlement Discipline, while leaving the parties free to determine the clauses they consider necessary to achieve the prescribed objectives.

Investment firms may indeed implement these arrangements in different forms of documentation, depending on the nature of the client relationship, the relevant business line and the existing contractual framework. These could for example client notices, online procedures, platform documentation or other agreed mechanisms.

Setting detail operational arrangements in contracts would create an excessive administrative burden for investment firms, as any change to communication procedures, messaging protocols or operational arrangements could require repapering. This would be disproportionate and would run counter to the broader objective of simplification and burden reduction.

The focus should be on the achievement of the regulatory outcome, namely the timely and reliable exchange of the required information, which could be monitored ex-post, rather than on prescribing the specific legal form through which this outcome must be achieved.

***Question 2**: In particular, do you see any alternative/additional ways to reduce the administrative burden created by documenting the arrangements between investment firms and professional clients?*

The Guidelines could make clear that the legally binding arrangements may consist of a high-level contractual commitment, combined with operational procedures or technical documentation made available to clients. Such documentation could be updated in a proportionate and efficient manner, for example through client notices, online procedures, platform documentation or other agreed mechanisms. This approach would avoid having to renegotiate or amend contractual documentation at each operational update.

ESMA should avoid encouraging too much detailed bilateral bespoke arrangements. While some degree of client-specific adaptation may be unavoidable, especially in the context of commercial relationships and different levels of client automation, the regulatory framework should support operational convergence without imposing an overly rigid legal documentation model.

***Question 3**: Do you agree with the proposed amendment? If not, please elaborate.*

Supporting the objective of increased automation, AMAFI agrees with those proposed amendments that contribute to align the Guidelines with the requirements in the RTS on Settlement Discipline to use standardised electronic and machine-readable communication methods, without requiring any contractual agreement on this aspect as per the current version of the Guidelines.

However, AMAFI does not agree with the proposed amendments that make the Guidelines overly prescriptive, as regards the specific technical tools or formats used by market participants. The key criterion should be whether the information can be effectively identified, extracted and automatically processed by the receiving party's systems.

Accordingly, emails or graphical user interfaces, as specifically mentioned in the Guidelines, may be acceptable where the content exchanged is structured in a machine-readable format. The Guidelines should remain technologically neutral and should allow firms and clients to agree on practical solutions that meet the regulatory objective without imposing any specific ways to achieve it.

***Question 4**: Should interfaces designed for human interaction i.e. GUIs, be considered appropriate for communication between investment firms and their professional clients? Please explain your reasoning.*

GUIs designed solely for manual input from professional clients should not be treated as the preferred model for frequent or high-volume activity, as they may maintain manual intervention and increase operational risk.

However, GUIs should not be excluded altogether. They may be appropriate where they enable the transmission or upload of structured data that can be processed automatically by the receiving system. This is particularly relevant for smaller or less automated buy side firms, for which a GUI may provide a proportionate and practical way to comply with the new requirements without having to implement complex APIs or full system-to-system connectivity.

The decisive factor should therefore not be whether a GUI is used, but whether the data exchanged through that GUI is sufficiently structured and capable of being processed by investment firms in an automated manner and meet the ultimate objective of being sent in due time, with a very high level of data quality.

Question 5*: Do you agree with the proposed amendment? If not, please elaborate.*

AMAFI agrees with the proposed amendment.

The deletion of the reference to oral communication as a normal means of communicating allocations and confirmations is consistent with the objective of promoting automation and machine-readable exchanges.

AMAFI also supports maintaining the possibility not to send separate allocations and confirmations where the investment firm already has all the necessary settlement information within the relevant deadline and the parties have agreed to this arrangement. This is a practical and sensible approach, as the regulatory objective is to ensure that the investment firm has the necessary information in due time, not to impose duplicative communication flows.

Question 6*: Do you agree with the proposed amendment? If not, please elaborate.*

AMAFI agrees with the proposed amendment.

The consequences of late or failed communication should remain a matter for the arrangements between the investment firm and the professional client. These consequences should not need be specified in detail in the main contractual agreement. Firms should be able to address such situations through their broader legal or operational framework, including escalation procedures, operational remediation measures or, where necessary, review of the client relationship.

AMAFI therefore agrees with the proposed deletion of the word “contractual” in this paragraph, as it provides useful flexibility and avoids implying that detailed consequences must be set out in the main contract.

Question 7*: Do you agree with the proposed amendment? If not, please elaborate.*

AMAFI partially agrees.

We agree with the principle that non-electronic or non-machine-readable methods should only be used in exceptional and temporary circumstances, such as in case of technical unavailability or service disruption.

However, any fallback method should be agreed between the parties, as operationally feasible for them. For example, the use of fax may be appropriate for some market participants but may be entirely impractical for others. The Guidelines should therefore avoid implying that all listed fallback methods must be available to all firms.

This will allow operational arrangements to be consistent with each participant capabilities and constraints.

AMAFI also agrees that recorded phone calls may be used in exceptional circumstances, provided that they are part of a documented and agreed contingency process between the parties.

***Question 8**: Do you agree with the proposed amendment? If not, please elaborate.*

International open communication procedures and standards will become mandatory under Article 2 of the revised RTS on Settlement Discipline. Still, the Guidelines should allow for the possibility where two parties agree to use other standards than international ones in their own communication process.

In that case, they should remain able to do so, provided that the automation requirements and the objective of limiting settlement fail are met.

***Question 9**: Do you agree with the proposed amendment? If not, please elaborate.*

International open communication procedures and standards will become mandatory under Article 2 of the revised RTS on Settlement Discipline. Still, the Guidelines should allow for two parties to agree on the use of other standards than international ones in their own communication process.

Such possibility should be allowed provided that the automation requirements and the objective of limiting settlement fail are met.

***Question 10**: Do you agree with the proposed date of application of the Guidelines? If not, please elaborate.*

AMAFI agrees that the application date of the revised Guidelines should be aligned with the date of application of the relevant revised RTS on allocations and confirmations, i.e. 7 December2026.

A different date would create unnecessary uncertainty for market participants during the transition to T+1. Alignment with the RTS is therefore appropriate.

***Question 11**: Do you agree with the envisaged costs and benefits as identified in Annex III (section 11.3) of this CP? Do you envisage any additional costs and benefits associated with ESMA's proposals in this CP? Please elaborate.*

AMAFI agrees with the expected benefits identified by ESMA, in particular improved settlement efficiency, greater automation, reduced manual errors and better readiness for T+1.

However, the implementation costs for some market participants should not be underestimated. While investment firms, which are already largely automated, may face limited incremental costs, the impact may be more material for less automated firms or professional clients, especially Tier 2 or 3 buy-side participants.

The main costs are not necessarily the subscription to a platform or the use of a specific communication channel but arise from the adaption of internal systems, the standardisation of data, the redesign of processes, operational controls and system interfaces, including the testing and the management of multiple automated channels of communication.

AMAFI therefore suggests that ESMA acknowledge that costs will vary significantly depending on the degree of existing automation, the type of activity, the client base and the potential number of communication methods that firms may need to support.

***Question 12**: Beyond the proposals set out in this CP, are there any additional measures you would recommend to further simplify processes and reduce administrative burdens?*

Given the diversity of market participants and internal operating models, the proposed Guidelines should avoid being overly tutorial or rigid in the way firms organise the practical implementation of the requirements.

To achieve the objectives of simplification and burden reduction, the industry would benefit from an outcome-based approach rather than additional measures.

Such an approach would preserve the ability of firms to adapt their processes and develop efficient solutions, while ensuring that the regulatory objectives and the integrity of the settlement process are fully maintained.