

18 September 2014

**N08/14**

## **Central Securities Depositories Regulation (CSDR) Article 3**

### **Introduction**

1. The EU Regulation on Central Securities Depositories (CSDR) was published in the Official Journal on 28 August 2014. A key requirement of CSDR Article 3(1) is for transferable securities which are admitted to trading or traded on trading venues to be represented in book-entry form as immobilisation or subsequent to a direct issuance in dematerialised form (i.e. mandatory dematerialisation). This requirement applies from January 2023 for new securities and from January 2025 for all transferable securities.
2. There is an additional requirement under Article 3(2) of CSDR that where transactions in transferable securities take place on a trading venue (Regulated Market, MTF,OTF), the relevant securities should be recorded in book entry form in a Central Securities Depository (“CSD”) on or before the intended settlement date (unless already so recorded). As such, this requirement applies irrespective of whether the security is currently eligible for electronic settlement or not and applies to all transactions executed under the Rules of the London Stock Exchange (“the rules”) irrespective of whether or not the securities are issued by an EU issuer. The Exchange intends to amend its rules with effect from 5 January 2015 so that on Exchange transactions are able to comply with the requirements of Article 3(2).

### **Impact on Issuers/securities admitted to trading on the London Stock Exchange (“the Exchange”)**

3. Since 2000 it has been a requirement under the Exchange’s Admission & Disclosure Standards that securities should be eligible for electronic settlement. This has also been a requirement under the UK Listing Authority’s Listing Rules as well as under the Exchange’s AIM Rules for Companies. It is therefore considered that the population of securities affected by this requirement is limited.
4. However, there are a limited number of securities admitted pre-2000 which do not currently settle electronically within a CSD. There are also a small number of AIM “Regulation S Category 3” traded securities admitted post-2000 which are currently not eligible for electronic settlement. The Exchange intends to work with the affected issuers and their advisers so that transactions on the Exchange are able to comply with the requirements of Article 3(2). The Exchange expects this process to have been completed by no later than close of business on 2 January 2015.

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## Holdings in certificate form

5. Where holdings are held in certificated form for securities that are eligible for electronic settlement, Euroclear UK & Ireland already provides for temporary dematerialisation for the purposes of settlement. These securities are unaffected by Article 3(2).

## Impact on the Rules

6. As a result of the requirement contained within Article 3(2), the Exchange intends to amend its rules with effect from 5 January 2015 so that on Exchange transactions are able to comply with the requirements of Article 3(2). In addition the Exchange will undertake a review of all settlement rules which relate to non-electronic settlement. The Exchange will issue its proposed rule amendments in due course.

## Queries

7. Any comments or queries on this Notice from issuers should be addressed to [primarymarketregulation@lseg.com](mailto:primarymarketregulation@lseg.com)

Any queries on this Notice in relation to the rules should be addressed to Dagmar Banton, telephone +44 (0)20 7797 1210 (STX 31210) or email [dbanton@lseg.com](mailto:dbanton@lseg.com)

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Head of UK Compliance & Group Regulatory Policy

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Calls to London Stock Exchange plc may be recorded to enable London Stock Exchange to carry out its regulatory responsibilities