Global Securities Services NewsFlash

OTP Bank Group

Market: Croatia

Date: November 12th, 2025

Category: Market developments

Summary: Alignment of the CDCC Rules on Mandatory Buy-in and the Rules on Cash Penalties with Regulation (EU) No. 2023/2845 enters into force on 17 January 2026.

On 10.11.2025, the CDCC published the alignment of the CDCC Rules on Mandatory Buy-in and the Rules on Cash Penalties with Regulation (EU) No. 2023/2845, which will enter into force on 17.01.2026.

Namely, Regulation (EU) No. 909/2014 (CSDR) imposes an obligation on each central securities depository (CSD) to establish a mechanism for cash penalties in the securities settlement system it manages for participants who cause unsuccessful settlements in the securities settlement system. The regulation also prescribes a mandatory buy-in mechanism, which was postponed due to uncertainty and potential negative impact on the markets.

With the entry into force of Regulation (EU) 2023/2845 of the European Parliament and of the Council of 13 December 2023 amending Regulation (EU) No. 909/2014 regarding settlement discipline, cross-border provision of services, cooperation in the field of supervision, provision of banking-type auxiliary services and requirements for central depositories of securities from third countries and on the amendment of Regulation (EU) no. 236/2012 (CSDR refit) introduced changes that SKDD applied in its rules.

Rules on Mandatory Buy-in

Amended and supplemented by Article 7a of CSDR refit:

CSDR refit provides that the European Commission may introduce mandatory buy-ins by means of an implementing act. The Preamble to CSDR refit notes that mandatory buy-ins could have negative effects in both normal and stressed market conditions and, consequently, CSDR refit makes it clear that mandatory buy-ins should be a measure of last resort, which the Commission may consider only if it constitutes a necessary, appropriate and proportionate means of addressing a problem in the European Union.

For the purposes of this decision, the Commission will take into account:

• the potential impact of the mandatory buy-in on financial markets in the EU,

• the number, volume and duration of settlement fails and

• whether a particular financial instrument or a category of transactions in that financial instrument is already subject to appropriate contractual provisions that entitle receiving participants to trigger buy-ins.

In addition, the Commission shall adopt an implementing act only where the following two conditions are met:

1. the application of other sanction mechanisms, such as cash penalties or suspension of participants that systematically and consistently cause settlement fails, by CSDs, central counterparties or trading venues, has not led to a long-term, sustainable reduction in the number of settlement fails in the EU or to the maintenance of a reduced level of settlement fails in the EU; and

2. the level of settlement fails in the EU has or is likely to have a negative impact on the financial stability of the EU,

In addition to these conditions, the Commission shall be obliged to consult the European Systemic Risk Board (ESRB) and to request a cost-benefit analysis from the European Securities and Markets Authority (ESMA).

Rules on Cash Penalties

It was amended based on Article 7 of the CSDR refit:

As in cases of mandatory buy-in, cash penalties will not apply to failed settlements if the root cause cannot be attributed to the participants in the transaction or operations that are not considered to be trading and for the reason that the application of these measures to such failed settlements and operations would not be feasible or could lead to adverse consequences for the market.

For all possible questions and additional information, feel free to contact us at the group e-mail addresses: settlement@otpbanka.hr & inv-custody@otpbanka.hr .

Impact: -

Required actions: n/a

Application date: 17.01.2026.

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