

EBA/RTS/2025/10

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12 December 2025

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## Final Report

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Draft Regulatory Technical Standards on the determination of the threshold referred to in Art. 54(5) of the CSDR and accompanying appropriate risk management and accompanying prudential requirements to mitigate risks in relation to the designation of credit institutions in accordance with Art. 54(2a) of the CSDR

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# 1. Executive Summary

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The EBA is mandated to determine the threshold and accompanying appropriate risk management and prudential requirements referred to in Art. 54(5) of the Central Securities Depositories Regulation. The threshold sets out, in terms of relative and absolute total settlement volume, the level below which a designating central securities depository (CSDs) does not have to be authorised to use designated credit institutions or other CSDs to settle the cash payments for all or part of its securities settlement systems. The accompanying risk management and prudential requirements should be designed to mitigate risks in relation to the designation of credit institutions in accordance with Article 54(2a).

The EBA has made only minimal changes to what was proposed in the Consultation Paper. The RTS puts in place a dynamic threshold that responds to the risk profile of both the designating CSD and designated credit institution, with a commensurate increase in prudential and risk management requirements with a larger threshold. The minimum threshold level is EUR 3.75bn and 1.5% of annual settlement volume and a maximum threshold of EUR 6.25bn and 2.5% of annual settlement volume. The threshold calculation also reflects other elements the EBA was required to take into account by CSDR, including implications for market stability, the credit and liquidity risks for CSDs, possibility for CSDs to settle cash payments in several currencies, to avoid disincentivising the efforts of CSDs to settle in central bank money; and the need to ensure a level playing field amongst CSDs in the Union.

In assessing the appropriate threshold, the EBA held a voluntary data collection request of CSDs to which it received limited information. Responses to the consultation were broadly supportive of the proposed approach. In response to feedback received, the EBA has clarified the use of the threshold with minor changes to the RTS.

## 2. Background and rationale

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1. Regulation (EU) No 909/20141 (Central Securities Depositories Regulation – CSDR) entered into force in September 2014 and aimed at harmonising certain aspects of the settlement cycle and settlement discipline and to provide a set of common requirements for CSDs operating securities settlement systems across the EU. The CSDR introduced a distinction between CSDs offering banking-type ancillary services and licensed as credit institutions and those CSDs that are not permitted to offer banking-type ancillary services but can designate a credit institution to that effect.
2. In March 2022 the European Commission (EC) proposed changes to the CSDR. Co-legislators reached political agreement in June 2023, with Regulation (EU) 2023/28452 (CSDR Review) being published in December 2023. As part of the amendments to Art. 54 of the CSDR, the conditions under which CSDs can access banking services have been changed by broadening the range of providers for such services (i.e. CSDs authorised to provide banking-type ancillary services can now be designated by other CSDs to settle the cash leg of all or part of securities settlement system through their accounts) and amending the threshold for the application of specific requirements to such providers.
3. The amended CSDR allows for CSDs that are not authorised to provide banking-type ancillary services to settle the cash payments through accounts opened with CSDs authorised to provide banking-type ancillary services in accordance with the CSDR and through accounts opened with any credit institution, in any currency, below some appropriate threshold.
4. Recital 37 of the CSDR review specifies that such a threshold should consist of a maximum aggregate amount for that settlement of cash payments. In addition, the threshold should be calibrated in a way that promotes efficiency of settlement and allows CSDs to reach a level of cash settlement beyond which requiring a banking authorisation under Directive 2013/36/EU or connecting to a central bank of issue becomes relevant, while ensuring financial stability and limiting risk implications that result from the derogations applicable under that threshold.
5. The calibration of the threshold should take into account the need for a CSD to be able to settle payments in different currencies, especially for the most liquid currencies, while setting an appropriate limit that would be applicable to the CSD as a whole. In calibrating the threshold the need to avoid an unintended shift away from settlement in Central Bank Money (CeBM) should be taken into account.
6. The mandate set out in Art. 54(9) of the CSDR requires the EBA to (1) determine the threshold referred to in Art. 54(5) of the CSDR, i.e. the thresholds below which designated credit institutions do not have to apply the requirements set out in Art. 54(4) and designated credit institutions and designated CSDs do not have to apply the requirements set out in Art. 54(4a), and (2) determine accompanying appropriate risk management and prudential requirements

to mitigate risks in relation to the designation of credit institutions in accordance with Article 54(2a).

7. The CSDR also requires the EBA, when developing the RTS, to take into account: (a). the implications for the market stability that could derive from a change of risk profile of CSDs and their participants, including the systemic importance of CSDs for the functioning of securities markets; (b). the implications for the credit and liquidity risks for CSDs, for the designated credit institutions involved and for the CSD participants that result from the settlement of cash payments through accounts opened with credit institutions that are not subject to the requirements set out in Art. 54(4); (c). the possibility for CSDs to settle cash payments in several currencies; (d). the need to avoid both an unintended shift from settlement in central bank money to settlement in commercial bank money and to avoid disincentivising the efforts of CSDs to settle in central bank money; and (e). the need to ensure a level playing field amongst CSDs in the Union.
8. Article 54(5) of CSDR previously outlined an exemption to credit institutions to meet the requirements of 54(4) when providing banking type ancillary (BTA) services, if the total value of the such cash settlement through accounts opened with those credit institutions, calculated over a one year period is less than one percent of the total value of such cash settlement over a one-year period, is less than 1% of the total values of all securities transactions against cash settled in the books of the CSD and does not exceed a minimum of EUR 2.5 billion per year.

## 2.1. Clarification of the use of the threshold

9. The threshold set out under article 54 (5) should be used where a CSD has not been authorized to settle the cash payments for all or part of its securities settlement systems through accounts opened with a credit institution or with a CSD under article 54 (2a).
10. Given its purpose the EBA interprets that the threshold includes both foreign currency and the currency of the country that the CSD is established. While the latter point is clear from the stated exemption of article 54 4(a), on the former, the EBA notes that recital 37 of Regulation (EU) 2023/2845 (amending CSDR)<sup>1</sup> states *'The calibration of the threshold should take into account the need for a CSD to be able to settle payments in different currencies, especially for the most liquid currencies, while setting an appropriate limit that would be applicable to the CSD as a whole'*.
11. According to Article 9(d) CSDR, one of the requirements in the determination of the threshold and the accompanying risk management and prudential requirements referred to in paragraph 5 is 'the need to avoid both an unintended shift from settlement in central bank money to settlement in commercial bank money and disincentives to the efforts of CSDs to settle in

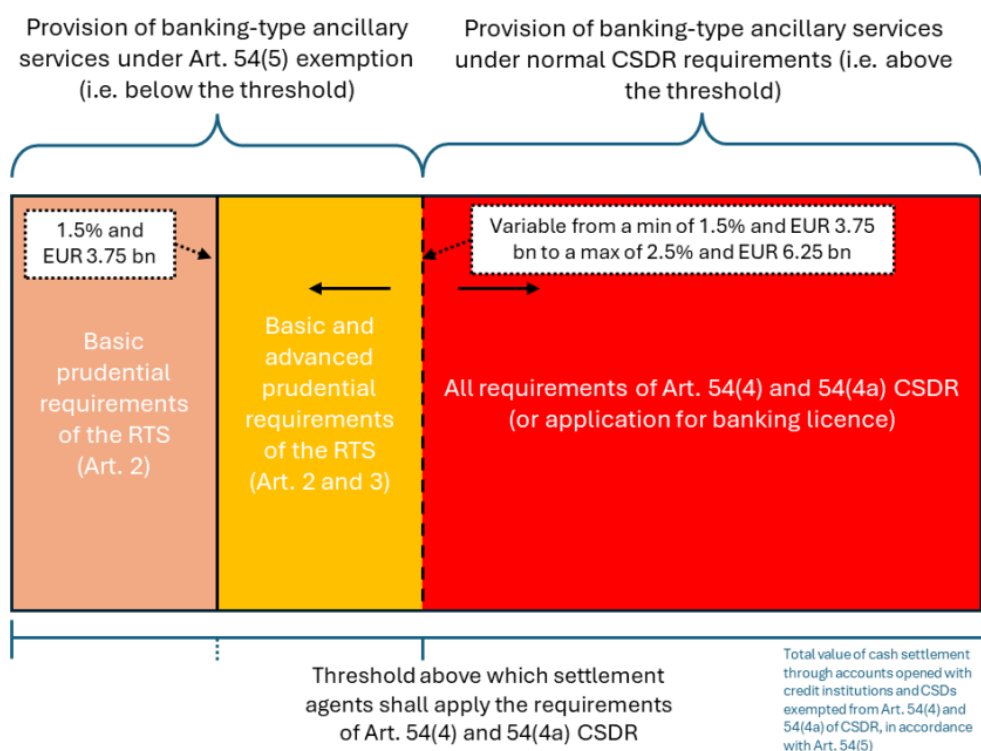
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<sup>1</sup> Regulation (EU) 2023/2845 of the European Parliament and of the Council of 13 December 2023 amending Regulation (EU) No 909/2014 as regards settlement discipline, cross-border provision of services, supervisory cooperation, provision of banking-type ancillary services and requirements for third-country central securities depositories and amending Regulation (EU) No 236/2012

central bank money'. The EBA interprets this as the threshold therefore does not include the use of central bank money for cash settlement.

## 2.2. Development of the RTS

12. In reflection of the promotion of greater settlement efficiency, the EBA proposed in the draft RTS to increase the absolute threshold from EUR 2.5 billion per year to EUR 6.25 billion. This threshold should be no more than 2.5% of the total value of cash settlement in the books of the CSD. EBA included in the consultation a voluntary data collection exercise for CSDs, with the intention to use the data received to ensure that the increase to the threshold does not result in an unintended shift away from settlement in central bank money, nor impact the level playing field amongst CSDs in the Union.
13. In addition, the EBA understands that a one-size-fits-all approach, as set out in the old CSDR framework, may not be suited to account for different needs that different CSDs face in undertaking their activities. In addition, the EBA is of the view that the approach should be proportionate and risk sensitive, in that it should consider how and to what extent operations taken below the threshold changes the risk profile of CSDs, their participants and the designated credit institutions providing the services. To avoid a cliff-effect for non-banking CSDs while still adequately mitigating the risks of providing banking-type ancillary services, EBA proposes a stepped approach to increasing prudential requirements based on a more dynamic threshold reflecting entity specific risks.
14. The approach is summarised in the diagram below:



### 2.2.1. Determination of the threshold referred to in Art.54(5) of the CSDR

15. The formula to determine the threshold below which designated credit institutions and may not apply the requirements set out in Art. 54(4) and designated credit institutions and designated CSDs do not have to apply the requirements set out in Art. 54(4a) is the following:  $threshold = \min(x1 \cdot V1, x2)$  where  $x1$  is equal to  $(y1 + y1_{liq\_fx} + y1_{SA})$  and is a percentage of the total value of all securities transactions against cash settled in the books of the CSD, calculated over a one-year period,  $V1$  is the total value of all securities transactions against cash settled in the books of the CSD, and  $x2$  is equal to  $(y2 + y2_{liq\_fx} + y2_{SA})$ . The parameter  $y1$  is set at the level of 1.5% and  $y2$  is equal to EUR 3.75 billion per year for the consultation.
16. The parameters  $y1_{liq\_fx}$  and  $y2_{liq\_fx}$  account for the liquidity of the currencies for which Commercial Bank Money settlement is offered, and are calculated as follows:

$$y1_{liq\_fx} = \frac{\text{Cash settlement in liquid currencies}}{\text{Cash settlement}} \cdot 0.5\%$$

and

$$y2_{liq\_fx} = \frac{\text{Cash settlement in liquid currencies}}{\text{Cash settlement}} \cdot \text{EUR 1.25 billion per year}$$

where ‘cash settlement in liquid currencies’ is the total value of cash settlement through accounts opened with credit institutions exempted from applying Article 54(4) and credit institutions and CSDs exempted from applying Article 54(4a) of the CSDR, that is in one or more of the currencies listed in Annex I to the Commission Delegated Regulation (EU) 2022/2058, and ‘cash settlement’ is the total value of cash settlement through accounts opened with credit institutions exempted from applying Article 54(4) and credit institutions and CSDs exempted from applying Article 54(4a) of the CSDR in accordance with Article 54(5).

17. The parameters  $y1_{SA}$  and  $y2_{SA}$  account for the number and creditworthiness of the credit institutions and CSDs providing commercial bank money settlement to the designating CSD, as well as the other roles that those settlement agents may have vis-à-vis the designating CSD, and are calculated as follows:

$$y1_{SA} = y1_{n\_SA} + y1_{SA\_type}$$

and

$$y2_{SA} = y2_{n\_SA} + y2_{SA\_type}$$

where  $y_{1\_n\_SA}$  and  $y_{2\_n\_SA}$  are equal to the values set out in below:

		Number of credit institutions and CSDs designated in accordance with Article 54(2a) of the CSDR and exempted from applying Article 54(4) in accordance with Article 54(5), that are participants in the securities settlement systems operated by the designating CSD				
		0	1	2	3	4 or more
Number of credit institutions and CSDs designated in accordance with Article 54(2a) of the CSDR and exempted from applying Article 54(4) in accordance with Article 54(5), that are not participants in the securities settlement systems operated by the designating CSD	0	0% and EUR 0 bn per year	0% and EUR 0 bn per year	0.05% and EUR 0.125 bn per year	0.075% and EUR 0.1875 bn per year	0.1% and EUR 0.25bn per year
	1	0% and EUR 0 bn per year	0.075% and EUR 0.1875 bn per year	0.1% and EUR 0.25 bn per year	0.15% and EUR 0.375 bn per year	0.3% and EUR 0.75bn per year
	2	0.1% and EUR 0.25 bn per year	0.15% and EUR 0.375 bn per year	0.2% and EUR 0.5bn per year	0.3% and EUR 0.75 bn per year	0.3% and EUR 0.75bn per year
	3	0.2% and EUR 0.5 bn per year	0.25% and EUR 0.625 bn per year	0.3% and EUR 0.75bn per year	0.3% and EUR 0.75bn per year	0.3% and EUR 0.75bn per year
	4 or more	0.3% and EUR 0.75bn per year	0.3% and EUR 0.75bn per year	0.3% and EUR 0.75bn per year	0.3% and EUR 0.75bn per year	0.3% and EUR 0.75bn per year

and  $y_{1\_SA\_type}$  and  $y_{2\_SA\_type}$  are equal to 0.2% and EUR 0.5 billion per year, respectively, if at least half (rounded up to the next integer) of the designated settlement agents exempted from applying Article 54(4) of the CSDR are assigned with at least one credit assessment by an external credit assessment institution (ECAI) with credit quality step 1, and 0 otherwise.

### 2.2.2. Accompanying appropriate risk management and prudential requirements to mitigate risks in relation to the designation of credit institutions in accordance with Art. 54(2a) of the CSDR

#### Basic risk management and prudential requirements

18. The credit institutions designated in accordance with Article 54(2a) of Regulation (EU) No 909/2014 and exempted from applying Article 54(4) of that Regulation in accordance with Article 54(5) of that Regulation, shall comply with the following basic requirements:

- a. the credit institutions shall be assigned with at least one credit assessment by an ECAI, with credit quality step 1 or 2, or the designating CSD can demonstrate that the credit



institution is an issuer with low credit risk based upon its own internal assessment employing a defined and objective methodology, also taking into account the country risk of the credit institution;

- b. the designated credit institution, and the designating CSD shall have in place an agreement that states clearly when transfers on the books of the credit institution are expected to occur, that transfers are to be final when effected, and that funds received should be transferable as soon as possible, at a minimum by the end of the day, in order to enable the designating CSD and its participants to manage credit and liquidity risks ;
- c. the designated credit institution, shall establish a robust framework to identify, measure, monitor, and manage all credit exposures, including those to participants and to settlement banks;
- d. the credit institutions shall operate consistently with the business continuity policy and disaster recovery plan set out by the designating CSD in accordance with Art. 45(3) of the CSDR;
- e. the designated credit institution shall submit to the competent authority an adequate recovery plan to ensure continuity of its critical operations, including in situations where liquidity or credit risk materialises as a result of the provision of banking-type ancillary services;
- f. the credit institutions shall provide to the designating CSD the documentation related to the strategies, policies, processes and systems for the identification, measurement, management and monitoring of liquidity risk referred to in Art. 86 of the CRD, and such strategies, policies, processes and systems shall adequately include the assessment of the provision of the bankingtype ancillary services listed in Section C of the Annex to the CSDR, in particular in relation to the effects produced on their intra-day liquidity risk profile.

### Advanced risk management and prudential requirements

- 19. The designated credit institutions exempted from applying Article 54(4) of the CSDR in accordance with Article 54(5), shall comply with advanced risk management and prudential requirements, if the total value of cash settlement through accounts opened with designated credit institutions and CSDs is equal to or greater than 1.5% of the total value of all securities transactions against cash settled in the books of the CSD, calculated over a one-year period, or it exceeds EUR 3.75 billion per year.
- 20. The proposed advanced requirements are the following:
  - a. the credit institutions meet the prudential requirements laid down in Article 59(1), (3) and (4) and the supervisory requirements laid down in Article 60 of the CSDR, as set out in Article 54(4)(a);

- b. the credit institutions are subject to an additional capital surcharge that reflects the risks, including credit risk, resulting from the provision of intra-day credit, inter alia, to the participants in a securities settlement system or other users of CSD services, as set out in Article 54(4)(d) of the CSDR;
- c. the credit institutions report at least monthly to the competent authority and discloses to the public annually as a part of its public disclosure as required under Part Eight of the CRR on the extent and management of intra-day liquidity risk, as set out in Article 54(4)(e) of the CSDR.

### 2.3. Ad-hoc data collection and summary of responses

21. As part of this consultation, the EBA undertook a data collection on the provision of banking type ancillary services by CSDs and settlement of securities transactions in foreign currencies. The purpose of the data collection was to collect sufficient data to perform a quantitative analysis around the calibration of the threshold level. The data collection was on a voluntary and best efforts basis. The data collection requested information on:

- a. Banking type ancillary services already provided, including intraday-credit exposure and revenues received from these services.
- b. Volumes of cash settlement settled directly by the CSD and via settlement agents.
- c. Banking-type ancillary services provided by CSDs already, and how CSDs would offer banking type ancillary services in an open and non-discriminatory basis in accordance with Article 26(2).
- d. Volumes of foreign currency used to settle securities transactions in securities settlement systems per currency and at central bank money and commercial bank money level.
- e. Projected future volumes of foreign currency in the next 3-5 years, per currency , central bank and commercial bank money level, and limitations other than the threshold to business related to settlement in foreign currency.

#### Summary of responses

- 22. The EBA received 13 responses to the data collection, of which 9 were part of wider CSD groups. 2 respondents provide banking-type ancillary services. Most entities provided limited data.
- 23. 3 CSDs reported activity captured under the threshold. For the 3 CSDs, activity was significantly below the current threshold. CSDs not using the threshold did not report that it was due to prohibitive entry costs vs threshold.

24. No CSD reported interest in using another CSD for BTA services. 10 of 13 CSDs did not report on projected future settlement in foreign currency. 2 entities reported that the current threshold were adequate for their foreign currency cash settlement needs. On central bank money versus commercial bank money, the majority did not reply. The reasons for settling foreign currency cash transactions with commercial banking money were lack of access to central bank money (i.e.. not a local bank) and the cost efficiency of using commercial bank money.
25. Only 1 CSD stated that the current threshold was insufficient. It proposed that the relative threshold should be raised to 5.5% of annual settlement volume.

### 3. Draft regulatory technical standards

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**COMMISSION DELEGATED REGULATION (EU) .../...****of XXX**

**supplementing Regulation (EU) No 909/2014 of the European Parliament and of the Council with regard to regulatory technical standards on the determination of the threshold referred to in Article 54(5) of Regulation (EU) No 909/2014 and accompanying appropriate risk management and prudential requirements to mitigate risks in relation to the designation of credit institutions in accordance with Article 54(2a) of Regulation (EU) No 909/2014**

**(Text with EEA relevance)**

THE EUROPEAN COMMISSION,

Having regard to the Treaty on the Functioning of the European Union,

Having regard to Regulation (EU) n° 909/2014 of the European Parliament and of the Council 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<sup>2</sup>, and in particular to Article 54(9) third subparagraph thereof,

Whereas:

- (1) Credit institutions that provide banking-type ancillary services to central securities depositories (CSDs) below an appropriate threshold, along with other banking activities, such as proprietary trading or significant maturity transformation services, are subject to a different risk profile compared to those that, operating above the threshold, provide solely the activities set out in Section C of the Annex of Regulation (EU) No 909/2014. To adequately subject CSDs and the designated credit institutions to the requirements set out in Article 54(4) of Regulation (EU) No 909/2014, respecting also the proportionality principle, the calculation of the threshold should be case-specific and reflect in particular the risk profile of the concerned credit institution, of the other credit institutions providing banking-type ancillary services below the threshold to the same CSD and relevant credit and liquidity risk metrics associated with the settlement activities.

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<sup>2</sup> OJ L [number], [dd.mm.yyyy], [p. ].

- (2) Credit institutions that undertake banking activities other than those listed in Section C of the Annex of that Regulation may already have a significant level of connection with the financial system, which will further increase if they also act as settlement agents for one or several CSDs, requiring particular attention in relation to the financial stability objective. Such credit institutions may, however, have a more diversified resource base, which may include bank deposits, than a credit institution not carrying out activities other than the provision of banking-type ancillary services, as required under point (c) of Article 54(4) of that Regulation. These aspects should be considered when analysing the implications for the credit and liquidity risks in relation to the CSDs, the designated credit institutions and the other CSD participants relevant for the determination of the threshold of Article 54(5) of that Regulation.
- (3) In the determination of the threshold referred to in Article 54(5) of Regulation (EU) No 909/2014, the settlement of cash payments in different currencies may be of significant importance for the CSDs and the participants in the securities settlement systems which it operates. Nevertheless, the liquidity of the currencies in which settlement is offered may affect the liquidity risk profile of the CSDs. As a result, a preferential treatment for most liquid currencies should be considered in the determination of the threshold, considering that settlement in such currencies is typically requested by CSDs' participants and that such currencies entail a different level of liquidity risk.
- (4) The threshold referred to in Article 54(5) of Regulation (EU) No 909/2014 should be calibrated in a way that promotes efficiency of settlement and allows CSDs to reach a level of cash settlement beyond which requiring a banking authorisation under Directive 2013/36/EU or connecting to a central bank of issue becomes relevant. For this reason, an increase of the threshold level should be considered compared to the existing level before the entry into force of Regulation (EU) 2023/2845 of the European Parliament and the Council<sup>3</sup>. However, in order to avoid both an unintended shift from settlement in central bank money to settlement in commercial bank money and disincentives to the efforts of CSDs to settle in central bank money, such an increase should be limited and appropriate risk management and prudential requirements should be set out to mitigate the risk implications that result from operating under that threshold.
- (5) Appropriate risk management and prudential requirements should be set out to mitigate risks in relation to the designated credit institutions which meet the condition set out in Article 54(5). Those risk management and prudential requirements should be proportionate to the risks associated with the provision of banking-type ancillary services below the appropriate threshold, while comparable with the requirements set out in Article 59 of Regulation (EU) No 909/2014, which provides for risk management and prudential requirements to mitigate the risks inherent to the cash settlement and banking-type ancillary activities as set out in Annex C of Regulation

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<sup>3</sup> Regulation (EU) 2023/2845 of the European Parliament and the Council of 13 December 2023 amending Regulation (EU) No 909/2014 as regards settlement discipline, cross-border provision of services, supervisory cooperation, provision of banking-type ancillary services and requirements for third-country central securities depositories and amending Regulation (EU) No 236/2012

(EU) No 909/2014, stemming from the designation of a credit institution operating as a settlement agent above the appropriate threshold.

- (6) Where the total value of cash settlements through accounts opened with credit institutions exempted under Article 54(5) of Regulation (EU) No 909/2014 represents a significant percentage of the total cash settlement value of a CSD, while still being below the appropriate threshold, the basic risk management and prudential requirements that need to apply below the threshold may not adequately address the risk exposure of the CSD. In order to mitigate the risks to which the CSD is exposed in such cases, while considering also that the risk associated with the designation is of a gradual significance and proportionate to the total amount of such settlements through exempted institutions, a gradual and proportionate approach needs to be adopted. Accordingly, some of the requirements set out in Article 59 of Regulation (EU) No 909/2014 need to apply, where the volume of such cash settlements is above a certain level. Those requirements should in particular address the credit and liquidity risks inherent to the provision of cash settlement services.
- (7) This Regulation is based on the draft regulatory technical standards submitted to the Commission by the European Banking Authority.
- (8) The European Banking Authority has worked in close cooperation with the European System of Central Banks (ESCB) and the European Securities and Markets Authority (ESMA) before submitting the draft regulatory technical standards on which this Regulation is based. The European Banking Authority has also conducted open public consultations on the draft regulatory technical standards on which this Regulation is based, analysed the potential related costs and benefits and requested the advice of the Banking Stakeholder Group established in accordance with Article 37 of Regulation (EU) No 1093/2010 of the European Parliament and of the Council<sup>4</sup>,

HAS ADOPTED THIS REGULATION:

## CHAPTER 1

### DETERMINATION OF THE THRESHOLD REFERRED TO IN ARTICLE 54(5) OF REGULATION (EU) NO 909/2014

#### *Article 1*

#### *Threshold level to determine the exemptions under Article 54(5) of Regulation (EU) No 909/2014*

1. The threshold referred to in Article 54(5) of Regulation (EU) No 909/2014 shall be determined as follows:

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<sup>4</sup> Regulation (EU) No 1093/2010 of the European Parliament and of the Council establishing a European Supervisory Authority (European Banking Authority), amending Decision No 716/2009/EC and repealing Commission Decision 2009/78/EC (OJ L 331, 15.12.2010, p. 12).

$threshold = \min(x_1 \cdot V_1, x_2)$  where

$x_1$  shall be equal to  $(y_1 + y_{1\_liq\_fx} + y_{1\_SA})$  per cent of the total value of all securities transactions against cash settled in the books of the CSD, calculated over a one-year period;

$V_1$  shall be the total value of all securities transactions against cash settled in the books of the CSD;

$x_2$  shall be equal to  $(y_2 + y_{2\_liq\_fx} + y_{2\_SA})$ ;

$y_1$  equals to 1.5 per cent of the total value of all securities transactions against cash settled in the books of the CSD, calculated over a one-year period;

$y_2$  equals to EUR 3.75 billion per year;

$y_{1\_liq\_fx}$  and  $y_{2\_liq\_fx}$  are determined in accordance with paragraph 2; and

$y_{1\_SA}$  and  $y_{2\_SA}$  are determined in accordance with paragraph 3.

2. For the purpose of paragraph 1,  $y_{1\_liq\_fx}$  and  $y_{2\_liq\_fx}$  shall be calculated as follows:

$$y_{1\_liq\_fx} = \frac{\text{Cash settlement in liquid currencies}}{\text{Cash settlement}} \cdot 0.5\%$$

and

$$y_{2\_liq\_fx} = \frac{\text{Cash settlement in liquid currencies}}{\text{Cash settlement}} \cdot \text{EUR 1.25 billion per year}$$

where

‘cash settlement in liquid currencies’ is the total value of cash settlement through accounts opened with credit institutions exempted from applying Article 54(4) and through accounts opened with credit institutions and CSDs exempted from applying Article 54(4a) of Regulation (EU) No 909/2014 in accordance with Article 54(5) of that Regulation, that is in one or more of the currencies listed in Annex I to Commission Delegated Regulation (EU) No 2022/2058<sup>5</sup>;

and

‘cash settlement’ is the total value of cash settlement through accounts opened with credit institutions exempted from applying Article 54(4) and through accounts opened with credit institutions and CSDs exempted from applying Article 54(4a) of Regulation (EU) No 909/2014 in accordance with Article 54(5) of that Regulation.

3. For the purpose of paragraph 1,  $y_{1\_SA}$  and  $y_{2\_SA}$  shall be calculated as follows:

$$y_{1\_SA} = y_{1\_n\_SA} + y_{1\_SA\_type}$$

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<sup>5</sup> Commission Delegated Regulation (EU) 2022/2058 of 28 February 2022 supplementing Regulation (EU) No 575/2013 of the European Parliament and of the Council with regard to regulatory technical standards on liquidity horizons for the alternative internal model approach, as referred to in Article 325bd(7)



and

$$y_{2\_SA} = y_{2\_n\_SA} + y_{2\_SA\_type}$$

where

$y_{1\_n\_SA}$  and  $y_{2\_n\_SA}$  are equal to the values set out in the Annex;

$y_{1\_SA\_type}$  and  $y_{2\_SA\_type}$  are equal to 0.2% and EUR 0.5 billion per year, respectively, if at least half (rounded up to the next integer) of the credit institutions and CSDs designated in accordance with Article 54(2a) of Regulation (EU) No 909/2014 and exempted from applying Article 54(4) of that Regulation in accordance with Article 54(5) of that Regulation are all assigned with at least one credit assessment by an external credit assessment institution (ECAI), as defined in Article 4(1)(98) of Regulation (EU) No 575/2013, with credit quality step 1, and 0 otherwise.

## CHAPTER 2

### APPROPRIATE RISK MANAGEMENT AND PRUDENTIAL REQUIREMENTS TO MITIGATE RISKS IN RELATION TO THE DESIGNATION OF CREDIT INSTITUTIONS IN ACCORDANCE WITH ARTICLE 54(2A) OF REGULATION (EU) NO 909/2014

#### *Article 2*

##### *Basic risk management and prudential requirements*

The risk management and prudential requirements for the designation of credit institutions in accordance with Article 54(2a) Regulation (EU) No 909/2014 that are exempted under Article 54(5) of that Regulation, shall be the following:

- (a) the designated credit institution shall have been assigned with at least one credit assessment by an external credit assessment institution, as defined in Article 4(1)(98) of Regulation (EU) No 575/2013, with credit quality step 1 or 2, or the designating CSD shall be able to demonstrate that the designated credit institution has low credit risk based upon its own internal assessment employing a defined and objective methodology that takes into consideration the country risk of the particular country where the credit institution is established;
- (b) the designated credit institution, and the designating CSD shall have in place an agreement that states clearly when transfers on the books of the credit institution are expected to occur, that transfers are to be final when effected, and that funds received should be transferable as soon as possible, at a minimum by the end of the day, in order to enable the designating CSD and its participants to manage credit and liquidity risks;
- (c) the designated credit institution, shall establish a robust framework to identify, measure, monitor, and manage all credit exposures, including those to participants and to settlement banks
- (d) the designated credit institution shall operate consistently with the business continuity policy and disaster recovery plan set out by the designating CSD in accordance with Article 45(3) of Regulation (EU) No 909/2014;

- (e) the designated credit institution shall submit to the competent authority an adequate recovery plan to ensure continuity of its critical operations, including in situations where liquidity or credit risk crystallises as a result of the provision of banking-type ancillary services, as set out in Article 54(4)(f) of that Regulation;
- (f) upon CSD request, the designated credit institution shall provide to the designating CSD the documentation to ensure that the provision of the banking-type ancillary services listed in Section C of the Annex to Regulation (EU) No 909/2014 is part of the strategies, policies, processes and systems for the identification, measurement, management and monitoring of liquidity risk referred to in Article 86 of Directive 2013/36/EU, in particular in relation to the effects produced on the intra-day liquidity risk profile.

### *Article 3*

#### *Advanced risk management and prudential requirements*

Where the annual value of cash settlements through accounts opened with designated credit institutions exempted under Article 54(5) of Regulation (EU) No 909/2014 equals or exceeds 1.5% of the total annual value of cash payments for all the securities settlement systems of the CSD or the amount of EUR 3.75 billion, the risk management and prudential requirements shall, in addition to those set out in Article 2, be the following:

- (a) the designated credit institutions shall comply with Article 59(1), (3) and (4) and the supervisory requirements laid down in Article 60 of that Regulation
- (b) the designated credit institutions shall be subject to an additional capital surcharge that reflects the risks, including credit and liquidity risks, resulting from the provision of intra-day credit, inter alia, to the participants in a securities settlement system or other users of CSD services, in accordance with Article 54(4), point (d), of that Regulation;
- (c) the designated credit institutions shall disclose to the public annually as a part of the public disclosure as required under Part Eight of Regulation (EU) No 575/2013 on the extent and management of intra-day liquidity risk in accordance with Article 59(4), point (j), of Regulation (EU) No 909/2014.

### *Article 4*

This Regulation shall enter into force on the twentieth day following that of its publication in the *Official Journal of the European Union*.

This Regulation shall be binding in its entirety and directly applicable in all Member States.

Done at Brussels,

*For the Commission  
The President*

## ANNEX

The values of  $y_{1,n,SA}$  and  $y_{2,n,SA}$  are determined according to the following table:

		Number of credit institutions and CSDs designated in accordance with Article 54(2a) of Regulation (EU) No 909/2014 and credit institutions exempted from applying Article 54(4) of that Regulation in accordance with Article 54(5) of that Regulation, that are participants in the securities settlement systems operated by the designating CSD				
		0	1	2	3	4 or more
Number of credit institutions and CSDs designated in accordance with Article 54(2a) of Regulation (EU) No 909/2014 and credit institutions exempted from applying Article 54(4) of that Regulation in accordance with Article 54(5) of that Regulation, that are not participants in the securities settlement systems operated by the designating CSD	0	$y_{1,n,SA} = 0\%$ and $y_{2,n,SA} = \text{EUR } 0 \text{ billion per year}$		$y_{1,n,SA} = 0.05\%$ and $y_{2,n,SA} = \text{EUR } 0.125 \text{ billion per year}$	$y_{1,n,SA} = 0.075\%$ and $y_{2,n,SA} = \text{EUR } 0.1875 \text{ billion per year}$	$y_{1,n,SA} = 0.1\%$ and $y_{2,n,SA} = \text{EUR } 0.25 \text{ billion per year}$
	1	$y_{1,n,SA} = 0\%$ and $y_{2,n,SA} = \text{EUR } 0 \text{ billion per year}$	$y_{1,n,SA} = 0.075\%$ and $y_{2,n,SA} = \text{EUR } 0.1875 \text{ billion per year}$	$y_{1,n,SA} = 0.1\%$ and $y_{2,n,SA} = \text{EUR } 0.25 \text{ billion per year}$	$y_{1,n,SA} = 0.15\%$ and $y_{2,n,SA} = \text{EUR } 0.375 \text{ billion per year}$	$y_{1,n,SA} = 0.3\%$ and $y_{2,n,SA} = \text{EUR } 0.75 \text{ billion per year}$
	2	$y_{1,n,SA} = 0.1\%$ and $y_{2,n,SA} = \text{EUR } 0.25 \text{ billion per year}$	$y_{1,n,SA} = 0.15\%$ and $y_{2,n,SA} = \text{EUR } 0.375 \text{ billion per year}$	$y_{1,n,SA} = 0.2\%$ and $y_{2,n,SA} = \text{EUR } 0.5 \text{ billion per year}$	$y_{1,n,SA} = 0.3\%$ and $y_{2,n,SA} = \text{EUR } 0.75 \text{ billion per year}$	
	3	$y_{1,n,SA} = 0.2\%$ and $y_{2,n,SA} = \text{EUR } 0.5 \text{ billion per year}$	$y_{1,n,SA} = 0.25\%$ and $y_{2,n,SA} = \text{EUR } 0.625 \text{ billion per year}$	$y_{1,n,SA} = 0.3\%$ and $y_{2,n,SA} = \text{EUR } 0.75 \text{ billion per year}$		
	4 or more	$y_{1,n,SA} = 0.3\%$ and $y_{2,n,SA} = \text{EUR } 0.75 \text{ billion per year}$				

## 4. Accompanying documents

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### 4.1. Draft cost-benefit analysis / impact assessment

#### **Background and Problem identification**

In its Report to the European Parliament and the Council under Article 75 of the CSDR, the European Commission analysed concerns raised on the implementation of specific rules of the CSDR, as published in the Official Journal in 2014. These concerns included access to commercial bank money (CoBM), where further action may be required to achieve CSDR's objectives in a more proportionate, effective and efficient manner.

In order to avoid settlement risks due to the insolvency of a settlement agent, the CSDR encourages settlement in central bank money (CeBM). However, CSDs' access to non-domestic central banks is subject to strict conditions and, therefore, in practice quite limited. To address this difficulty, CSDR also allows settlement using CoBM under certain conditions.

CoBM can be provided by the CSD itself if it is licensed to provide banking-type ancillary services or from a credit institution. CSDs providing banking-type ancillary services need to comply with additional requirements due to significant credit and liquidity risks for the CSD and its participants. When using a bank, the 2014 CSDR required CSDs to designate as settlement agent a limited-licence bank, i.e. a credit institution providing services only to CSDs and that has to comply with additional requirements to mitigate the risks. Otherwise, commercial credit institutions can be designated, but only if their settlement activity does not exceed certain thresholds. In some cases, those requirements proved to be too restrictive and costly (evidenced by the fact that only four CSDs have been authorised so far under CSDR to provide banking-type ancillary services and that no designated limited-licence bank exist).

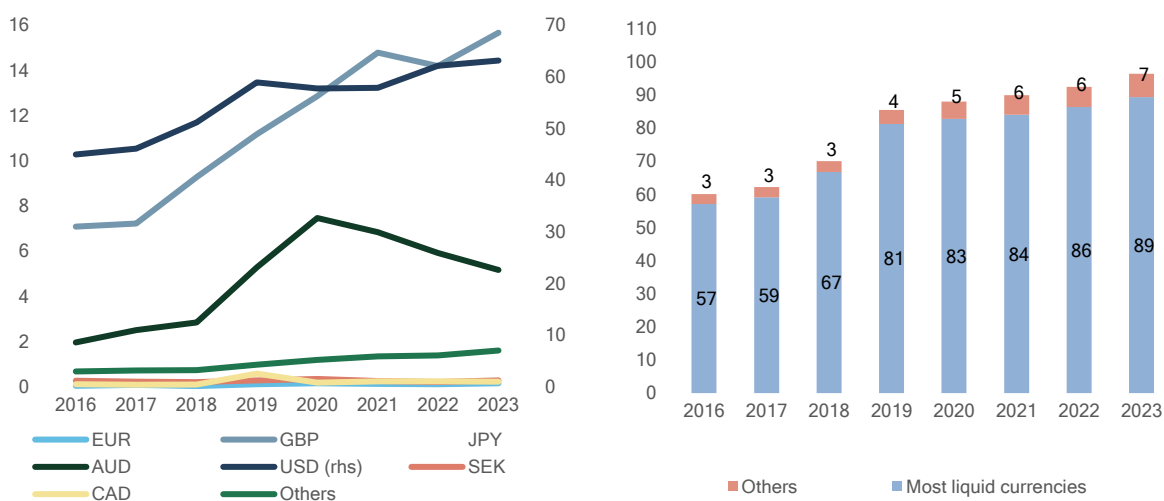
As a consequence, certain aspects of those rules were reviewed as part of the CSDR Refit legislative initiative, concluded with the publication of the amending regulation in the Official Journal in December 2023. In particular, as part of the measures set out to better support the efficiency of the settlement market, deepen capital markets and enhance cross-border settlement, the CSDR Refit introduced the following:

- The possibility for a CSD authorised to provide banking-type ancillary services (whose relevant risks are already monitored in accordance with the CSDR requirements) to offer services pertaining to the settlement of the cash payments to CSDs that are not authorised to provide such services, in a currency other than that of the country where the CSD seeking to use those services is established, irrespective of whether they are part of the same group of companies;
- The revision of the threshold below which CSDs that are not authorised to provide banking-type ancillary services should be able to settle the cash payments through accounts opened with CSDs

authorised to provide banking-type ancillary services and through accounts opened with any credit institution, in any currency.

In relation to the second point, the CSDR Refit indicates that the EBA, in close cooperation with the members of the ESCB and with ESMA, should be entrusted with the revision of the threshold, which should consist of a maximum aggregate amount for such settlement of cash payments. The threshold should be calibrated in a way that promotes efficiency of settlement and allows CSDs to reach a level of cash settlement beyond which requiring a banking authorization or connecting to a central bank of issue becomes relevant, while ensuring financial stability and limiting risk implications that result from the derogations applicable under that threshold. The calibration of the threshold should take into account the need for a CSD to be able to settle payments in different currencies, especially for the most liquid currencies (identified<sup>6</sup> as EUR, USD, GBP, JPY, AUD, SEK and CAD, see the figures below) while setting an appropriate limit that would be applicable to the CSD as a whole. The calibration of the threshold should also take into account the need to avoid an unintended shift away from settlement in CeBM.

#### Yearly settlement activity in foreign currencies of EEA CSDs, for selected (most liquid) currencies



Yearly settlement activity of EEA CSDs for selected (most liquid) foreign currencies, in EUR tn, split by currency (left graph) and on aggregate (right graph). Central Banks and no longer active CSDs are excluded. EEA States not included in 2017 and 2018 figures. In the left graph, left axes is for all currencies but USD and right axes is for USD only.

Sources: NCAs, ESMA.

#### B. Baseline scenario

According to the 2014 CSDR, Article 54(4) of the CSDR shall not apply to credit institutions that offer to settle the cash payments for part of the CSD's securities settlement system, if the total value of such cash settlement through accounts opened with those credit institutions, calculated over a one-

<sup>6</sup> In line with the list of most liquid currencies included in Annex I to the Commission Delegated Regulation (EU) 2022/2058.

year period, is less than 1% of the total value of all securities transactions against cash settled in the books of the CSD and does not exceed a maximum of EUR 2,5 billion per year.

According to the information publicly provided by ECSDA and reported in paragraph 8 of the background section, six EU/EEA CSDs<sup>7</sup> without banking license offer CoBM in conjunction with CeBM. Considering that no designated limited-licence bank exist at the moment, it is EBA understanding that those CSDs are providing CoBM, using commercial banks or CSDs with banking license operating as settlement agents, under the threshold set out in the 2014 CSDR (i.e. 1% of the total value of all securities transactions against cash settled in the books of the CSD and EUR 2,5 billion, per year).

### C. Policy objectives

The specific objectives of these draft RTS are to determine the threshold referred to in Article 54(5) of the CSDR, i.e. the thresholds below which designated credit institutions may not apply the requirements set out in Art. 54(4) and designated credit institutions and designated CSDs the requirements set out in 54(4a), and to determine accompanying appropriate risk management and prudential requirements to mitigate risks in relation to the designation of credit institutions in accordance with Article 54(2a).

Generally, these draft RTS aim to expand the possibility for CSDs to settle cash payments in several currencies. However, the threshold and the accompanying appropriate risk management and prudential requirements should be calibrated to avoid both an unintended shift from settlement in central bank money to settlement in commercial bank money and disincentives to the efforts of CSDs to settle in central bank money. In addition, the draft RTS should also take into consideration the implications for the market stability that could derive from a change of risk profile of CSDs and their participants. The accompanying appropriate risk management and prudential requirements should also consider the implications in terms of credit and liquidity risks for the CSDs, for the designated credit institutions involved and for the CSD participants that result from the settlement of cash payments through accounts opened with credit institutions that are not subject to the requirements of Article 54(4) of the CSDR. The level playing field amongst CSDs in the Union should also be ensured.

### D. Options considered, Cost-Benefit Analysis, Preferred option

#### Minimum level of the threshold

The current level of the threshold - below which designating non-banking CSDs (i.e. CSDs that are not authorized to provide banking-type ancillary services) should be able to settle the cash payments through accounts opened with designated banking CSDs (i.e. CSDs authorized to provide banking-type ancillary services) and through accounts opened with any designated credit

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<sup>7</sup> ATHEX CSD, CSD Prague, Interbolsa, Malta Stock Exchange, Nasdaq CSD SE and Verðbréfamiðstöð Íslands hf..

institution with no obligation for them to apply the requirements set out in article 54(4) in case of designated credit institutions, respectively 54(4a) in case of designated credit institutions or designated banking CSDs of the CSDR – is set in the old CSDR Article 54(5) as the minimum of (i) one per cent of the total value of all securities transactions against cash settled in the books of the designating CSD over a one-year period and (ii) EUR 2,5 billion per year. With regards to the threshold level, the EBA considered two options.

**Option 1a: Keeping the same threshold level as in the old CSDR**

**Option 1b: Increasing the minimum threshold level (minimum of (i) one and a half per cent of the total value of all securities transactions against cash settled in the books of the designating CSD over a one-year period and (ii) EUR 3,75 billion per year)**

Keeping the same threshold level as in the old CSDR would have the benefit of not increasing the risks as this would not increase the overall settlement activity performed under this threshold. On the other hand, increasing the values of the threshold would have the benefit of allowing more CSDs to address demands of issuances in foreign currencies and this could in fine support the development of the issuance markets. On the cost side, increasing the threshold would allow non-banking CSDs to provide more services with less costs as they would not be obliged to be authorized nor to apply for a banking license and neither to ensure the fulfilment of the requirements of Article 54(4) CSDR by their designated settlement agents. Nevertheless, in order not to increase significantly the risks and to ensure a level playing field across banking and non-banking CSDs, contrary to the old CSDR framework where banks operating below the threshold were exempted from meeting any requirement, the increase of the thresholds foreseen in option 1b would be accompanied by a requirement for banks to comply with - even if lower than full requirements of Article 54(4) of the CSDR - appropriate risk management and prudential requirements to mitigate risks.

Based on the above, **the Option 1b has been chosen as the preferred option** and the draft RTS increase the minimum threshold level (minimum of (i) one and a half per cent of the total value of all securities transactions against cash settled in the books of the designating CSD over a one-year period and (ii) EUR 3,75 billion per year).

The data collection provided limited information on forecasted future foreign currency settlement.

Three CSDs reported activity captured under the threshold. For the three CSDs, activity was significantly below the current threshold.

One respondent proposed that the absolute threshold should be removed, and the relative threshold raised to 5.5% of annual cash settlement. However, the use of a credit institution as a settlement agent would not have the same requirements for the collateralization of settlement that apply to banking CSDs for intraday credit exposure. Settlement volumes increase during periods of market volatility. The removal of an absolute threshold could therefore increase procyclicality in the system. The EBA received insufficient data to assess increasing the threshold.



Based on limited data available on current levels of cash settlement by non-banking CSDs, the absolute threshold acts as a limit on activity before the relative threshold, as the relative threshold is often significantly higher than the absolute threshold. Given the limited data available, and that the EBA cannot impose transaction limits which would further limit systemic risk in intraday exposures, the EBA is of the view that while the proposed absolute and relative threshold are not calibrated closely, the level at which the absolute threshold is set provides an important risk mitigation to intraday credit exposure.

### **Option 1b is kept**

#### **Parameters of the threshold**

As mentioned above, the current CSDR threshold – below which designating non-banking CSDs should be able to settle the cash payments through accounts opened with designated banking CSDs and through accounts opened with any credit institution with no obligation for them to apply the requirements set out in article 54(4) of the CSDR in case of designated credit institutions, respectively 54(4a) of the CSDR in case of designated credit institutions or designated banking CSDs – is the minimum of two parameters (i.e. one percent and EUR 2.5 billion, cf first option). With regards to the new threshold parameters, the EBA considered two options.

**Option 2a: Keeping the type of parameters of the old CSDR threshold (i.e. one based on the total value of all securities transactions against cash settled in the books of the designating CSD and one being a fixed number)**

**Option 2b: Adding new parameters to the existing type of parameters of the old CSDR threshold**

Option 1a would obviously give the benefit of simplicity for the designating CSD that would use the threshold and for competent authorities that would have to monitor the use of the threshold's related exemptions as, even though the level would change, the type of parameters would be similar to the current framework. This option would trigger no additional direct costs. On the other hand, adding variable parameters to the existing ones would also have benefits. Indeed, these parameters will allow for the threshold level to be case-specific as the formula for determining the threshold can take into account some risk elements of the designating non-banking CSD by adding parameters related to the proportion of settlement in liquid currencies and to the number of designated settlement agents. This tailoring will increase the level of the threshold proportionately to the decrease of the designating CSD settlement risk. Additionally, as stated in the first option paragraph, the increase of the threshold would decrease some costs of compliance for the designating CSD.

Based on the above, **the Option 2b has been chosen as the preferred option** and the draft RTS add new parameters to the existing type of parameters of the old CSDR threshold.

Responses to the consultation were uniformly supportive of the risk sensitivity introduced by the additional parameters. One respondent noted that it was unlikely that a CSD would use more than

one credit institution or CSD as a settlement agent due to the costs and operational complexity of having multiple credit institutions acting as settlement agent.

### **Option 2b is kept**

#### **Number of prudential requirements applicable to all institutions below the thresholds**

The increase of the thresholds foreseen in option 1b would be accompanied by a requirement for designated banks operating below the threshold to comply with - even if lower than full requirements of Article 54(4) of the CSDR - appropriate risk management and prudential requirements to mitigate risks. With regards to these risk management and prudential requirements, the EBA considered two options.

#### **Option 3a: Applying the same accompanying risk management and prudential requirements to all designated agents operating below the threshold**

#### **Option 3b: Applying different accompanying risk management and prudential requirements depending on the additional parameters described in the option 2 paragraph**

Applying the same risk management and prudential requirements to all designated credit institutions operating below the threshold would have the benefit of simplicity. On the other hand, another possibility would be to further differentiate the accompanying risk management and prudential requirements on the basis of the amount of settlement activity operated below the threshold, by considering whether the activity is below the minimum level that the threshold can assume (i.e. one and a half per cent of the total value of all securities transactions against cash settled in the books of the designating CSD over a one-year period and EUR 3,75 billion per year) or the activity is above that minimum level.

More comprehensive risk management and prudential requirements ('advanced risk management and prudential requirements') would be applied to designated credit institutions that operate below the threshold but above the minimum level, thanks to the fact that the designating CSD would benefit from the additional parameters (i.e. the proportion of settlement in liquid currencies and to the number of designated settlement agents), and this would produce the benefit of mitigating the increase of the threshold linked to the addition of those two parameters. Similarly, lower risk management and prudential requirements ('basic prudential requirements') will be applied to designated agents that operate below the threshold with additional parameters being nil (i.e. below the minimum level that the threshold can assume, as described above). These two sets of accompanying risk management and prudential requirements would insert some proportionality in the incurred costs and ensure a level playing field across banking and non-banking CSDs.

Based on the above, **the Option 3b has been chosen as the preferred option** and the draft RTS apply different risk management and prudential requirements depending on whether the determination of the threshold level benefits from the use of the additional parameters described in option 2.

Responses to the consultation were supportive of additional risk management and prudential requirements. One respondent raised concern that the basic risk management and prudential requirements could impose a cost to business that make their current activity below the threshold less profitable and proposed that there should be no additional requirements until higher levels of the threshold are reached.

**Option 3b is kept**

**E. Conclusion**

The draft RTS will determine the threshold referred to in Article 54(5) of the CSDR, i.e. the thresholds below which designated credit institutions may not apply the requirements set out in Art. 54(4) and designated credit institutions and designated CSDs the requirements set out 54(4a), and to determine accompanying appropriate risk management and prudential requirements to mitigate risks in relation to the designation of credit institutions in accordance with Article 54(2a). For the stakeholders, the draft RTS are not expected to trigger significant costs. Overall, the impact assessment on the draft RTS suggests that the expected benefits are higher than the incurred expected costs.

## 4.2. Feedback on the public consultation

26. The EBA undertook a public consultation on these RTS contained in this paper. The consultation period lasted for 3 months and ended on 16 June 2025. Five responses were received, four of which were non-confidential and as such published on the EBA website.
27. This section presents a summary of the key points and other comments arising from the consultation (only based on the non-confidential responses), the analysis and discussion triggered by these comments and the actions taken to address them if deemed necessary. Changes to the draft RTS have been incorporated as a result of the responses received during the public consultation.
28. The EBA publicly consulted on the draft proposal contained in this paper.
29. Changes to the draft RTS have been incorporated as a result of the responses received during the public consultation.

## Summary of responses to the consultation and the EBA's analysis

Comments	Summary of responses received	EBA analysis	Amendments to the proposals
<b>General comments</b>			
Threshold increase	<p>From a broader policy perspective, it should be considered that the demand to use commercial bank money in foreign currency is driven by funding and trading needs, and does not depend on the number of players offering this service. Funding needs in foreign currencies – supported by bonds and equity issuances – are linked to the market structure – i.e. economies with a big share of import/export outside Europe have higher non-domestic funding needs – and on the sectors that are dominant in such local economy.</p> <p>One respondent stated that before raising the threshold higher, the EBA should perform further quantitative impact studies. Another respondent also suggested that the threshold should be accompanied with transaction and currency limits.</p>	<p>The threshold (both absolute and relative) has been formulated conservatively, based on limited data, and also the mandate requirement to consider:</p> <ul style="list-style-type: none"> <li>(a) the implications for market stability that could derive from a change of risk profile of CSDs and their participants, including the systemic importance of CSDs for the functioning of securities markets;</li> <li>(b) the implications for the credit and liquidity risks for CSDs, for the designated credit institutions involved and for the CSD participants that result from the settlement of cash payments through accounts opened with credit institutions that are not subject to paragraph 4;</li> <li>(c) the possibility for CSDs to settle cash payments in several currencies;</li> <li>(d) the need to avoid both an unintended shift from settlement in central bank money to settlement in commercial bank money and disincentives to the efforts of CSDs to settle in central bank money; and</li> <li>(e) the need to ensure a level playing field amongst CSDs in the Union.</li> </ul> <p>The EBA is not able to impose transaction or currency limits (this is outside the scope of the mandate).</p>	See below specific areas of review of threshold

Clarification terminology	of Clarification of scope of entities captured under threshold ie that banking CSDs are not captured as already subject to RTS on certain prudential requirements for CSDs.	The Level 1 CSDR Refit text already makes a sufficiently clear distinction between <i>designated credit institutions</i> - cf. <u>point (a)</u> of Article 54(2a) CSDR - on the one and <i>designated CSDs</i> - cf. <u>point (b)</u> of Article 54(2a) CSDR - on the other hand.	None
	To amend the draft RTS as proposed above serves to correct the cross reference that has not been updated in the CSDR Refit in Article 54(5) CSDR and to avoid any misinterpretation or uncertainty with the various regulators to be sure that CSDs designated by another CSD are not in scope.	For the exemption from prudential requirements for the provision of banking-type ancillary services to the participants of a CSD if defined thresholds are not exceeded, Article 54(5) CSDR only provides a reference to <u>point (a)</u> of Article 54(2a) CSDR, i.e. <i>designated credit institutions</i> . Hence, the defined thresholds are not relevant in this regard for <i>designated CSDs</i> . This makes sense, as designated CSDs in any case have to comply with the full set of prudential requirements for the provision of banking-type ancillary services to their own participants according to Article 54(3) CSDR	
Calculation of settlement volumes	Distributions (e.g., dividends, coupons) are ancillary to the civil law obligations of a depository and distinct from cash payments related to settlement. Therefore, they should be excluded from CSDR's scope for settlement agent designation and threshold calculations.	This definition used in the CP is included Q&A Question 7 <sup>8</sup> . EBA does not think it is appropriate to apply a different definition and have diverging definitions of what should be included in the settlement calculation.	None

<sup>8</sup> [CSD Question 7 - - Provision of banking-type ancillary services](#)

For the purposes of Article 54(5) of CSDR, the total value of cash settlement through accounts opened with credit institutions, and the total value of all securities transactions against cash settled in the books of the CSD over a one-year period should be determined by taking into account the settlement instructions that are eligible to be included in the calculations of the indicators for the determination of the most relevant currencies pursuant to Article 12(1)(b) of CSDR, having regard to the ESMA Guidelines on the process for calculation of the indicators to determine the most relevant currencies in which settlement takes place. **In addition to the principles specified in the ESMA Guidelines mentioned above, cash distributions (e.g. cash dividend, interest payment) should be included for the purposes of Article 54(5) of CSDR, given that the objective of Article 54(5) is to manage risks that are related to a CSD designating a credit institution for the provision of banking-type ancillary services.** If a CSD seeks to designate a credit institution to provide any banking-type ancillary services from within a separate legal entity, for the authorisation of the CSD under CSDR, the values to be used should be those covering one year up to the month prior to the submission of the authorisation request. For the following years after the authorisation of the CSD, the values to be used should be those covering each calendar year

With the designation of a CSD authorized to provide banking services, a non-banking CSD can delegate the settlement of the cash leg of the transactions to such entity in accordance with Article 40.2 CSDR.

### Responses to questions in Consultation Paper EBA/CP/2025/05

<p><b>Question 1.</b> Do you agree with the proposed approach for determining the threshold referred to in Art. 54(5) of the CSDR?</p>	<p>The majority of responses agreed with the overall proposed approach particularly the introduction of risk sensitivity.</p> <p>Large non-banking CSDs push for a higher threshold, arguing that the level of thresholds not high enough for non-banking CSDs to offer the requested service, since they do not allow the CSD to reach the volumes justifying investments in a central bank money solution. One CSD proposes removing the absolute threshold and maintaining only a relative commercial bank money settlement, and further increasing the threshold to 5.5% per year. This further increase could be mitigated with additional European oversight and factors such as high long term issuance rating (eg. Higher than Aa2/A+). One CSD reported that in order to use the threshold for two unspecified currencies, it would need the threshold to be at least 4 500 mEUR.</p> <p>ICSDs push not to raise the threshold higher than currently proposed and for a greater justification of proposed thresholds (despite already low levels proposed) [Euroclear]. One argues that the risk sensitive introduction mandated in L1 text actually increases complexity in contradiction with simplification agenda.</p>	<p>The responses by the CSDs are essentially drawn along CSD's own commercial interests according to their market share and business profile.</p> <p>Non-banking CSD push for a higher threshold which would allow them to settle higher levels before needing to set up cash accounts at central banks (to note as well, that the main obstacle identified to setting up a central bank account was a local presence and banking license. It remains unlikely even with higher thresholds that a non-banking CSD will open cash accounts with foreign central banks). The data provided by CSDs is also extremely limited on projected foreign currency settlement. Current use of CoBM for foreign currency settlement reported by two CSDs is well below current threshold limits. One CSD report that it would need relative thresholds to be at 5.5% settlement volume.</p> <p>EBA has used publicly available data from ECSDA, and data submitted to ESMA in support of the proposed threshold. Data on cash settlement is limited, which is why the EBA included a data collection as part of its consultation. The data gathered from CSDs is insufficient to support a further increase to the threshold.</p>	<p>No amendments to proposed approach.</p>
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<p><b>Question 2.</b> Do you think that other elements should be taken into account in the proposed approach? If yes, which ones?</p>	<p>Responses note that the approach does not reflect that different services listed under Section C, change the risk profile of the CSD eg if (b) (cash credits ...) and (d) (guarantees and commitments ...) are not offered, it significantly limits the risk profile of services offered by the credit institution and CSD.</p>	<p>There is insufficient data to distinguish the risk between the different services listed under Section C, and to forecast the potential implications in market profile from making this differentiation. This also add an additional complexity to the threshold calculation.</p>	<p>See amendments below under basic risk management requirements</p>
	<p>Reiteration that the operational arrangement envisaged would not pose additional credit or liquidity risk for the non banking CSD: the non-banking CSD is connected with the designated credit institution through operational arrangements and therefore is not exposed to any credit or liquidity risk whilst both the designated credit institution and CSDs participants are already subject to prudential requirements (CRR). It should be also noted that appropriate operational arrangements could be established between the credit institution and the CSDs to manage the settlement of the cash leg and of the securities leg, to avoid the increase of settlement risk for CSDs participants.</p>	<p>While the potential operational arrangements described in the consultation responses do not prima facie increase credit or liquidity risks for a non-banking CSD (ie. onboarding of a participant as a participant of a banking CSD or client to a credit institution), the use of credit institutions rather than designated credit institutions does have some implications for the oversight of aspects of settlements and collateralisation of settlement, which is why the EBA has taken a conservative approach in defining the threshold.</p>	
	<p>Recommendation to introduce a transaction limitation: limitation of one transaction to represent a certain percentage of the overall total annual volumes. We recommend that the EBA explore the introduction of a transaction-level limit, expressed as a percentage of the total annual threshold, in order to prevent excessive exposure in a single event. For example, a single transaction might be capped at 10% or 15% of the total threshold allowed under Article 54(5), ensuring that operational errors, default scenarios, or liquidity</p>	<p>Transaction limits are outside of the Level 1 mandate for the threshold which specifies annual limits based on cash settlement volume.</p>	



shortfalls do not crystallise into systemic events.

The use of trailing 12-month settlement volume and value metrics means that institutions are only identified as systemically relevant after significant risk accumulation may already have occurred. Systemic risk can emerge from high-complexity, low-volume transactions or from operational clusters that fall below the visibility threshold of current monitoring methods. A transaction-level, real-time view is required to detect these signals — one that is currently absent from the proposed framework.

A transaction level and real time view is not reflective of the supervisory regime and reporting requirements of CSD and would add significant additional burden on CSDs to the extent it could deter CSDs from offering BTA services below the threshold.

<b>Question 3.</b> Do you agree with the proposed levels set out in the proposed approach for the different parameters?	Absence of quantitative impact analysis and calibration transparency: EBA should reaffirm that core issuance and settlement activities should be conducted in CeBM or via licensed banking entities, and that these thresholds are designed only for incidental, operational use of CoBM. One larger CSDs with a banking license were supportive of a low threshold.	It is implied from the mandate, and the factors that EBA should consider in formulating the threshold, that the intent of the threshold and also recital 37 of the amending regulation that the threshold should be sufficient to support CSDs to grow their settlement activities to the point where applying for a banking license is appropriate.	No amendments
	Levels of settlement allowed with 2 credit institutions are set too low, while imposing additional fixed operational cost. This creates a risk of unprofitability for CSD of settlement in foreign currencies above the percentage threshold y1 and value threshold y2, if two credit institutions are used. Therefore, we propose to increase these values y1_n_SA and y2_n_SA, for two credit	The EBA has been transparent in the data limitations in formulating the threshold, which is why it included a data request as part of consultation. Not all CSDs replied to the data request, and the information received was not as complete as the EBA had anticipated. Nonetheless, the proposed threshold has been designed in a conservative way and the criticisms of the threshold being too high is not reflective of the market share of the CSDs who would use the services.	

institutions at least 3 times (to 0,6% and 1,5 bn EUR).

<p><b>Question 4</b> Do you agree with the proposed basic risk management and prudential requirements? If no, please provide rationale and an alternative proposal</p>	<p>The EBA proposal regarding additional basic risk management and prudential requirements for credit institutions appears to be too restrictive in terms of thresholds below 1% and EUR 2.5 bn, as was the case in the previous CSDR regulation.</p>	<p>See comments above re. assessing risk management requirements for lower level threshold activity.</p>	<p>Additional basic risk management requirement to partially address <i>PFMI: Level 2 assessment report for the European Union – PSs and CSDs/SSSs April 2025</i> ie. <i>Key Conclusion 5 of CPMI-IOSCO PFMI No. 9</i> : There is no provision stating that “an FMI’s legal agreements with any settlement banks should state clearly when transfers on the books of individual settlement banks are expected to occur”. RTS now includes two requirements:</p>
	<p>Additional requirements increase the fixed costs of settlement in foreign currencies, while does not pose a significant risk to the CSD and credit institution business, increasing the risk of settlement unprofitability. For this reason, we propose to remove the requirements set out in Article 2 (c), (d) and (e) for y1 below 1% and y2 below 2,5 bn EUR.</p>		
	<p>One respondent expressed concern regarding the assumption that structural and procedural compliance alone is sufficient to manage systemic risk. The current approach focuses on the presence of controls — internal audit, business continuity, and liquidity monitoring — but does not require institutions to measure or report the actual residual risk they carry through their settlement operations. It recommended enhancing the basic requirements by introducing a standardized, activity-linked risk quantification method that reflects the actual volume, complexity, and control effectiveness of settlement-related operations. This would enable institutions to not only design robust controls but also to validate their sufficiency against measurable risk levels.</p>	<p>This proposal is considered overly burdensome for the level of activity at the threshold level.</p>	<ul style="list-style-type: none"> <li>the designated credit institution, <i>and the designating CSD</i> shall have in place an agreement that states clearly when transfers on the books of the credit institution are expected to occur, that transfers are to be final when effected, and that funds received should be transferable as</li> </ul>

soon as possible, at a minimum by the end of the day, in order to enable the designating CSD and its participants to manage credit and liquidity risks;

- the designated credit institution, shall establish a robust framework to identify, measure, monitor, and manage all credit exposures, including those to participants and to settlement banks

<b>Question 5</b> Do you agree with the proposed level of settlement activity, which determines whether only basic or both basic and advanced risk management and prudential requirements are applied?	One respondent did not agree with the proposed framework, since in cases of CSDs with extremely low use of CoBM, it imposes on them a disproportionate regulatory and operational burden. Instead, we propose that in cases of CSDs with use of CoBM below 0,50% and 1,5 b., no basic and advanced risk management and prudential requirements should apply.	For CSDs who have historically been using the threshold for low value services, the recommendations imposes new additional risk management requirements. The requirements are considered basic in terms of outsourcing or assessing a critical service ie. a credit assessment by the CSD, measures in place for minimum settlement failure, business continuity plan and disaster recovery plan, and measures to assure the continuity of service.	No amendments
<b>Question 6</b> Do you agree with the proposed advanced risk management and	One respondent stated the proposed basic and advanced risk management and prudential requirements should apply only for CSDs operating	See comments under question 2. and 3	No amendments

prudential requirements? If no, please provide rationale and an alternative proposal.

above the threshold of 1,5% and 3,75b., which potentially have a higher liquidity risk.

One respondent recommended that the advanced prudential regime require institutions to implement a risk accounting system that quantifies and tracks residual risk across their settlement activities. This would not only enhance stress testing and liquidity risk assessments, but also provide supervisors with timely, comparable, and actionable insights into the evolving risk landscape.

Requiring non-banking CSDs to implement risk accounting systems for this area of settlement appears overly burdensome and unjustified, especially in light of the threshold level.