

EBA/CP/2025/24

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Consultation Paper

Draft Regulatory Technical Standard

amending 2017/390 supplementing Regulation (EU) No 909/2014 of the European Parliament and of the Council on prudential requirements for central securities depositories and designated credit institutions offering banking-type ancillary services

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1. Responding to this consultation

The EBA invites comments on all proposals put forward in this paper and in particular on the specific questions summarised in Section 9.

Comments are most helpful if they:

- respond to the question stated;
- indicate the specific point to which a comment relates;
- contain a clear rationale;
- provide evidence to support the views expressed/ rationale proposed; and
- describe any alternative regulatory choices the EBA should consider.

Submission of responses

To submit your comments, click on the 'send your comments' button on the consultation page by 03/03/2026. Please note that comments submitted after this deadline, or submitted via other means may not be processed.

Publication of responses

Please clearly indicate in the consultation form if you wish your comments to be disclosed or to be treated as confidential. A confidential response may be requested from us in accordance with the EBA's rules on public access to documents. We may consult you if we receive such a request. Any decision we make not to disclose the response is reviewable by the EBA's Board of Appeal and the European Ombudsman.

Data protection

The protection of individuals with regard to the processing of personal data by the EBA is based on Regulation (EU) 1725/2018 of the European Parliament and of the Council of 23 October 2018. Further information on data protection can be found under the Legal notice section of the EBA website.

2. Executive Summary

In March 2022 the European Commission (EC) proposed changes to the CSDR¹. Co-legislators reached political agreement in June 2023, with Regulation (EU) 2023/28452 ('CSDR Refit') being published in December 2023. The aim of the legislation is to make securities settlement in the EU more efficient and improve the attractiveness of the EU's capital markets. As part of CSDR Refit, it was identified that there appears to be limited access by non-banking CSDs to commercial bank money, in particular to be able to offer settlement in foreign currencies to their participants, which limits their business development and competitiveness.

One measure taken to address this is broadening the range of entities that can offer banking-type ancillary services to other CSDs (ie. banking and non-banking CSDs). This was previously limited to designated credit institutions (excluding banking CSDs) which exclusively provide the banking-type ancillary services listed under Section C of the Annex of CSDR. Under CSDR Refit, banking CSDs can now provide banking services to the participants of other CSDs pursuant to point (b) of Article 54(2a).

A potential result of this policy measure is a change in the risk profile of CSDs, particularly with regard to potential credit, liquidity and concentration risks resulting from the provision of those services. The EBA has therefore been mandated to revise RTS on certain prudential requirements for central securities depositories and designated credit institutions offering banking-type ancillary services (EU) 2017/390), which sets out the prudential framework for banking CSDs and credit institutions to ensure the prudential framework adequately reflects and mitigates this potential additional complexity in CSD arrangements, such as credit and concentration risk, and collateral management.

The proposed update of the RTS takes into account cases where banking CSDs provide cash accounts directly to participants of other CSDs (the "designating CSDs") for the settlement of cash payments in currencies other than that of where the designating CSD is established, without prejudice to Article 54(5) CSDR.. Amendments to the draft RTS therefore focus on the limited effect of this arrangement on the risk profile of the banking CSD. The EBA also takes the opportunity to update the RTS to reflect changes in the Capital Requirements Regulation and where relevant to align references with the amended text of the CSDR.

¹ Regulation (EU) No 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

3. Background and rationale on amendments to the RTS on Prudential Requirements for banking CSDs

3.1 Background and mandate

1. The CSDR established a prudential framework for CSDs under the RTS on prudential requirements². The RTS delivers the prudential framework set out under:

- Article 47(3), the capital, retained earnings and reserves of a CSD referred to in paragraph 1 of Art. 47.
- Article 54(8), the additional risk-based capital surcharge referred to in point (d) of paragraph 3³ and point (e) of paragraph 4⁴ of Art. 54.
- Article 59(5), details of the frameworks and tools for the monitoring, the measuring, the management, the reporting and the public disclosure of the credit and liquidity risks, including those which occur intra-day, referred to in paragraphs 3 (credit risk) and 4 (liquidity risk) of Art. 59. Such draft regulatory technical standards shall, where appropriate, be aligned to the regulatory technical standards adopted in accordance with Article 46(3) (collateral requirements) of Regulation (EU) No 648/2012.

2. As part of CSDR Refit, CSDs ('designating CSDs') are allowed to settle the cash payments for all or part of its securities settlement systems through accounts opened with credit institutions or CSDs authorised in accordance with Article 8 of Directive 2013/36/EU to provide banking-type ancillary services⁵. These cash payments must not, as a rule, be in a currency of the country where the designating CSD is established per Article 54(4a). Below a threshold of usage stipulated in Article 54(5), the designating CSDs, the credit institutions and designated CSDs are exempted from the conditions, set out in Article 54(4) and 54(4a), as applicable.

3. As part of these changes to CSDR, EBA was mandated to:

² Commission Delegated Regulation (EU) 2017/392 of 11 November 2016 supplementing Regulation (EU) No 909/2014 of the European Parliament and of the Council with regard to regulatory technical standards on authorisation, supervisory and operational requirements for central securities depositories. OJ L 65, 10.3.2017, p. 48–115

³ Point d of paragraph 3 of Article 54: the CSD is 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

⁴ Point d of paragraph 4 of Article 54: the credit institution is 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

⁵ Article 54 (2a) of CSDR

- i) Develop an RTS on the determining the threshold below which CSDs may use credit institutions for the provision of banking-type ancillary services and accompanying appropriate risk management and prudential requirements to mitigate risks in relation to the designation of credit institution in accordance with Art. 54(2a). The Consultation for this draft RTS has recently closed and the EBA is assessing responses.
- ii) Further specifying details of the frameworks and tools for the monitoring, the measuring, the management, the reporting and the public disclosure of the credit and liquidity risks, including those which occur intra-day, referred to in Art. 59(3) and (4), as well as the rules and procedures referred to in Art. 59(4a) addressing any potential credit, liquidity and concentration risks resulting from the provision of banking-type ancillary services. Those RTS shall, where appropriate, be aligned to the RTS adopted in accordance with Art. 46(3) of European Markets Infrastructure Regulation (EMIR) (ESMA RTS on CCP collateral requirements⁶).

3.2 Current Prudential Requirements for CSDs

- 4. RTS Article 59(5) sets out the details of the frameworks and tools for the monitoring, the measuring, the management, the reporting and the public disclosure of the credit and liquidity risks, including those which occur intra-day, referred to in Art. 59(3) and (4), as well as the rules and procedures referred to in Art. 59(4a) addressing any potential credit, liquidity and concentration risks resulting from the provision of banking-type ancillary services.
- 5. Banking-type services are listed under Section C of the Annex of CSDR as:
 - (a). Providing cash accounts to, and accepting deposits from, participants in a securities settlement system and holders of securities accounts;
 - (b). Providing cash credit for reimbursement no later than the following business day, cash lending to pre-finance corporate actions and lending securities to holders of securities accounts;
 - (c). Payment services involving processing of cash and foreign exchange transactions;
 - (d). Guarantees and commitments related to securities lending and borrowing;
 - (e). Treasury activities involving foreign exchange and transferable securities related to managing participants' long balances.

⁶ Commission Delegated Regulation (EU) No 153/2013 of 19 December 2012 supplementing Regulation (EU) No 648/2012 of the European Parliament and of the Council with regard to regulatory technical standards on requirements for central counterparties, OJ L 52, 23.2.2013, p. 41–74

6. The RTS refers to the Capital Requirements Regulation⁷ (CRR) to establish the prudential requirements for CSDs given the commonality of the risks to manage, with additional requirements to reflect the intra-day credit and liquidity risk that CSDs are exposed to, including that they are fully covered by high-quality collateral. Other requirements include that a CSD ensures the liquidation or orderly restructuring of their operations over an appropriate period of at least 6 months in a crisis scenario.
7. This is a flexible regime with broad provisions, incorporating where relevant CPSS-IOSCO Principles for Financial Market Infrastructure, and that already reflects the potential risks from other configurations of CSD interconnectedness (i.e. CSD link – an arrangement allowing a central securities depository to give its client access to securities issued in another CSD without requiring these clients to be direct participants in the other CSD).
8. The ESMA 2021 report to the European Commission (EC) on the Provision of banking-type ancillary services under CSDR⁸ noted that most respondents to its survey deemed the current prudential requirements under which banking-type ancillary services can be provided by CSDs to be overall appropriate in view of the risks undertaken by CSDs. It was noted that further changes to the RTS would imply further adaption and cost.
9. The current RTS for CSD's prudential requirements already includes requirements detailing the frameworks and tools for the monitoring, the measuring, the management, the reporting and the public disclosure of the credit and liquidity risks, including those which occur intra-day. Given this, the consultation paper therefore proposes updates to the RTS reflecting:
 - i) Amendments made to other regulations and their secondary legislation referenced in the RTS (EMIR, CRR).
 - ii) The new risks that may emerge from banking CSDs providing services to other-banking CSDs. This is a new configuration between CSDs and to adequately reflect the risks, it is necessary to understand what operational arrangements CSD may use. Informal dialogue with industry suggests that CSDs have not yet definitively settled on how to operationalize this arrangement.

3.3 Amendments made to other regulations and their secondary legislation referenced in the RTS

10. The proposed draft RTS has been updated for references to the Capital Requirements Regulation (CRR) (Regulation (EU) No 575/2013):

⁷ Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012, OJ L 176, 27.6.2013, p. 1–337

⁸ Page 20, ESMA 2021 report to the EC on the Provision of banking-type ancillary services under CSDR (ESMA70-156-4582, July 2021)

- i) Removal of references to the Advanced Measurement Approaches (AMA) for operational risk in Article 4 of Title 1 of the RTS (Capital Requirements for all CSDs). There is no longer a differentiation under operational risk between banking and non-banking CSDs given that there is only one method for the calculation of operational risk in CRR.
- ii) Legal references to the Financial Collateral Comprehensive Method under Article 5(3) have been updated, although there is no change in substance.
- iii) An update has been made to the requirement for a CSD's trading book (Article 4 and 5 of the RTS) to reflect the updates to Chapter 3 of Title I of Part Three of Regulation (EU) No 575/2013. A transitional provision is included in case the RTS comes into force ahead of the fundamental review of the trading book coming into force.
- iv) References to the Standardised approach have been updated to reflect the repeal of articles 240 and 241 under CRR. References to the Internal Ratings Based approach under Article 8 and credit risk mitigation under Article 5, counterparty credit risk under Article 5 remain unchanged.

11. Article 59(5) of CSDR states that the RTS shall, where appropriate, be aligned to the RTS adopted in accordance with Article 46(3) of EMIR⁹. ESMA is due to revise this RTS with a planned Consultation Paper in summer 2025. The revisions to the RTS will reflect the temporary emergency measures on collateral requirements taken at the start of the war on Ukraine¹⁰ to allow non-financial companies, active on gas and electricity regulated markets cleared in EU CCPs, to manage their collateral requirements. This includes the expansion of eligible collateral to uncollateralised bank guarantees and guarantees issued or backed by public entities. The EBA highlighted in the EBA response to EC request on energy markets¹¹ that the relaxation of prudential standards could have unintended consequences and erode the soundness and risk sensitivity of the regulation. In light of the EBA's concerns on the relaxation of prudential standards, the EBA does not view alignment to the planned content of RTS in this respect as appropriate.

3.4 New risks that may emerge from banking CSDs providing services to the participants of non-banking CSDs.

12. The EBA is neutral on how this service should be operationalized, however different approaches could entail new or enhanced financial, operational and legal risks with knock-on effects on credit, liquidity and collateral management. However, the EBA's understanding, based on dialogue with industry is that, due to the requirements in Title IV of CSDR, the only legal arrangement feasible is that a banking CSD ('designated CSD') provides cash accounts directly to the participants of another

⁹ Chapter X of Delegated Regulation (EU) No 153/2013

¹⁰ Commission Delegated Regulation (EU) 2022/2311 of 21 October 2022 amending the regulatory technical standards laid down in Delegated Regulation (EU) No 153/2013 as regards temporary emergency measures on collateral requirements, *OJ L 307*, 28.11.2022, p. 31–33

¹¹ EBA response to the European Commission on the current level of margins and of excessive volatility in energy derivatives markets, 29 September 2022 [EBA response to EC request on energy markets.pdf](#)

CSD ('designating CSD'), and in effect are also treated as participants of the banking CSD. This is because for a non-banking CSD intermediating settlement between the banking CSD and its participants, it too would need to be authorized under Article 54 of Title IV of CSDR to provide cash accounts to, and accepting deposits from, participants in a securities settlement system and holders of securities accounts, within the meaning of point 1 of Annex I to Directive 2013/36/EU. It is also possible that a banking CSD could also provide cash settlement services for other banking CSDs, though from the EBA's dialogue with industry this is deemed unlikely and so the focus of this Consultation Paper is when the designating CSD is a non-banking CSD.

13. Under this arrangement, the EBA assumes that:

- i) While the designating CSD works with the designated CSD to put in place a connection between itself and the designated CSDs, the designating CSD does not intermediate in any way the cash settlement leg (i.e. by offering a cash account to the participant). The designated CSD has a direct contractual arrangement with a designating CSD participant ('the participant') to open a cash account and settle the cash leg of transactions where requested.
- ii) If a designated-CSD offers credit to the participant, the banking CSD would require the participant to adhere to their participant requirements for obtaining credit facilities. This reduces the counterparty risk to equivalent to that of a banking-CSD with its own participant.

14. Given the similarity in these arrangements with a banking CSD's arrangements with its own participants, the EBA's view is that the exposures are managed within current collateral concentration limits (Article 14), credit limits (Article 24), and concentration of its liquidity risk exposure to each financial institution (Article 38).

15. This implies limited updates to the RTS. The overarching principle therefore in the drafting of this update is to ensure that a banking CSD's current measures in place for its own settlement systems also extend to this service.

16. For the credit risk framework, a designated CSD should describe how the framework takes into account the interdependencies and relationships with the designating CSD and its participants (point c of Article 24a). Credit risk requirements (via the newly introduced Article 18a) have been updated to ensure that a designated CSD should be able to gather information concerning the participants, including the parent undertaking and subsidiaries, and to identify any material dependencies between its own participants and those of the designating CSD to accurately monitor credit risk stemming from interdependencies.

17. In regards to intraday credit requirements (Article 24a), the RTS has been amended to propose that designated CSDs extend their monitoring and management to participants of the designating CSD to which it provides cash settlement services to. For the concentration of intraday credit exposures designated CSDs shall specify how they monitor exposures to designating CSDs and its participants (point a of Article 24a).

18. The draft RTS requires the designated CSD to inform its competent authority when it provides cash settlement to the participants of a designating CSD. This is to enable competent authorities to have view of the interconnections between CSDs. However, the draft RTS does not require the designated CSD to monitor or report separately cash settlement for participants of the designating CSD. This is because a participant of the designating CSD could also be a participant of the banking CSD, and prefer to hold one cash account at the designated CSD for collateral and credit efficiency reasons. Requiring separate reporting is likely to prevent a designating CSD from being able to offer a single cash account and create an unnecessary regulatory burden.

4. Draft amendments to regulatory technical standards for prudential requirements for CSDs

COMMISSION DELEGATED REGULATION (EU) .../...

of XXX

amending the regulatory technical standard laid down in Delegated Regulation (EU) 2017/390 as regards certain prudential requirements for central securities depositories and designated credit institutions offering banking-type ancillary services

(Text with EEA relevance)

THE EUROPEAN COMMISSION,

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

Having regard to Regulation (EU) No 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 236/2012¹², and in particular Article 47(3) third subparagraph, Article 54(8) third subparagraph, Article 59(5) third subparagraph thereof,

Whereas:

- (1) Regulation (EU) No 2024/2845 of the European Parliament and of the Council introduced amendments to Regulation (EU) No 909/2014 that necessitate an update of some references thereto.
- (2) Article 54(2) of Regulation (EU) No 909/2014, requires that a CSD that settles the cash payments for all or part of its securities settlement systems through its own accounts or that otherwise intends to provide any banking type ancillary services shall be authorised to do so,
- (3) CSDs authorised to provide banking type ancillary services as listed in Section C of Annex I of Regulation (EU) No 909/2014 may now also provide services to other CSDs and their participants as part of cash settlement. In consequence, the term CSD banking service provider should now be read to also include when one CSD provides banking services for cash settlement to the participants of another CSDs per Section C, Annex 1 of Regulation (EU) No 909/2014.
- (4) In light of the extension of services, additional requirements for intraday credit and intraday liquidity monitoring and management are required to address the potential

¹² Regulation (EU) No 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, OJ L 257, 28.8.2014, p. 1–72.

additional credit and liquidity risk from the participants of other CSDs that a CSD authorised to provide banking type ancillary services may provide services to.

- (5) In order for competent authorities to effectively monitor the CSDs it supervises, where a CSD is designated as a CSD banking service provider, it shall notify its competent authority.
- (6) This Regulation is based on the draft regulatory technical standards submitted to the Commission by the European Banking Authority.
- (7) The European Banking Authority has conducted open public consultations on the draft regulatory technical standards on which this Regulation is based and analysed the potential related costs and benefits,
- (8) Due to Fundamental Review of Trading Book (FRTB), the calculation for own funds requirement for market risk has been updated.

HAS ADOPTED THIS REGULATION:

Article 1

Delegated Regulation (EU) 2017/390 is amended as follows:

- (1) in Article 2, paragraph 2 is replaced by the following:

2. In addition to the capital instruments that meet the conditions set out in paragraph 1, a CSD authorised in accordance with Article 54(2) of Regulation (EU) No 909/2014 to provide banking-type ancillary services may, in order to meet the requirements in Article 1, use capital instruments that:

- (a) meet the conditions in paragraph 1;
- (b) are ‘own funds instruments’ as defined in point 119 of Article 4(1) of Regulation (EU) No 575/2013;
- (c) are subject to the provisions of Regulation (EU) No 575/2013.

Explanatory box:

The current version of the RTS in places erroneously refers to point (a) of Article 54(2). This draft RTS corrects the references to Article 54(2a) in amendments to Article 2, paragraph 1 of Article 4, paragraph 2 of Article 5 and paragraph 5 of Article 18.

- (2) Article 4 is amended as follows:
 - (a) paragraph 1 is replaced by the following:

1. A CSD shall calculate its capital requirements for operational, legal and custody risks in accordance with the provisions of Part Three, Title III of Regulation (EU) No 575/2013 .

(b) paragraph 2, is deleted

(c) Paragraph 3, is deleted

(3) Article 5 is amended as follows: :

(a) paragraph 2 is replaced by the following:

2. For the calculation of a CSD's risk-weighted exposure amounts for credit risk, the following shall apply:

(a) where the CSD is not authorised in accordance with Article 54(2) of Regulation (EU) No 909/2014 to provide banking-type ancillary services, the CSD shall apply the Standardised Approach for credit risk as set out Articles 111 to 141 of Regulation (EU) No 575/2013 in combination with the provisions on credit risk mitigation set out in Articles 192 to 239 of that Regulation ;

(b) where a CSD is authorised in accordance with Article 54(2) of Regulation (EU) No 909/2014 to provide banking-type ancillary services but does not have permission to use the Internal Ratings Based Approach (IRB Approach) as set out Articles 142 to 191 of Regulation (EU) No 575/2013, the CSD shall apply the Standardised Approach for credit risk set out in Articles 107 to 141 of Regulation (EU) No 575/2013 in combination with the provisions on credit risk mitigation set out in Articles 192 to 239 of that Regulation;

(c) where a CSD is authorised in accordance with Article 54(2) of Regulation (EU) No 909/2014 to provide banking-type ancillary services and has permission to use the IRB Approach, the CSD shall apply the IRB Approach for credit risk as set out Articles 142 to 191 of Regulation (EU) No 575/2013 in combination with the provisions on credit risk mitigation set out in Articles 192 to 239 of that Regulation .

(b) paragraphs 4 and 5 are replaced by the following:

4. CSDs shall manage their trading book in accordance with Part Three, Title I, Chapter 3 of Regulation (EU) No 575/2013.

5. CSDs shall calculate their own funds requirements for market risk in accordance with Part III, Title IV of Regulation (EU) No 575/2013 as applicable, having also regard to Article 520a of that Regulation. Only CSDs authorised in accordance with Article 54 (2) of Regulation (EU) No 909/2014 may be permitted to use internal models for the calculation of their own funds requirements for market risk.

The approaches referred to in points (a) or (b) of the first subparagraph of this paragraph shall be used only where a CSD is authorised in accordance with Article 54(2) of Regulation (EU) No 909/2014 to provide banking-type ancillary services.

(c) the following paragraph is inserted:

6. By way of derogation from paragraphs (4) and (5), CSDs may calculate the own funds requirements for their trading book business in accordance with Article 94 of Regulation (EU) No 575/2013, where the conditions specified in paragraph 1 of that Article are met.

(4) In Article 7, point (a) is replaced by the following:

(a) estimate the time span required for winding-down or restructuring for all of the stress scenarios referred to in the Annex consistently with the plan referred to in Article 22a of Regulation (EU) No 909/2014;

(5) In Article 18, paragraph 5 is replaced by the following:

5. The report referred to in paragraph 4 shall be subject to monthly review by the relevant committees established by the management body of the CSD-banking service provider.

Where the CSD-banking service provider is a credit institution designated by the CSD in accordance with point (a) of Article 54(2a) of Regulation (EU) No 909/2014, the report referred to in paragraph 4 shall also be made available to the risk committee established under Article 48 of the Delegated Regulation (EU) 2017/392 of the CSD with the same monthly frequency.

(6) The following Article is inserted:

Article 18a

Additional Rules and procedures addressing any potential credit risk resulting from the provision of banking-type ancillary services to other CSDs pursuant to Article 54(2a), first subparagraph, point (b)

1. CSD-banking service providers designated pursuant to Article 54(2a), first subparagraph, point (b) of Regulation (EU) No 909/2014, shall put in place rules and procedures, in accordance with Article 59(4a) of that Regulation that ensure compliance with the prudential requirements set out in Article 59(3) of that Regulation as further specified under this Section 1, for the credit risks related to the provision of banking-type ancillary services to the participants of the securities settlement systems of the designating CSDs.

2. The rules and procedures referred to in paragraph 1, shall ensure that the designated CSD-banking service provider referred to in paragraph 1:

(a) gathers information about the participants of the securities settlement system of the designating CSD that make use of the banking-type ancillary services, including their

parent undertakings and subsidiaries, , in order to identify, monitor and manage any material credit risks ;

(b) identifies material dependencies between the participants of the securities settlement system of the designating CSD and its own participants ;

(c) Regularly reviews risks arising from providing services listed under Section C of Annex I of Regulation (EU) No 909/2014g to the participants of the securities settlement systems of the designating CSD and takes mitigating action when appropriate.

3. In the application of the rules and procedures referred to in paragraph 1, the designated CSD-banking service provider shall also ensure the following:

(a) That where a participant, including its parent undertakings and subsidiaries, of the securities settlement systems of the designating CSD is also a participant of the securities settlement systems of the designated CSD, the overall exposure to such a participant is considered;

(b) That the overall exposure to the participants of the securities settlement systems of the designated CSD-banking service provider and, if relevant, to the participants of the securities settlement systems of the designating CSD or to the designating CSD itself, to which it provides banking-type ancillary services, is considered;

(7) in Article 21, point (c) is replaced by the following:

(c) Record the intraday credit exposures stemming from each entity on which intraday credit exposures are incurred, including the following:

(i) issuers;

(ii) participants to the securities settlement system operated by a CSD, at entity and group levels;

(iii) participants to the securities settlement system operated by a designating CSD to which it provides banking-type services listed in Section C of Annex I of Regulation (EU) No 909/2014;

(iv) CSDs with interoperable links;

(v) banks and other financial institutions used to make or receive payments;

(8) Article 24, is replaced by the following:

Article 24
Credit limits

1. For the purposes of managing intraday credit risk, and where setting at the group level the credit limits to an individual borrowing participant or to a participant of the designating

CSD which it provides services to, a CSD-banking service provider shall comply with all of the following:

- (a) Assess the creditworthiness of the borrowing participant or participant of the designating CSD which it provides services to based on a methodology that does not exclusively rely on external opinions;
- (b) Verify the compliance of collateral and other equivalent financial resources provided by a participant to cover intraday credit exposures, with the requirements set out in Articles 9 and 15, respectively;
- (c) Set the credit limits to a borrowing participant or participant of the designating CSD which it provides services to, based on the multiple relationships that the CSD-banking service provider has with such participants, including where the CSD-banking service provider provides more than one banking-type ancillary service among those referred to in Section C of the Annex to Regulation (EU) No 909/2014 to the same participant;
- (d) Take into account the level of qualifying liquid resources in accordance with Article 34;
- (e) Review the credit limits to a borrowing participant or participant of the designating CSD which it provides services to with the view to ensuring both of the following:
 - (i) where the creditworthiness of a borrowing participant or participant of the designating CSD which it provides services to decreases, that the credit limits are reviewed or reduced;
 - (ii) where the value of collateral provided by a borrowing participant or participant of the designating CSD which it provides services to decreases, that the credit availability is reduced.
- (f) Review the credit lines granted to borrowing participants or participant of the designating CSD which it provides services to at least annually based on their actual usage of credit;
- (g) Ensure that the amount of overnight credit exposures is integrated in the usage of the credit limit granted to the borrowing participant or participant of the designating CSD which it provides services to;
- (h) Ensure that the amount of overnight credit not yet reimbursed is included in the intraday exposures of the next day and is capped by the credit limit.

(9) The following Article is inserted:

Article 24a
Additional Rules and procedures addressing the
measurement of intraday credit, management of intraday credit exposures and re-
porting resulting from the provision of banking-type ancillary services to other CSDs
pursuant to Article 54(2a), first subparagraph, point (b)

1. The rules and procedures set up in accordance with Article 18a shall enable the CSD-banking service provider designated pursuant to Article 54(2a), first subparagraph, point (b) to:

(a) identify and measure, for the purposes of Article 19(1), intraday credit exposures stemming from the participants of the securities settlement systems of the designating CSD, and if relevant from the designating CSD itself, and record the peak and average intraday credit exposures to each of those participants that make use of the services of the designated CSD-banking service provider.; the designated CSD-banking service provider shall apply the breakdown of credit exposures referred to in point (e) of Article 19(1) to the peak and intraday credit exposures recorded in accordance with this subparagraph;

(b) describe, for the purposes of article 21, point (d), how the credit risk management framework takes into account the interdependencies and the multiple relationships the CSD-banking service provider has with the designating CSD and its participants, as well as with any other entity involved in the provision of banking-type ancillary services to those participants;

2. (c) specify, for the purposes of Article 21, point (e), how it monitors the concentration of its intraday credit exposures to the participants of the securities settlement systems of the designating CSD, as well as to any other entity involved in the provision of banking-type ancillary services to those participants;

(10) in Article 27, paragraph 2 is replaced by the following:

2. A CSD-banking service provider shall comply with all of the following notification and reporting requirements:

(a) It shall submit a qualitative statement that specifies the actions taken regarding how credit risks, including intraday credit risks are measured, monitored and managed, with at least an annual frequency;

(b) It shall notify any material changes to the actions taken in accordance with point (a), immediately after such material changes take place;

(c) It shall submit the metrics referred to in Article 19 on a monthly basis,

(d) It shall notify immediately the relevant competent authority referred to in Article 60 (1) of Regulation (EU) No 909/2014 on being designated by a designating CSD.

(11) The following Article is inserted:

Article 29a

Rules and procedures addressing any potential liquidity risk resulting from the provision of banking-type ancillary services to other CSDs pursuant to Article 54(2a), first subparagraph, point (b)

1. CSD-banking service providers designated pursuant to Article 54(2a), first subparagraph, point (b) of Regulation (EU) No 909/2014 shall put in place rules and procedures in accordance with Article 59(4a) of Regulation (EU) No 909/2014 that ensure compliance with the prudential requirements set out in Article 59(4) of that Regulation as further specified in this Section for the liquidity risks related to the provision of banking-type ancillary services to the participants of the securities settlement systems of the designating CSDs.

(12) In Article 35, paragraph 5, point (b) is replaced by the following:

:

(b) Any strong relationships or similar exposures between the participants of the securities settlement systems of the CSD-banking service provider, as well as participants of securities settlement systems of a designating CSD, and if relevant, the designating CSD itself, including between the participants and their parent undertaking and subsidiaries;

(13) The Annex is amended as follows:

(a) Point 6 is replaced by the following:

(6) The idiosyncratic stress scenarios shall include:

- (a) the failure of significant counterparties;
- (b) damage to the institution's or group's reputation;
- (c) a severe outflow of liquidity;
- (d) adverse movements in the prices of assets to which the institution or group is predominantly exposed;
- (e) severe credit losses;
- (f) a severe operational risk loss.

(b) Point 7 is replaced by the following:

(7) The system-wide stress scenarios shall include:

- (a) the failure of significant counterparties affecting financial stability;
- (b) a decrease in liquidity available in the interbank lending market;
- (c) increased country risk and generalised capital outflow from a significant country of operation of the institution or the group;
- (d) adverse movements in the price of assets in one or several markets;
- (e) a macroeconomic downturn.

Explanatory box for consultation:

Questions for consultation

Q1. Are there other foreseeable operational arrangements in the designation of a CSD to provide foreign currency cash settlement services to a designating CSD that should be taken into account in the amending of this regulatory technical standards?

Q2. Are there additional measures that should be considered for include in the draft RTS?

Q3. Are any of the proposed additional measures unnecessary or disproportionate?

Article 2

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*

*[For the Commission
On behalf of the President*

[Position]

5. Accompanying documents –mandate Article 59(5)

Draft cost-benefit analysis / impact assessment

As per Article 10 of Regulation (EU) No 1093/2010 (EBA Regulation), any draft regulatory technical standards RTS developed by the EBA shall be accompanied by an Impact Assessment (IA), which analyses ‘the potential related costs and benefits’.

This analysis presents the IA of the main policy options included in this Consultation Paper on the Draft Regulatory Technical Standards amending 2017/390 supplementing Regulation (EU) No 909/2014 of the European Parliament and of the Council on prudential requirements for central securities depositories and designated credit institutions offering banking-type ancillary services (“the draft RTS”). The analysis provides an overview of the identified problem, the proposed options to address this problem as well as the potential impact of these options. The IA is high level and qualitative in nature.

A. Problem identification and background

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 Refit’) being published in December 2023. The aim of the legislation is to make securities settlement in the EU more efficient and improve the attractiveness of the EU’s capital markets. As part of CSDR Refit, it was identified that there appears to be limited access by non-banking CSDs to commercial bank money, in particular to be able to offer settlement in foreign currencies to their participants, which limits their business development and competitiveness.

One measure taken to address this is broadening the range of entities that can offer banking-type ancillary services to non-banking CSDs. This was previously limited to designated credit institutions which exclusively provide the banking-type ancillary services listed under Section C of the Annex of CSDR. Under CSDR Refit, banking CSDs can now provide banking services to other CSDs pursuant to point (b) of Article 54(2a).

A potential result of this policy measure is a change in the risk profile of CSDs, particularly from potential credit, liquidity and concentration risks resulting from the provision of those services. The EBA had already drafted an RTS on certain prudential requirements for central securities depositories and designated credit institutions offering banking-type ancillary services (‘the existing RTS’), which delivers the prudential framework set out under Article 47(3), Article 54(8) and Article 59(5).

The existing RTS does not consider the additional risks from this new service option. Therefore, Article 59(5) mandates the EBA to “develop draft regulatory technical standards to further specify details of the frameworks and tools for the monitoring, measuring, management, reporting and public disclosure of the credit and liquidity risks, including those which occur intra-day, referred to in paragraphs 3 and 4, as well as the rules and procedures referred to in paragraph 4a. Those draft regulatory technical standards shall, where appropriate, be aligned to the regulatory technical standards adopted in accordance with Article 46(3) of Regulation (EU) No 648/2012

B. Policy objectives

The draft RTS aims at mitigating the additional risks created by banking CSDs or designated credit institutions providing cash settlement of foreign currencies to non-banking CSDs, as well as ensuring there is appropriate reporting of additional risks to competent authorities.

C. Options considered, assessment of the options and preferred options

Section C. presents the main policy options discussed and the decisions made by the EBA during the development of the draft RTS. Advantages and disadvantages, as well as potential costs and benefits from the qualitative perspective of the policy options and the preferred options resulting from this analysis, are provided.

As mentioned above, there is already an existing RTS on certain prudential requirements for central securities depositories and designated credit institutions offering banking-type ancillary services. Considering that similarities exist between the existing and the new mandates, the existing RTS is used as a starting point from which the draft RTS is developed.

Operational arrangements to implement a designated CSD providing cash settlement to a designating CSD

CSDs may have multiple options for how they will operationalize the arrangement of a banking CSD or designated credit institution providing cash settlement to a non-banking CSD. How a CSD operationalises this arrangement could impact the CSDs’ risk profile. Some arrangements would entail new provisions to adequately address the additional risk.

Option 1a: Assume that a banking CSD would provide the cash settlement services directly to the designating CSD’s participants, on-boarding the designating CSD’s participants as a participant of the banking CSD. This is the only available option when the designating CSD is a non-banking CSD because a non-banking CSD cannot hold cash accounts for participants, and therefore cannot intermediate the cash settlement between non-banking CSD participant and banking CSD.

Option 1b: Assume that a banking CSD could also adopt different arrangements in addition to the one described in option 1a. Eg. Where the designating CSD is also a banking CSD, there could be configurations where the designating CSD holds collateral in its accounts which the designated CSD could have a claim over.

Option 1b offers more choices to CSDs in how they operationally implement this arrangement. It would allow for a designated CSD to have more flexibility in how it considers the designating CSD's participants, and more flexibility in its product service offering, for example not requiring participants to hold collateral with the designated CSD. However this arrangement is more operationally burdensome and could be less legally robust for CSDs if it needs to call collateral. It would also trigger more requirements in the RTS for CSDs to follow in terms of the monitoring and valuation of collateral, and be more complicated for competent authorities to supervise. In informal dialogue with industry, it has not stated a preference for more complex operational arrangements to deliver cash settlement of foreign currency to a designating CSD, and so would be unlikely to adopt the additional approach foreseen in Option 1b.

On the basis of the above, **option 1a has been chosen as the preferred option** and the draft RTS has been drafted assuming that a designated CSD would provide the cash settlement services directly to the designating CSD's participants, on boarding the designating CSD's participants as a participant of the banking CSD. This is the option that is easiest operationally for CSDs to maintain and imposes the least additional regulatory requirements.

Reporting requirements to competent authorities

The existing RTS requires regular reporting to competent authorities

Reporting topic	Requirement
Intraday Credit Risk	<p>Article 27 (2) A CSD-banking service provider shall comply with all of the following reporting requirements:</p> <p>(a) it shall submit a qualitative statement that specifies the actions taken regarding how credit risks, including intraday credit risks are measured, monitored and managed, with at least an annual frequency;</p> <p>(b) it shall notify any material changes to the actions taken in accordance with point (a), immediately after such material changes take place;</p> <p>(c) it shall submit the metrics referred to in Article 19 on a monthly basis.</p> <p>Article 19:</p> <p>1. A CSD-banking service provider shall identify and measure intraday credit risk exposures and anticipate peak intraday credit exposures by way of operational and analytical tools that identify</p>

	<p>and measure intraday credit exposures, and that record, in particular, all of the following metrics for each counterparty:</p> <p>(a) peak and average intraday credit exposures for banking-type ancillary services set out in Section C of the Annex to Regulation (EU) No 909/2014; (b) peak and average intraday credit exposures per borrowing participant, and further breakdown of collateral covering these credit exposures;</p> <p>(c) peak and average intraday credit exposures to other counterparties and, if it is secured by collateral, further breakdown of collateral covering these intraday credit exposures;</p> <p>(d) total value of intraday credit lines extended to participants;</p> <p>(e) further breakdown of credit exposures referred to in points (b) and (c) shall cover the following: (i) collateral that meets the requirements of Article 10; (ii) other collateral in accordance with Article 11(1); (iii) other collateral in accordance with Article 11(2); (iv) other equivalent financial resources in accordance with Article 15 and 16.</p>
Liquidity	<p>Article 37 (6b) The rules and procedures referred to in paragraph 1 shall include a requirement for the CSD-banking service provider to report any liquidity risk that has the potential to cause previously unforeseen and potentially uncovered liquidity shortfalls to the relevant competent authority.</p> <p>Article 38 (9). In the context of its reporting to the relevant competent authority in accordance with Article 39, the CSD-banking service provider shall inform the competent authority of both of the following: (a) any significant changes to the policies and procedures concerning concentration limits towards its liquidity providers determined in accordance with this Article; (b) cases where it exceeds a concentration limit towards its liquidity providers set out in its policies and procedures, as referred to in paragraph 5.</p> <p>Article 39</p> <p>1. A CSD-banking service provider shall report to the relevant competent authority referred to in Article 60(1) of Regulation (EU) No 909/2014.</p> <p>2. A CSD-banking service provider shall comply with all of the following reporting requirements: (a) it shall submit a qualitative</p>

	<p>statement that specifies all actions taken regarding how liquidity risks, including intraday are measured, monitored and managed, with at least an annual frequency; (b) it shall notify any material changes to the actions taken, referred to in point (a), immediately after such material changes take place; (c) it shall submit the metrics referred to in Article 30(1) on a monthly basis.</p> <p>3. Where the CSD-banking service provider is in breach of, or risks breaching the requirements of this Regulation, including during times of stress, it shall immediately notify this to the relevant competent authority and it shall submit without undue delay to that relevant competent authority a detailed plan for the timely return to compliance.</p> <p>4. Until compliance with the requirements of this Regulation and Regulation (EU) No 909/2014 is restored, the CSDbanking service provider shall report the items referred to in paragraph 2, as appropriate, at least daily, by the end of each business day unless the relevant competent authority authorise a lower reporting frequency and a longer reporting delay, by taking into account the individual situation of the CSD-banking service provider and the scale and complexity of its activities</p>
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Option 2a: Maintain current reporting requirements, and allow designated CSDs to monitor and report intraday credit exposures, etc at a borrowing participant level. Designated CSDs would only have to provide notification to its competent authorities that it was providing cash settlement services to other CSDs without additional reporting.

Option 2b: Put in place further reporting requirements, requiring CSDs to provide separate reporting on credit risk exposures stemming from cash settlement of foreign currencies provided to other CSDs.

Option 2a is already in operation in CSDs and would imply no new costs. It would also allow designating CSDs to offer participants who are participants in both the designated and designating CSD, the option of having a single cash account with the designated CSD, allowing the participant to benefit from netting transactions and allowing for more efficient credit and collateral management. Designating CSDs would however monitor these settlement instructions and be able to aggregate data on this business service.

Option 2b would provide enhanced information to a CSD's own internal committees and competent authorities. Given that current reporting provided is at the most granular level at a borrowing par-

ticipant level, it is unclear how useful this additional data would be to internal committees or competent authorities unless it was to become a significant business line (which is not likely given foreign currency settlement is not a large competent of a CSD's business). In order to provide this information, CSD's would need to maintain separate cash accounts for participants' designated CSD settlement instructions, in order to disaggregate the credit risk exposure from this service. This means that participants would not benefit from netting for credit and collateral management efficiencies.

On proportionality grounds, **option 2a has been chosen as the preferred option** and the draft RTS will only require notification of provision of cash settlement to a designating CSD by a designated CSD.

D. Conclusion

The Draft Regulatory Technical Standards amending 2017/390 supplementing Regulation (EU) No 909/2014 of the European Parliament and of the Council on prudential requirements for central securities depositories and designated credit institutions offering banking-type ancillary services is not expected to trigger significant additional costs compared to the costs associated to the existing RTS. The main benefits will be to ensure that, should a CSD choose to offer this service, this service's prudential risks are managed and monitored in line with other similar services provided by banking CSDs to their own participants. Overall, the impact assessment on the draft RTS suggests that the expected benefits are higher than the incurred expected costs.

6. Overview of questions for consultation

Q1. Are there other foreseeable operational arrangements in the designation of a CSD to provide foreign currency cash settlement services to a designating CSD that should be taken into account in the amending of this regulatory technical standards?

Q2. Are there additional measures that should be considered for include in the draft RTS?

Q3. Are any of the proposed additional measures unnecessary or disproportionate?