ECSDA RESPONSE TO THE TARGETED CONSULTATION ON INTEGRATION OF EU CAPITAL MARKETS

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European Central Securities Depositories Association, aisbl
Rue du Congrès 1, 1000 Brussels, Belgium
ecsda.eu – info@ecsda.eu - +32 2 230 99 01
RPM/VAT : BE0464619112 – Tribunal de l'entreprise francophone de Bruxelles
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INTRODUCTION

The **European Central Securities Depositories Association (ECSDA)** welcomes the opportunity to respond to the European Commission **Targeted Consultation on integration of EU Capital Markets**.

CSDs are regulated market infrastructures enabling issuance, settlement and servicing of securities in the EU capital markets, interconnecting companies and investors across the EU.

European CSDs play a key role in helping issuers and investors navigate Europe's complex multijurisdictional landscape. They process corporate actions on behalf of issuers and for the benefit of entitled investors, ensuring compliance with the corporate laws of the 27 European jurisdictions and beyond.

By providing secure and increasingly harmonised services, CSDs protect financial stability, reducing counterparty failure risk, keeping safe and certain investors' rights over assets, and promoting transparency. Through ongoing innovation and harmonisation efforts, they support market efficiency and help strengthen investor confidence across the EU.

European CSDs remain strongly committed to supporting the SIU objectives by delivering secure, efficient, and innovative post-trade services.

As a general introduction, we recall the recent response to the Call for evidence on SIU. With this consultation ECSDA members would like to share the following **key messages on SIU**:

1. **Cross-border provision of CSD services, links and freedom of issuance: clarity on drivers and room for further simplification**

CSDs support the strengthening of the CSDR principle of freedom of issuance with convergent interpretation of the concept of "corporate law" in the field of post trade

We propose to underpin the idea of more interconnection between CSDs to support SIU with a deep understanding of the drivers of the market architecture being liquidity and demand sustainable business case, differences in the legal and tax requirements creating costs and complexities non only in the set up but also in the maintenance. CSDs also identify areas of simplification in the links authorization process.

We advocate for more collaboration across the value chain to make T2S, as essential and strong European infrastructure more efficient and scalable.

2. Post-trade barriers

With the consultation response, CSDs promote a clear identification of the remaining barriers and their effects on the market architecture.

On legal barriers, there are no inherent legal certainty issues affecting CSDs. It is essential to clarify that that as far as CSDs are concerned, the need to comply with diverse legal and tax frameworks across Member States, which hinders the harmonised handling of securities and limits scalability; the existence of passporting to handle foreign issuance is the symptom and prove of unresolved legal fragmentation; however, in our view, this fragmentation does not significantly deter cross-border investment decisions.

3. Regulatory simplification preserving competition and level playing field

ECSDA supports the values and merits of the EU regulatory framework, including technological neutrality, a level playing field, and functional consistency.

We also support regulatory simplification and burden reduction driven by greater convergence in the interpretation and implementation of EU legislation.

We recommend addressing overlaps and contradictions for example in the areas of operational resilience and cybersecurity—such as those found in CRA, NIS, DORA, CSDR, CRD/CRR, and MiFID—as well as in outsourcing frameworks across multiple legislations.

4. DLT operational and regulatory evolution

CSDs support the development of DLT in post trade services based on solutions that do not create further liquidity fragmentation. In the DLT field the regulatory framework is well structured and risk resilient and can be supported with clarifications and regulatory convergence to foster innovation and technology adoption.

Fragmentation in digital securities laws is emerging and can be avoided or solved with the idea of 28th regime for digital securities.

We emphasise the need for clarity on feasible DLT architectures to ensure that activities related to the registration and holding of securities are supported by a framework with clearly defined responsibilities.

For further modernisation and integration of different capital market segments, we also support the acceptance of wCBDC as CeBM, and a large range of DLT-based securities under the CSDR.

On the DLT Pilot Regime, ECSDA encourages greater legal and regulatory certainty regarding the transition pathway. In particular, it advocates for clear incentives that support firms in moving from the DLTPR to a fully regulated environment, including the integration of all services tested during the pilot phase into the permanent regulatory framework

PART 1

1. Simplification and burden reduction

The focus of this targeted consultation is to remove barriers to enhance the integration of the EU capital markets and to support their modernisation. By doing so, it will contribute to simplify the framework of EU capital markets and support the Commission's initiative to make Europe faster and simpler. This section seeks stakeholders' view on general questions regarding simplification and burden reduction of the EU regulatory framework in the trade, post-trade and asset management and funds sectors. Respondents are asked to provide concrete examples to support answers provided, and, where possible, quantitative and qualitative information.

1) Is there a need for greater proportionality in the EU regulatory framework related to the trade, post- trade, asset management and funds sectors? Please choose from 1 (strongly agree) to 5 (strongly disagree) or 'no opinion'. If yes, please explain and provide suggestion on what form it should take.

1	2	3	4	5	No opinion
					X

Please, explain
In particular, in relation to question 1 above, should the AIFMD threshold for sub-threshold AIFMs take into consideration for instance the market evolution and/or the cumulated inflation over the last 10-15 years? Please provide your answer by choosing from 1 (strongly agree) to 5 (strongly disagree) or 'no opinion'.

1	2	3	4	5	No opinion

If you agree, please indicate what could be an appropriate fixed threshold, or whether the threshold should be set in a delegated act to allow easier adjustments based on a methodology that you are invited to outline in your response, and why.

Please, explain

2) Would you see a need for introducing greater proportionality in the rules applying to smaller fund managers under Alternative Investment Fund Managers Directive (AIFMD),? Please choose from 1 (strongly agree) to 5 (strongly disagree) or 'no opinion'. If you agree, please explain and provide suggestion on what form it should take, indicating if possible estimates of the resulting cost savings.

1	2	3	4	5	No opinion

Please, explain

3) Are there any barriers that could be addressed by turning (certain provisions of) the Alternative Investment Fund Managers Directive (AIFMD), Financial Collateral Directive (FCD), Markets in Financial Instruments

Directive (MiFiD), Undertakings for Collective Investment in Transferable Securities Directive (UCITSD), Settlement Finality Directive (SFD) into a Regulation? Please choose from 1 (strongly agree) to 5 (strongly disagree) or 'no opinion'. If you agree, please explain which barriers and how a Regulation could remove the barrier.

1	2	3	4	5	No opinion
				X	

Please explain

See our responses to the questions on SFD and FCD for details.

4) Are there areas that would benefit from simplification in the interplay between different EU regulatory frameworks (e.g. between asset management framework and MiFID)? Please choose from 1 (strongly agree) to 5 (strongly disagree) or 'no opinion'. If you agree, please explain and provide suggestions for simplification. Also if possible present estimates of the resulting cost savings.

1	2	3	4	5	No opinion

Please explain

5) Would the key information documents for packaged retail and insurance-based investment products (PRIIPs KID) benefit from being streamlined and simplified? Please choose from 1 (strongly agree) to 5 (strongly disagree) or 'no opinion'. If you agree, please explain and provide suggestions for simplification. Also indicate what should be prioritised and if possible present estimates of the resulting cost savings.

1	2	3	4	5	No opinion

Please explain

6) Do you have other recommendations on possible streamlining and simplification of EU law, national law or supervisory practices and going beyond cross-border provision?
Yes / no / no opinion

If yes, please list your recommendation and suggested solutions. Please rank them as high, medium or low priority.
Please explain

7) Does the EU trade, post-trade, asset management or funds framework apply disproportionate burdens or restrictions on the use of new technologies and innovation in these sectors? Please choose from 1 (strongly agree) to 5 (strongly disagree) or 'no opinion'. Please explain and provide examples.

1	2	3	4	5	No opinion
				X	

Please explain

See our detailed responses to the questions related to innovation.

For modern and innovative EU financial infrastructures capable of offering a large pool of assets, disregarding the underlying technology for their initial recording, a level playing field is essential. The principle of the same function, same risk, same regulation is crucial.

In the area of digital assets, **existing projects and use cases have demonstrated the capability of CSDs to use DLT in full compliance with the CSDR and SFD regulatory frameworks**. The eventual clarifications can be effectively and efficiently addressed through Level 3 measures, avoiding the need for legislative change while promoting consistent application across Member States. There is no need to re-open these legislative instruments as they have been proven to address the main objective of financial stability and be interpretable to continue being relevant.

In the medium-term perspective, the DLT Pilot regime may be relevant to ensure the development of new infrastructure for the instruments that are not required to be mandatorily registered in a CSD (such as unlisted securities). However, **as the CSDs do not take risks in relation to the underlying assets used for transactions between the counterparties, there is no reason to limit their capabilities. From the perspective of the SIU Consultation, we believe that it is essential to ensure that as many assets as possible are streamlined through the CSDR-based infrastructures, benefiting from the full protection and connectivity across Europe.**

The proposal to reconsider the need to obtain a CSD licence based on CSDR by unbundling core CSD services for the sake of innovation contradicts the core principle of technology neutrality. Such changes could lead to fragmentation in the regulatory environment and undermine the consistency that CSDR seeks to provide.

Furthermore, for the possibility to reach bigger pools of different instruments through a single account and the level playing field, the functions and possibilities allowed for the DLT providers under the Pilot regime should also be fully compatible with the CSDR. **The role of a TSS under the DLT Pilot regime should be accessible to CSDs (as this is the case in Switzerland, where the entity operating a DLT-based platform has licences under the legislation aspiring to both the EU MiFID and CSDR).**

8) Would more EU level supervision contribute to the aim of simplification and burden reduction? Please choose from 1 (strongly agree) to 5 (strongly disagree) or 'no opinion' and explain.

1	2	3	4	5	No opinion
		X			

Please explain

We support the idea of convergent interpretation and application of rules, underpinned by a single rulebook and uniform interpretation across jurisdictions. We also see a value in recognising CSD groups, as this would help unlock greater synergies at the group level, particularly in areas such as outsourcing.

We note that for CSDs operating cross border, engagement with multiple regulators is already a structural reality deserving an higher level of convergence in rules interpretations, in particular in the field of cross-border provision of services.. In that context, we ask the authorities to advance with the simplification, burden reduction agenda and group recognition.

When considering the introduction of new or mixed supervisory models we suggest to avoid adding unjustified complexity, increasing regulatory overlaps, and duplicating obligations and starting from re-assessing and testing existing instruments designed to promote supervisory and regulatory convergence recently considered the acceptable compromise, such as the CSDR-Refit College

Essential for post-trade issues, such as asset protection and financial stability, are inherently local and require strong national oversight to ensure high standards are maintained.

While coordination and supervisory efficiency are important, meaningful progress will depend on tackling broader regulatory fragmentation and uneven implementation or interpretation of EU regulations. Actions taken on the supervisory framework can be supportive in advancing the objectives of SIU, although should not be taken alone.

2. Trading

This section seeks stakeholders' feedback in the trading space on the nature of barriers to integration, modernisation and digitalisation of liquidity pools and on several issues that can be grouped into two key objectives/areas, as well as their interplay: barriers to cross-border operations in the trading space and barriers to liquidity aggregation and deepening. Respondents are asked to provide concrete examples to support answers provided, and, where possible, quantitative and qualitative information.

Please note that regulatory barriers to the operation of groups and their capacity to leverage intra-group synergies is addressed in the separate questionnaire on horizontal barriers.

For the ease of review of the ECSDA response, we remove the questions of this sections

3. Post-trading

Issues with respect to post trading identified to date fall into three main areas:

- barriers to cross-border settlement
- barriers to the application of new technology and new market practices
- unharmonised and inefficient market practices and application of law, as well as disproportionate compliance costs.è§;è

This consultation aims to further specify the above barriers, as well as understand current market practices and costs borne by market participants, be they fees or other compliance costs. This section seeks feedback on possible measures, legislative or non-legislative, to achieve more integrated, modern post-trading infrastructures. Respondents are asked to provide concrete examples to support answers provided, and, where possible, quantitative and qualitative information.

3.1. Barriers to cross-border settlement and other CSD services

3.1.1. Cross-border provision of CSD services and freedom of issuance

Questions (please note that the term barrier also includes difficulties or challenges)	Answers	
1) What are the main barriers to the provision of cross-border CSD services in the EU and to freedom of issuance in any CSD in the EU? Please consider all of the following elements (including additional ones, if relevant): - procedures mandated by EU or national laws (e.g. passporting); - other legal or regulatory requirements (national or EU); - lack of clarity and/or complexity on the applicable legal or regulatory framework (national or EU); - supervisory practice (national or EU); - market practice (national or EU); - operational requirements (national or EU); - differences in national legal, regulatory or operational requirements; - technical/technological aspects; - language.	*See our response below the questions.*	
	Yes	No
2) Are there barriers to the **freedom of issuance** in the EU (e.g. requirements to use domestic central securities depositories (CSD) for issuance/immobilisation/dematerialisation of securities, requirements in the corporate or similar law of the Member State under which the securities are constituted)?	X	
3) Are there barriers to **cross-border asset servicing and processing** of corporate actions, e.g. how Member States compile the list of key relevant provisions of their corporate or similar law, which apply in the context of cross-border issuance (Article 49, Central Securities Depositories Regulation	X	

(CSDR))?		
4) Are there **barriers stemming from national laws, regulatory/supervisory or operational requirements**? (for example: • setting out **restrictions for the place of settlement** for primary or secondary market transactions • preventing securities issued by entities from **other EU Member** States from being issued, maintained or settled in the national CSD • imposing **additional requirements on CSDs**, established in another Member State, wishing to provide services to national issuers and/or participants)	X	
5) Are there any **additional barriers** to the provision of cross-border CSD services which are not mentioned above?		

For question 1 complete the following fields as appropriate. **For questions 2 to 5,** if 'yes' complete the following fields as appropriate. **For questions 2 to 5** where your reply is 'no' justify your reply, in particular identifying potential risks.	Please explain your answer (and where relevant clarify the type of barrier (i.e. barrier or a difficulty/challenge)). Please provide the following information, as well as any additional information relevant: an explanation of the barrier; the reason(s) why it is a barrier; the specific legal requirement(s) that create(s) the barrier, if relevant (national or EU level); the supervisory or market practice(s) (national or EU level) that create the barrier, if relevant; - the operational requirements that create the barrier (national or EU level); - the technical/technological aspect(s) related to the barrier, if relevant; - specify the Member State(s) in which the barrier exists, if relevant.	
	Please provide a ranking of the priority of addressing the barrier: - high priority; - medium priority; - low priority.	
	Please provide an estimation of the costs of the barrier.	
	Please provide potential solution(s) to remove or lower	

	the barrier. If you provide multiple solutions, please rank them in terms of preference. Suggestions for solutions can include, but do not have to be limited to: - legislative changes (specifying which changes are being suggested); - use of supervisory convergence tools (specifying which tools are being suggested); - centralised EU supervision; - adoption of market practice(s); - other.	
	Please provide data on the potential costs and benefits of the suggested solution(s).	

Question 1:

We thank the European Commission for the possibility to contribute to the reflection on the integration of the Savings and Investment Union.

Prior to responding to the question on the barriers, we need to highlight that in this response, we will specifically focus on the CSD services related to the servicing of assets constituted under the non-domestic law and the challenges related to the establishment of links.

In brief, we note the following essential barriers:

1) other legal or regulatory requirements (national or EU);
2) differences in national legal, regulatory, fiscal or operational requirements;
3) supervisory practice (national or EU),
4) national practices.

As a general principle, it must be considered that cross-border provision of CSDs services, and consequent willingness to activate passporting procedures according to CSDR Art. 23, is connected to the existence of a business case, i.e. issuers willing to initially register securities with a foreign CSDs. The issuer's demand is mainly driven by listing places and cross-border investment. Initial registration of securities in another country is generally seen as an instrument for the issuer to be closer to the investors, when they see a possibility of finding liquidity in other EU countries. In the absence of a sufficient pool of investors and in the absence of attractive issuers known to the investors in other EU countries, the market infrastructure can help to build the connectivity, but it will not see significant volumes.

In that context, the European CSDs have developed today a very dense network of links, and many have obtained several passports to support the cross-border issuance. ECSDA CSD links matrix that has been recently updated and ESMA CSD register are evidencing that situation. We note, however, that the volume of intra-EU cross-border domestic issuance and transaction settlement volumes through many of the links are not yet significant.

Additional structural measures that go far beyond the technical and procedural aspects related to market infrastructures, such as the passporting procedure and establishment of additional links and focusing on

stimulating the internal market's supply and demand, will have a significant effect on cross-border transactions going through the infrastructures.

Looking at the barriers, they indeed lead to costs, time inefficiencies and operational challenges in the support of the cross-border issuance and settlement. The EU is characterised by jurisdictional fragmentation, which is requiring that to be able to provide services to the issuer from a different jurisdiction, the CSD needs to obtain an authorisation of "passporting" under the CSDR. The existence of that procedure is a barrier and a reflection of the EU multi-jurisdictional environment, which is sub-optimal in view of the consultation aim of creation of an integrated capital market. Although the procedure was precisely created to help the market in enabling cross-border issuance in a situation of lack of harmonisation of corporate law, it remains the core barrier to the freedom of issuance.

Divergent supervisory approaches related to the passporting procedure are also a relevant barrier. A **different understanding of the concept of "corporate laws under which securities are constituted**" according to art. 49 of CSDR is the main concern. (See below)

Acknowledging the "unharmonised environment", CSDR has created a framework for cross-border issuance attempting to navigate the unharmonised corporate laws, enabling the choice of issuer CSD while ensuring that all provisions governing the relationship between issuers and holders continue to be met, without prejudice to the **actionability of rights** by issuers and investors as established by the applicable corporate laws. The CSDR Refit is expected to further streamline the passporting from a procedural perspective, but issues remain due to the uneven or too broad interpretation of the concept of corporate law, making the passporting assessments even more costly and not standardised.

Question 2:

We do not observe any formal rules/ or regulatory barriers mandating the use of domestic central securities depositories for the issuance, immobilisation or dematerialisation of securities, nor do we identify requirements preventing per se the initial registration of securities in a foreign CSD. We need to caution, however, that it is not in line with the SIU objective to allow the same freedom of issuance in another CSD outside of the EU – the authorities need to pay attention to these cases.

Some CSDs have observed indirect effects of certain rules of securities law – not necessarily relevant for the purpose of the actionability of rights – impacting the achievement of passporting in certain countries.

The need to comply with applicable corporate law provisions and national tax legislations may result in additional operational and administrative costs. These costs typically arise from the need to design and implement specific procedures tailored to the legal and fiscal frameworks of the relevant jurisdictions. Such procedures may include adaptations to accommodate shareholder rights, withholding tax treatments, and reporting obligations, which could differ significantly between jurisdictions.

Therefore, while there are no outright legal prohibitions or restrictions, practical considerations related to legal compliance and tax treatment may indirectly influence the capability of a CSD to offer services to foreign issuers.

Question 3:

The European financial market remains highly fragmented, particularly due to the differences in national corporate laws across Member States. This lack of harmonisation presents significant challenges for Central Securities Depositories (CSDs) when they try to operate across borders.

To address this, the **EU introduced a "passporting" regime under the Central Securities Depositories Regulation (CSDR)**. This mechanism was intended to allow CSDs to provide services in other Member States

without needing separate authorisations in each jurisdiction. However, despite recent improvements introduced by the **CSDR Refit (Regulation 2023/2845)**, the process still faces critical hurdles.

At the heart of the issue lies a **lack of common understanding about what "corporate law" really means** in the context of Article 49(1) of the CSDR. Each Member State seems to have its own interpretation. As a result, the passporting process has become unnecessarily complicated, costly, and time-consuming.

The **ESMA "Key Provisions" lists**, meant to clarify what legal requirements apply in each country, are part of the problem:

- Some lists include entire codes of law without specifying the relevant parts.
- Others are only available in national languages, with limited or vague English summaries.
- In many cases, these lists cover legal areas that have nothing to do with the actual services that CSDs provide.

This inconsistency means that CSDs must often navigate a maze of irrelevant or unclear rules, sometimes forcing them to abandon plans to offer cross-border services altogether (e.g. in Norway, Bulgaria, and Croatia).

These issues go beyond administrative inconvenience. They represent a **barrier to the deeper integration of EU capital markets**, which is crucial for attracting investors and increasing access to equity financing across the Union.

When legal requirements are ambiguous or overreaching, CSDs face uncertainty and higher costs. This weakens competition and reduces efficiency—ultimately undermining the EU's goals for a more unified capital market.

ECSDA's Proposals

To fix these issues and unlock the full potential of passporting, ECSDA proposes several practical solutions:

1. **Define "corporate law"** more precisely under Article 49 of CSDR—focusing only on provisions that govern the relationship between issuers and investors (like voting rights or dividends).
2. **Exclude irrelevant legal areas**, such as rules on internal CSD organisation, account management, or asset recording, which go beyond the intended scope.
3. **Improve the quality and structure of the ESMA Key Provisions lists**—using a standardised template and clearer distinctions between issuer obligations and those that actually apply to CSDs.
4. **Ensure that national authorities align their requirements with the spirit of CSDR**, which aims to reduce regulatory complexity, not increase it.
5. **Respect the principle of home-country supervision**. CSDs should not be subject to overlapping national regimes when passporting, as this undermines the concept of a single EU rulebook.
6. **Increase transparency** around which rules apply and why—Member States should clearly explain the relevance of each provision they include.

While the CSDR Refit has laid the groundwork for smoother passporting, more can be done to facilitate convergence with a better, common understanding of what "corporate law" for the purpose of post trade really means.

Clarifying this foundation would represent a significant step forward in addressing the legal fragmentation issue in respect of foreign issuance and passporting.

Question 4:

As to restrictions for the place of settlement, we do not see restrictions directly stemming from the laws or regulatory framework imposing settlement to take place in a specific settlement location.

The EU regulatory framework (CSDR and MiFIR) provide for a solid framework supporting access among FMIs and any behaviour or rule imposing settlement restrictions is capable of being tested against such framework.

Arrangements of contractual nature for example in the primary market field, are the result of market driven choices or practices (e.g available service offering) and domestic biases, especially in respect of government bonds.

As to barriers "foreign issuance" , see question 2 and 3 above.

3.1.2. Links

Questions (for the questions below, please note that the term barrier also includes difficulties or challenges)	Answer	
6) What are the main barriers to building an efficient network of links between EU CSDs? Please consider all of the following elements (please include additional ones, if relevant) ○ legal or regulatory requirements (or lack thereof); ○ fiscal requirements. ○ supervisory practice; ○ market practice; ○ operational requirements; ○ differences in national legal, regulatory or operational requirements; ○ technical/technological aspects; ○ other.	Fiscal requirements Differences in legal requirements Market practice (linked to settlement internalization), technical/technological aspects	
	Yes	No
7) Are there barriers related to the establishment of links?	X	
8) Are there barriers related to the maintenance of links?	X	
9) Are there barriers related to the classification (i.e. customised, standard indirect, interoperable) and/or whether they are unilateral or bilateral links?		X
10) Are there barriers related to the improper use of existing links?		X
11) Is the cost of settlement via links taken into account when negotiating securities transactions?		X
12) In view of the growing use of 'relayed links', does Art. 48, CSDR adequately capture current market practice?	X	
13) Is the use of relayed links creating barriers to cross-border settlement?		X
14) Does the use of relayed links improve cross-border settlement?	X	
15) Who should be involved in the process for the authorisation of establishing a link as well as the ongoing supervision thereof?		

	Yes	No
16) Should all links be standard links?		X
17) Should all links be interoperable links?		X
18) Should all links be bilateral?		X
19) Should all CSDs be mandated to establish a minimum number of links with other EU CSDs?		X
20) Should the comprehensive risk assessment for the validation of a link be carried out by ESMA?		X
21) Are there any barriers or material challenges to the establishment of links between CSDs and other infrastructures? If yes, please explain what could be done to reduce the costs of settlement through CSD link.		X

For questions 6 and 15 complete the following fields as appropriate. **For questions 7 to 13 and 21,** if 'yes', complete the following fields as appropriate. **For questions 7 to 11, 13 and 21** if 'no', justify your reply, in particular identifying potential risks.	Please explain your answer (and clarify, where relevant, the type of barrier (i.e. barrier or a difficulty/challenge)). Please provide a clear explanation of the barrier, and the reasons for this being indicated as a barrier, including - the specific legal or regulatory requirement(s) that create(s) the barrier, if relevant (national or EU level); - the supervisory or market practice(s) that create(s) the barrier, if relevant (national or EU level); - the operational requirements that create the barrier (national or EU level); - the technical aspect(s) related to the barrier, if relevant; - information on the costs, if the level of costs is considered a barrier.	
	Please provide a ranking of the importance of the issue as: - high priority; - medium priority; - low priority.	
	Please provide an estimation of the costs of the barrier and an explanation of how these costs could be reduced.	
	Please provide potential solutions and rank them in terms of preference. Suggestions for solutions can include, but are not limited to: - legislative changes (specifying which changes are being suggested); - use of supervisory convergence tools (specifying which tools are being suggested); - centralised supervision; - adoption of market practice(s); - other.	
	Please provide data on the potential costs and benefits of the suggested solutions.	

Questions pertaining to links refusals	Answers	
	Yes	No
22) Have you had a request for a link refused?		
If you answered yes to the previous question, please answer the next follow-up question		
What reason(s) was (were) given for the refusal?		
Did you file a complaint to the competent authority of the receiving CSD?		
Was a referral to ESMA needed to solve the problem?		

Question 6:

The question refers to an "efficient network of links between CSDs". It is important to clarify that efficiency in this context should not be assessed solely based on the number of links, but rather on their ability to support market demand, liquidity distribution, and smooth cross-border settlement operations.

As long as jurisdictional and institutional differences in areas relevant to issuance, settlement and custody exist in Europe, CSD links are required to ensure asset protection, legal certainty of ownership and securities transfers.

The EU already benefits from a very dense and functional network of CSD links, reflecting both market needs and the underlying business rationale for their establishment. Various link configurations are in place, enabling the interconnection of all EU Member States.

Some key indicators of this existing infrastructure include:

- 373 total links globally among ECSDA Members,
- 258 links between ECSDA CSDs,
- 11 CSDs maintain more than 15 active links,
- Global and extensive EU coverage by ICSDs (Euroclear Bank and Clearstream Banking Luxembourg), including links to every EU country.

This demonstrates that the EU post-trade landscape already supports comprehensive cross-border connectivity in line with market demand.

While additional links may be developed as the interest in cross-border investment grows, generating the business case to further enhance the EU interconnectivity set up, their creation should be driven by actual market needs, liquidity flows, and a viable business case.

Building and maintaining links implies costs and is heavily influenced by legal and tax fragmentation. The efficiency of a link should be evaluated in terms of legal and operational soundness, as well as risk management, in line with CSDR.

We are not supportive of measures mandating the building of new links in the absence of further market demand. Any such measure would increase the infrastructure cost and would not, by itself, address fragmentation or liquidity issues. Should there be new reasons justifying the business case for more links, e.g. in view of the SIU, CSDs will be very attentive to them.

Hence**, efforts to enhance the EU's settlement infrastructure should focus on increasing international investments, offering incentives for European investors to privilege Europe and, in parallel with removing remaining legal and fiscal barriers, facilitating the effective use of existing links as well as the development of new ones.**

Finally, "market practice" in terms of settlement and trading internalisation is another factor to be considered

when assessing the efficiency of CSD links, heavily influencing cross-CSD settlement volumes and the use of CSD links.

Questions 7 and 8:

See previous question. First of all, the establishment of CSD links is influenced by the liquidity of the market and demand for cross-border settlement. Market volumes drive the number and the specific set-up and architecture of links across the EU.

In addition, legal and tax fragmentation across jurisdictions creates complexity and costs in setting up and maintaining new links.

While liquidity is the most important driver, establishing and operating cross-border links often requires navigating a complex landscape of local legal frameworks and tax regimes.

We call for measures incentivising cross-border investment and collaboration of the whole intermediary chain to facilitate more EU cross-border, such as by:

a. identifying and addressing local requirements — such as the need for CSDs to obtain special tax status or comply with local corporate law — which often discourage link creation and increase costs; and

b. simplifying regulatory obligations, particularly in relation to due diligence for CSD links intra-EU (where the authorities authorising the request of establishment of a link should rely on the authorisation provided by the EU authority in another EU State to the CSDs receiving the link).

c. understanding the situations where the existing CSD links may not be sufficiently frequently used and may need to benefit from further incentives by collaboration in other areas than post-trade, such as at trading level or further down the chain to ensure that the end-investor is able to benefit from that connectivity.

Question 9:

No, we believe regulatory definitions are clear.

Question 10:

It is not very clear what is meant with improper use. However as stated above, use of links is influenced by liquidity and market practice in terms of trading and settlement internalisation.

Question 11:

CSDs have no visibility or influence over how trading venues or brokers structure or price their services.

Question 12-14 (Relayed links):

Relayed links are characterised by an investor CSD which has a securities account with a CSD (called "the middle CSD"), which holds securities on behalf of the investor CSD at the issuer CSD. The middle CSD is a direct participant in the issuer CSD but the investor CSD is not. The entirety of the link is facilitated by CSDs, subject to the PFMI and/or the EU CSD Regulation.

Given this definition, we do not see differences in terms of how links should be authorised according to art. 48 of CSDR.

Relayed links are an effective instrument for supporting market interconnection when direct links are not feasible or practicable due to the above-mentioned constraints. **Relayed links are supporting the needs of getting access to the markets by pooling investors from several markets together. They are particularly**

helpful to reach to relatively smaller markets, where it may not have been cost-efficient otherwise to create links from many individual markets split across low volume direct links.

Question 16-19:

Liquidity and market demand are the drivers of the market architecture and links set up.

Any regulatory measure concerning links should be based on a comprehensive understanding of the current level of market interconnection, the factors driving increased interconnectivity, the existing market architecture, and the practical use of links by market participants.

Building and maintaining links implies costs, which are heavily influenced by legal and tax fragmentation.

We are not supportive of measures mandating the building of new links or specific links set up in the absence of further market demand. Any such measure would increase the cost of infrastructure and would not, by itself, address fragmentation or liquidity issues.

3.1.3. Settlement services in the EU

23) How could settlement in T2S be further enhanced in order to build a deeper and more integrated market in the EU and facilitate cross-CSD settlement?

As mentioned above, essential elements driving the integration are beyond post-trade, CSDs and T2S. Hence, the actions to stimulate the supply and demand of the EU capital markets are an essential leverage that will also stimulate the volumes through cross-border CSD links on T2S and between T2S-in and T2S-out CSDs. Currently, only 4% of settlements in T2S are cross-border.

T2S is a key **collaborative** platform for the settlement operations of market infrastructures, and we believe it should be utilised further. We support initiatives aimed at further leveraging T2S by:

- incentivising increased use of the platform and encouraging more settlement activity to take place through it;
- further harmonisation of the underlying legal and fiscal regimes by the European and local authorities would be a major stimulus for cross-border settlements in T2S;
- scrutinising the settlement internalised by entities non-regulated for settlement purposes. ESMA's report on settlement internalisation highlights very significant levels. It should be further used as a fundamental data source for gaining a comprehensive understanding of the current post-trade landscape.

CSDs are also deeply committed to continuing to work on the harmonisation of their processes, supported by proportionality, considering smaller markets' operational constraints.

From a T2S operational development perspective, the following means could significantly improve the T2S platform as a **settlement platform, contributing to further efficiency in Europe and encouraging market-driven innovation in a collaborative approach**:

- Achieve efficient cross-border settlement by reducing technical limitations and implementing relevant T2S change requests promptly;
- Simplify the settlement of non-T2S-issued securities;
- Harmonise CA and Settlement rules with the full adoption of SCoRE standards by other actors of the settlement chain beyond CSDs, including issuers and intermediaries;
- Improve liquidity management via the expansion of auto-collateralisation and optimise cash settlement in

central bank money.

24) Should links between CSDs participating in T2S no longer be required to enable settlement in T2S in any of the financial instruments available in T2S?

We do not understand this question. Links are a key concept in the regulatory framework to achieve asset protection and legal certainty in settlement finality.

25) Are there any national market practices, laws, rules/regulations, or operational requirements which hinder the participation in T2S or cross-CSD settlement? Please provide details.

The settlement process is relatively simple and harmonised in comparison with other services provided by CSDs. As it is relatively not complex and CSDs need to maintain operations in support of the local complexity, if the CSD agrees to join T2S, it is generally decided due to an alignment with other decisions taken at the State level.

Further EU-level alignment and stronger coordination to override conflicting national rules would further support the interest in participation in T2S for CeBM settlement.

In our view, some of the key obstacles may include, among others:

i) divergent CA processing, as some markets still use manual processes,

ii) divergent tax and securities laws, such as diverging withholding tax and transaction tax,

iii) some jurisdictions may impose additional requirements beyond T2S standards.

CSDs are actively contributing to the upcoming AMI-SeCo report to identify remaining barriers.

26) What can be done to ensure progress and take-up by T2S participants of already agreed harmonised standards and market practices (e.g. market standards for corporate actions, SCoRE corporate actions standards, T2S corporate action standards, other T2S harmonisation standards, other relevant global or European market standards and market practices)?

Foster industry collaboration supported by engagement of the regulators.

27) Do you comply with the abovementioned standards and market practices (e.g. market standards for corporate actions, SCoRE corporate actions standards, T2S corporate action standards, other T2S harmonisation standards, other relevant global or European market standards and market practices)?
If not, which ones do you not comply with. Please explain why. [Yes/No] Yes

Most of the ECSDA Members have deeply contributed to the drafting of the standards and comply with them, where applicable. Some flexibility is required for markets/CSDs considering the national specificities, constraints and requirements.

28) Should T2S harmonisation standards be applied more widely across the EU, in order to create a more harmonised settlement environment across the EU? If yes, which standards are most needed in the non-T2S

EU settlement environment?

[Yes/No] Yes

See Question 23. We take the opportunity to stress that the *one-size-fits-all* approach might not be the preferred one under all circumstances.

29) Should the costs of settlement be reduced?
If yes, please explain what could be done to reduce the costs settlement. [Yes/No]

We do not think to be the addressees of this question.

30) Should the transparency of settlement pricing and CSD services be improved (in substance and format), for example with a standard template that would facilitate comparison of prices and service offering? [Yes/No]

We do not think to be the addressees of this question. We recall CSDR art. 34 is providing for comprehensive rules on transparency of pricing and pricing policies, as well as analytical accounting.

31) Should all CSDs settling the cash leg in Euro be required to connect to T2S? [Yes/No]

No.

32) Are there difficulties in accessing settlement in foreign currencies, not only in the T2S environment? If yes, how could the settlement of transactions in foreign currency be facilitated? Please provide a quantitative assessment of the main benefits and costs of such a solution.

[Yes/No]

In our response, we do not comment on the CoBM settlement in foreign currencies, based on CSDR art. 54, as we are currently expecting further guidance from EBA on art 59.

We note the operational challenges of adding some of the major currencies for CeBM. In some instances, access to non-Euro CeBM is technically possible but subject to overly complex and burdensome procedures. As CSDs are already fully regulated by other European authorities, we believe that, when granting access to an EU CSD by the non-domestic EEA Central bank, the level of reliability on the obtained CSD authorisation should be increased. The demands for access often involve excessive documentation and legal opinions to confirm well-established principles, such as the enforceability of EU Directives in EEA countries and other matters that have been confirmed by the CSD's home authorities and are redundant.

33) Is there a need for additional currencies to be settled in T2S?

[Yes/No] See our response to the previous question

34) Should T2S be able to provide other CSD services, including issuance services and asset servicing services?

[Yes/No] No

T2S is a key piece of EU infrastructure, and its potential can be further used for settlement in central bank money. We support initiatives aimed at leveraging T2S by incentivising increased use of the platform and encouraging more T2S settlement activity.

However, it is essential to be clear that ideas like expanding T2S to operate as a CSD would not address the underlying challenges related to legal, tax, and market practice harmonisation. In fact, it would add another CSD to the existing landscape, increasing market fragmentation and contradicting the goals of the SIU. In the absence of harmonisation, such a new CSD would need to be built in compliance with national laws, leading to additional complexity and significant cost implications for the EU. And if the harmonisation or a political decision on a single place for the EU issuance is reached, the private sector would be even better placed to come up with the solution. We are of the view that aspiring to have only one CSD in Europe does not allow for leveraging one of the major values of the EU highlighted in its founding Treaties, the Competition. **Similar to other sectors, for financial infrastructure, we believe the competition is essential to preserve and increase a high level of innovation capacity and global competitiveness**.

35) What improvements (e.g. organisational, operational, contractual, etc.) could be introduced to T2S to support a broader and more resilient use of it?

We would like to draw attention to the recent IT incidents of T2S. It has a massive impact if the EU provider is down. Improvements to the T2S governance would be appreciated, especially regarding Change Request (CR) management, planning and implementation, which seem too complex and time-consuming, and require more flexibility. Please also see our response to question 23.

3.1.4. Legal certainty

Questions (nb. 'barrier' includes difficulties or challenges and consider legal certainty aspects deriving from the use of DLT (where relevant))	Answers	
	Yes	No
36) Are there barriers from national legal or regulatory requirements that affect **legal certainty of acquisitions and dispositions** in financial instruments, or cash or cash equivalent cross-border?		X
37) Does the **law applicable to the assets and to the CSD** influence a decision to acquire or dispose of financial instruments cross-border?		X
38) Are there barriers for **issuers to obtain legal certainty** on the ownership of the securities issued in a CSD or any other registrar?		X
39) Are there barriers **for investors to obtain legal certainty** on their rights and powers (e.g. ownership rights, rights in relation to corporate events) and for intermediaries to have legal certainty on their duties in relation to financial instruments, cash or cash equivalent, issued in/maintained in/settled by a CSD? Are the barriers the same or are there different barriers where the provision of CSD services are made through DLT.		X
40) Are there any **barriers to pool assets** from different jurisdictions?		X

41) Are there barriers, e.g. due to the lack of certainty on the applicable law, to the cross-border provision of services (e.g. issuance or asset servicing) and/or use of services?		X
42) Are there barriers to the cross-border provision or use of CSD services due to the lack of certainty on the applicable law?		X
43) Are there barriers to pooling assets from different jurisdictions?		
44) Are there legal certainty barriers to the provision of cross-border asset servicing?		X
45) Are there barriers stemming from national laws affecting the legal certainty of acquisitions and dispositions in financial instruments, or cash or cash equivalent?		X
46) Are there new barriers that create legal uncertainty in the provision of issuance / maintenance / settlement services via **new technologies** (e.g. where bridges are used between different distributed ledgers in the issuing and minting process)?		X
47) Is there a legal certainty barrier due to the **absence of a conflict of law rule,** related to proprietary, contractual and system-related aspects, under		X

the CSDR (to complement those under the SFD/FCD etc.)? Are the barriers the same or are there different barriers where DLT is used, considering the divergences and uncertainties on the substantive law on the creation, holding and transfer of digital assets/tokens?		
48) Can the existing approach to conflict of laws under the SFD and the FCD be applied to DLT based networks/systems and collateral transactions?		X
49) What is the preferred connecting factor in relation to (a) proprietary (b) contractual (c) system-related aspects related to transactions on a DLT system? - the law chosen by the participants to a transaction; - the law chosen by the network participants; - the law of the legal entity operating the DLT-based system on which digital assets are recorded; - in relation to a digital asset of which there is an issuer, the domestic law of the State where the issuer is established; - the place of the relevant operating authority/administrator (PROPA); - the primary residence of the encryption private master keyholder (PREMA); - any other? Would the differences between permissioned and permissionless DLT systems, warrant different rules on conflict of laws)?		See bel ow
50) Considering various **new types of settlement assets** (including tokenised central bank money, electronic money tokens and tokenised commercial bank money) and **the different nature** of native (only created and represented on the DLT) and non-native (existing outside of the DLT) assets, should the same conflict of law rules apply to all these settlement assets?		X
51) Are there any **other barriers** to legal certainty which are not mentioned above?		

For questions 36 to 47, and 51 where your reply is 'yes' complete the following fields as appropriate. **For questions 36 to 47, and 51** where your reply is 'no' justify your reply, in particular identifying potential risks.	Please explain your answer (and, where relevant, clarify the type of barrier (i.e. barrier or a difficulty/challenge)). Please provide a clear explanation of the barrier, and the reasons for this being indicated as a barrier, including, but not limited to: - the specific legal or regulatory requirement(s) that create(s) the barrier, if relevant (national or EU level); - which financial instrument the barrier refers to; - supervisory or market practice(s) that create(s) the barrier, if relevant (national or EU level); - the operational requirements that create the barrier (national or EU level); - the technical/technological aspect(s) related to the barrier, if relevant; - the type of intermediary structure(s)/chain(s)	

	that create(s) the barrier, if relevant.	
	Please provide a ranking of the priority of addressing the barrier as: - high priority; - medium priority; - low priority.	
	Please provide an estimation of the costs of the barrier and a description of where the additional costs come from and how much they are.	
	Please provide potential solutions and rank the solutions in terms of preference. Suggestions for solutions can include, but are not limited to, - legislative changes (specifying which changes are being suggested). - use of supervisory convergence tools (specifying which tools are being suggested); - adoption of market practice(s); - other.	
	Please provide data on the potential costs and benefits of the suggested solutions.	

Questions 36-39 and 45:

All European jurisdictions provide for a **legal framework that ensures legal certainty regarding the acquisition, disposition and ownership of securities**. This legal certainty is a foundational pillar of the financial system, as it underpins the integrity, predictability, and enforceability of transactions in both primary and secondary markets.

In particular, **national laws across the EU and EEA define the legal mechanisms through which securities can be validly transferred, assigned, or pledged**, and they ensure that such transactions are legally recognised and protected against third-party claims. These frameworks also typically include **provisions governing the registration of ownership, the exercise of rights by holders (such as voting or dividend entitlements), and the protection of good faith acquirers**, thereby contributing to the overall robustness of the post-trade infrastructure.

Moreover, **the determination of the applicable law is clearly established under conflict-of-law rules**, most notably through the principles enshrined in **EU legislation such as the Rome I and Rome II Regulations**, and, in the context of securities, **Article 9 of the Financial Collateral Directive (2002/47/EC)** and **Article 9 of the Settlement Finality Directive (98/26/EC)**. These guide how to determine which jurisdiction's law governs proprietary aspects of securities held through intermediated systems.

However, while all European jurisdictions do provide for a legal framework that ensures certainty of acquisition, disposition, and ownership, the specific rules and mechanisms used to achieve that certainty vary significantly from one country to another. This variation does not lead to a lack of legal certainty within each jurisdiction—on the contrary, domestic legal systems are generally well-established, coherent, and reliable.

Importantly, this **fragmentation does not undermine the legal validity of transactions**, although it might be considered as a layer of complexity in a cross-border scenario due to the need to navigate for instance, differences in how ownership is recorded (e.g. direct vs. indirect holding systems, registration of ownership not taking place at the same time as settlement), how securities are constituted, or how pledges and other rights are enforced can require tailored legal, operational, and technical solutions for each market.

While the legal landscape across Member States is fragmented on these matters and can introduce a degree of complexity for entities operating in different jurisdictions, **we believe (in reference to Question 37) that this does not significantly impact the decision to acquire or dispose of financial instruments on a cross-border basis**. Such decisions remain predominantly influenced by **home bias and the inherently domestic orientation of investment patterns within the EU. As soon as the transaction is entered in one of the EU CSDs, the ownership rights or the securities interest (whether they are for the securities issued under that CSD's domestic law or the law of another jurisdiction) are equally validly recorded and reflected on the investor account.**

In the post-trade environment, **legal barriers are not linked to the legal certainty of acquisition and disposition** — a topic that, incidentally, has already been the focus of several unsuccessful harmonisation attempts. Instead, these barriers arise from the need to **operationally accommodate the divergent corporate laws applicable to issuers**, as well as **differences in national tax regimes**. Such barriers prevent scalability and complicate the building of common platforms, and ultimately, further consolidation.

Question 41 and 42:

We do not identify barriers due to a lack of certainty about the applicable law (see also previous answer).

Question 46:

In a DLT-based market infrastructure scenario, the continued applicability of domestic securities laws, as also acknowledged by the DLT Pilot Regime, requires Member States to adapt their legal frameworks accordingly. As a result, several jurisdictions have amended their national securities laws to ensure compatibility with DLT technologies, with the aim of preserving legal certainty regarding the validity of the issuance, the enforceability of investor rights, and the integrity of securities ownership structures.

This evolving landscape is giving rise to **a new form of legal fragmentation in the digital domain**, which warrants close attention from policymakers. Given the **divergent national approaches and varying definitions of dematerialised and digital securities**, the **cross-border deployment of new technologies such as DLT becomes considerably more complex, time-consuming, and resource-intensive** than even traditional issuance in physical form.

In light of these challenges, it may be appropriate to **consider the development of an optional EU-level supranational legal framework for digital securities, a digital 28th securities regime**. Such a framework could promote greater legal harmonisation and support the efficient adoption of digital technologies across the Union's capital markets.

Such a framework would not need to replace national laws in their entirety, but could instead be **narrowly focused on critical legal aspects directly impacted by the shift to digital infrastructures,** notably:

- The nature of the ownership rights of a wallet holder,
- How digital securities are validly constituted on DLT,
- **legal certainty regarding the moment and conditions under which the title is effectively transferred in DLT environments,**

- Which law determines the ownership rights on digital securities (see below 48,49,50).

Question 48-49: Conflicts of law rules in the context of DLT Systems are an unresolved issue for which we support the need for clarification. The selection of the most appropriate criteria depends on the specific characteristics of the DLT model used (e.g. permissioned vs. permissionless).
Permissioned and permissionless DLT systems do warrant differentiated approaches. In permissioned systems, identifying a responsible operating entity and legal jurisdiction is typically feasible, supporting the application of existing private international law tools. However, permissionless systems, by design, lack centralised governance or a defined jurisdictional nexus, complicating the application of traditional conflict-of-laws rules.

In these cases, new connecting factors or presumptive rules may be required to avoid legal uncertainty and to provide enforceable legal outcomes. In general, in the context of transactions on a DLT system, the choice of an appropriate connecting factor for conflict-of-laws purposes should reflect the legal nature of the relationship concerned, i.e. whether proprietary, contractual, or system-related.

Question 50:

As previously indicated, the specific characteristics of the DLT model in use must be carefully considered.

Generally speaking, the nature of the legal right at stake (e.g. a receivable versus a proprietary right) should remain the key factor in determining which conflict of laws rule applies.

Regulatory clarification would be valuable to better understand how the PRIMA principle should operate within a DLT framework.
In our view, within such a framework, the "relevant intermediary" should be interpreted as the "relevant operator" of the DLT network—that is, the entity exercising predominant control over the system, often referred to under the PROPA model.

In the case of fully decentralised DLT networks, where all participants have equal authority, particularly in terms of validation, a wholly new conflict of laws rule may be needed.

For non-native assets (i.e. those not originally issued on DLT), existing legal rules should continue to apply. For native digital assets, the traditional framework should remain applicable, subject to further regulatory clarification.

3.1.5. Barriers and other aspects under the SFD

Questions (for the purpose of the questions below, please note that the term barrier also includes difficulties or challenges)	Answers	
52) What are the main barriers to the smooth operation of the settlement finality framework in the EU?	See below	
	Yes	No

53) Are there any aspects of the SFD that have created barriers for the market or market participants, in particular in a cross-border environment?		X
54) Do the definitions, in particular the definition of a "system" and "transfer orders", result in barriers related to the change in market practice in the set-up of systems as well as the use of DLT?		X
55) Is SFD protection important for settlement systems, such as those based on DLT, that settle trades instantly and atomically, and not on a deferred net basis or in settlement batches?	X	
56) Should settlement systems that achieve probabilistic (operational) settlement finality be designated and benefit from SFD protections? If yes, please explain how settlement finality could be achieved in such a case and why this would be desirable		X
57) Are the criteria that need to be met for a system to be designated under the SFD creating unjustified barriers to entrance?		X
58) Do diverging national practices for notifying systems create an uneven level playing field or legal uncertainty?		X

59) For the purposes of designating a system under the SFD, are the current list of participants, the designation process and the focus on entities rather than on the service provided creating barriers for new entities to provide settlement services in a system designated under that Directive?		X
60) Does the non-aligned definition of 'collateral security' (SFD) and 'financial collateral' (FCD) create complexities for efficient collateral management?		X
61) Is there legal certainty on the scope of the settlement finality protection under SFD?	X	
62) Is the lack of harmonised settlement finality moments in SFD (i.e. leaving it to the rules of the system or national law) creating legal uncertainty and preventing the development of a single capital market?		X
63) The SFD does not apply to third-country systems, however, Member States can extend the protections in the SFD to domestic institutions participating directly in third-country systems and to any relevant collateral security ('extension for third- country systems'). Is the lack of transparency related to Member States extendingfor third-country systems creating barriers to the provision of services in the single market or creating a non-level playing field for EU entities?		X
64) Stakeholders have indicated they would like to have an overview of all participants in different SFD designated systems, e.g. shared on one website publicly accessible. Is the lack of transparency related to the participants of designated systems creating barriers to the single market?		X
65) Has the fact that SFD designation is not mandatory for all systemically important systems (except when mandated under Art. 2(1) and 2(10) CSDR and Art. 17(4)(b) EMIR), including payment systems, created barriers to the single market?		X
66) Are there any national barriers in relation to legal certainty arising from how the SFD is transposed in the Member States?		X
67) Some stakeholders suggested a centralised overview over the insolvency of participants of all SFD designated systems is needed, ie. published on a common centralised website. Is a lack of transparency related to the insolvency of participants of designated systems creating barriers to the single market?		X
68) Are there any other barriers created by the SFD which are not mentioned above?		X
69) How should irrevocability of "reserved" or "booked" digital assets be achieved?		
70) Is the point in time when a disposition becomes irrevocable problematic to pinpoint in DLT-based settlement systems, and in particular those with probabilistic settlement?		X

For question 52 please complete the following fields as appropriate. **For questions 53 and 54, 57 to 60, and 62 to 68** where your reply is 'yes' please complete the following fields as appropriate.	Please explain your answer (and, where relevant, clarify the type of barrier (i.e. barrier or a difficulty/challenge)). Please provide a clear explanation of the barrier, and the reasons for this being indicated as a barrier, including, but not limited to, - the specific legal or regulatory requirement(s) that create(s) the barrier, if relevant (national or EU level); - the supervisory or market practice(s) that create(s) the barrier, if relevant	
For questions 53 and 54, 57 to 60, and 62 to 68 where your reply is 'no' please justify your reply, in particular identifying potential risks.	(national or EU level); - the operational requirements that create the barrier (national or EU level); - the technical/ technological aspect(s) related to the barrier, if relevant.	
	Please provide a ranking of the priority of addressing the barrier as: - high priority; - medium priority; - low priority.	
	Please provide an estimation of the costs of the barrier.	
	Please provide potential solutions and rank the solutions in terms of preference. Suggestions for solutions can include, but are not limited to, - legislative changes (specifying which changes are being suggested); - use of supervisory convergence tools (specifying which tools are being suggested); - adoption of market practice(s); - other.	
	Please provide data on the potential costs and benefits of the suggested solutions.	

Question 52-54:

We do not identify any significant barriers to the smooth operation of the settlement finality framework within the EU. The framework is well designed to safeguard financial stability and ensure the continuity of critical market operations in the event of insolvency.

Overall, the settlement finality framework has proven to be robust, resilient, and operationally effective, and continues to serve as a cornerstone of the EU financial stability and systemic risk, irrespective of the technology used.

We do not consider the current definitions of "system" and "transfer orders" under the SFD to be inherently incompatible with DLT-based market practices. However, targeted clarifications, for example, through Level 3 measures such as Q&As or interpretative guidance, would be beneficial to ensure consistent supervisory approaches across Member States, preserving the integrity and stability of the current framework while enabling its application to evolving technologies in a technology-neutral manner.

Such clarifications could include:

- For "System": guidance on how the criteria for designation (e.g., common rules, essential formal arrangements, participation) apply to DLT-based infrastructures, particularly where governance is distributed or involves automated processes (e.g., smart contracts). It would be useful to clarify how participants are formally admitted and how the system is deemed to be legally organised under the SFD in cases of non-traditional governance models.
- For "transfer orders": clarification on how DLT-native instructions (e.g., smart contract-triggered transfers or validated block updates) may meet the definition of a transfer order under the SFD.

Question 55:

Despite the conceptual appeal of atomic settlement, where two or more linked transactions are executed simultaneously, such that either all occur or none do – a residual risk of reversal of the transaction if one of the parties is insolvent may still persist, even if trading and settlement happen at the same time. This can happen particularly in complex or "cross-chain" settlement environments, depending on the envisaged scenario. The essential purpose of protecting financial stability underpinning the settlement finality legislation is still very valid also in a DLT environment.

This risk might arise, for example, due to technical issues (e.g. network latency, smart contract errors, or inconsistent consensus timing) and issues concerning the legal enforceability of the smart contracts and can be exacerbated if the moment at which the title is deemed transferred is not harmonised in a multi-jurisdictional scenario.

Question 56:

DLT Settlement systems using permissionless blockchains and ensuring only probabilistic finality shall not be designated as systems. Scenarios where only probabilistic settlement is ensured and susceptible to forks, inherently undermine the ability to establish legal irrevocability and finality. In such environments, the status of a transaction may remain uncertain for a period of time, subject to potential reversal if a longer or conflicting chain is subsequently validated by the network.

In order to align with financial stability objectives and manage the insolvency risk, DLT-based systems must be designed in a way that precludes forks and ensures deterministic settlement, i.e., where once a

transaction is validated, it is final and cannot be reversed. This typically points to the need for **permissioned, governed, or otherwise controlled DLT environments**, where the consensus model and system architecture explicitly support **settlement finality and legal certainty**.

Question 57:

We do not consider the current criteria for system designation under the SFD to create unjustified barriers to entry.

The designation criteria, such as having common rules, a formal arrangement, and official notification to the competent authority, are essential to ensuring legal certainty, transparency, and financial stability. These requirements are proportionate to the systemic relevance of infrastructures covered by the SFD and provide important safeguards for participants, especially in the event of insolvency.

Rather than constituting a barrier, these criteria serve to maintain trust and integrity in financial market infrastructures. New technological models, including DLT-based systems, can comply with these conditions as long as their governance, operations, and legal structure are clearly defined and consistently applied. Where needed, practical guidance or supervisory dialogue can facilitate interpretation without lowering standards.

Question 59:

We do not consider that the current approach under the SFD — including the list of eligible participants, the designation process, and the focus on entities rather than specific services — creates unjustified barriers for new entrants. The SFD is designed to ensure legal certainty, mitigate systemic risk and preserve financial stability by providing a clear framework for the functioning of systemically important infrastructures. The focus on regulated entities ensures that participants are subject to appropriate supervision, risk management, and compliance obligations, which are essential in systems handling large-value transfers or securities settlement.

As to the list of eligible participants, the SFD already includes a degree of flexibility: Member States may, under certain conditions, decide to treat other types of participants as institutions, particularly where the system is supervised under national legislation and at least three participants are already covered by the main institutional categories listed in the Directive. This mechanism ensures that systemic risk considerations can justify broader access without undermining financial stability.

Question 60:

We do not see barriers. The purpose of the two Directives is different.

Question 62:

We do not consider the lack of harmonised settlement finality moments in the SFD to be a source of legal uncertainty or an obstacle to the development of a single capital market.

The definition of the settlement finality moments is a contractual matter reflecting the underlying operational reality, aimed at ensuring adequate protection to participants. The capability to define these moments in the System's rules enables alignment with the specific architecture, processes, and risk controls, especially in light of technological evolution. The current framework indeed imposes Systems to define finality moments in their rules.

Harmonisation solutions have been found when necessary (i.e. triggered by the use of common platforms, interoperable systems). As known, finality is already fully harmonised within T2S, where both the securities and cash legs of transactions follow clearly defined synchronised finality rules.

Question 64:

We have reservations regarding the publication of a consolidated list of all participants in SFD-designated systems. While we understand the interest in greater transparency, we believe that such an initiative would raise important concerns regarding data confidentiality, commercial sensitivity, and competition.

Participant information may be considered strategically sensitive and subject to confidentiality agreements or national data protection requirements. Moreover, disclosing such data could unintentionally reveal market positioning or business models, leading to potential competitive disadvantages.

In our view, the lack of a centralised public list does not represent a material barrier to the single market, particularly given that information on participants is already accessible through appropriate channels by supervisors when necessary.

Ultimately, any potential benefit in terms of increased transparency should be carefully weighed against the risks and costs of disclosing commercially sensitive data. At this stage, we consider such a measure disproportionate to its stated objective.

Question 66:

Transposition of SFD in national laws does not create any issue in terms of legal certainty. Irrevocability and finality are equally certain in all EU jurisdictions and are clearly defined in the CSDs rules in line with the Directive.

Question 67:

Similarly to question 64, we believe that creating a centralised and publicly accessible overview of the insolvency status of participants in all SFD-designated Systems raises significant concerns regarding confidentiality and the handling of sensitive information.

That said, we support the necessary improvements in the procedures for timely and secure information sharing among relevant Authorities and System operators in insolvency scenarios to enhance coordination and risk mitigation without compromising confidentiality.

It's also important to highlight that existing procedures under T2S are already robust and well-structured, offering a solid reference model for effective information flow and insolvency management.

However, establishing a centralised database with upfront information about participant status, particularly insolvency, would be disproportionate and potentially detrimental. A targeted and confidential communication framework between competent authorities and infrastructure operators is preferable to ensure both systemic stability and data protection.

Question 70:

Architectures ensuring only probabilistic settlement (e.g. permissionless blockchains, with consensus mechanisms based on "proof of work" and allowing forks, etc.) shall not be designated as Systems (cfr Q. 56). There is no issue in case of deterministic settlement.

3.2. Barriers to the application of new technology and new market practices

3.2.1. Applicability of the CSDR to DLT-based CSDs and the provision of services

Questions (for the purpose of the questions below, please note that the term barrier also includes difficulties or challenges)	Answers
71) Considering the core functions of a CSD, i.e. those of notary, central maintenance and settlement**,** is the current legal framework appropriate to mitigate and control risks that could arise from the use of DLT?	Yes
72) What are **the main barriers** in the EU framework to the use of DLT for the provision of CSD services, also in light of the experience gained through the DLTPR? In answering this question please consider all, but not limited to, the following: - legal or regulatory requirements (or lack thereof); - lack of clarity in the applicable legal or regulatory framework; - supervisory practice; - market practice; - operational requirements; - differences in national requirements; - Technical/technological aspects; - Type of instrument; - other.	No specific barriers.

	Yes	No
73) Are there any legal barriers to ensure the integrity of the issue, segregation and custody requirements also in the context of DLT-based issuance and settlement?		X
74) Does the definition of cash need to be refined to take into account technological developments affecting the provision of cash, in particular the emergence of tokenised central bank money, tokenised commercial bank money and electronic money tokens? If 'yes', please specify how the use of such settlement assets can be facilitated while maintaining a high level of safety for cash settlement in DLT market infrastructures?	Yes.	
75) Could the use of DLT help reduce the reporting burden?	X	
76) Would a per-service authorisation of CSD services, with compliance requirements proportionate to the risk of the individual service, make the CSDR more technologically neutral and contribute to removing barriers to adoption of new technologies, such as DLT?		X
77) Are there any legal barriers for DLT service providers in providing trading, settlement and clearing in an integrated manner, within one entity?		X
78) Are there any other barriers that you consider relevant for the DLT based provision of CSD services?		X
79) In particular in permissionless blockchains, validators have the ability to choose which transactions to prioritise for validation and decide on the order of transaction settlement. Can this feature negatively affect orderly settlement and how can it be mitigated?	X	
80) Does the emergence of DLT-based tokenised financial instruments require changes to the provision of CSD services or the requirement to use a CSD?		X
If so, which CSD roles or requirements could be meaningfully impacted in a DLT environment?		
81) Can certain functions normally assigned to or reserved for a CSD be safely, securely and effectively be performed by other market participants in a DLT environment?		
If 'yes', please specify which functions and which market participants, and state reasons.		

For question 72 please complete the following fields as appropriate. **For questions 73, 77 and 78,** where your reply is 'yes' complete the following fields as appropriate.	Please explain your answer (and, where relevant, clarify the type of barrier (i.e. barrier or a difficulty/challenge)). Please explain the barrier and the reasons for this being indicated as a barrier, including, but not limited to the specific legal or regulatory requirement(s) that create(s) the	

For questions 73, 77 and 78, where your reply has been 'no' justify your reply, in particular identifying potential risks.	barrier, if relevant (national or EU level); - the supervisory or market practice(s) that create(s) the barrier, if relevant (national or EU level); - the operational requirements that create the barrier (national or EU level); - the technical/technological aspect(s) related to the barrier, if relevant.	
	Please provide a ranking of the priority of addressing the barrier as: - high priority; - medium priority; - low priority.	
	Please provide an estimation of the costs resulting from the barrier.	
	Please provide potential solutions to issues identified, including the potential risks, and rank the solutions in terms of preference. Suggestions for solutions can include, but are not limited to: - legislative changes (specifying which changes are being suggested): - use of supervisory convergence tools (specifying which tools are being suggested); - centralised supervision; - adoption of market practice(s); - other.	
	Please provide data on the potential costs and benefits of the suggested solutions.	

Question 71-72 –73-74:

General remarks:

As a preliminary remark, we would like to highlight that several questions in the section would benefit from a clearer indication of the specific DLT architecture being addressed. As is well known, DLT systems can range widely from fully decentralised, peer-to-peer models to centralised or permissioned frameworks, as well as various hybrid structures in between. This distinction is crucial, as the implications for regulation, governance, and risk management can differ significantly depending on the architecture in question.

Functions related to the registration and holding of securities require a framework that ensures clear identification of responsibilities. Regardless of the underlying technology – whether traditional or DLT-based – it is essential that the model in place allows for **unambiguous allocation of duties, liabilities, and oversight**.

This is particularly important in environments involving multiple actors or distributed infrastructures, where the risk of fragmented accountability may increase. Legal certainty, investor protection, and market integrity depend on a well-defined structure of responsibility.

- We do not identify specific legal or regulatory barriers in the current EU framework that would prevent the use of DLT for the provision of CSD services. This was proved by several well-known CSDs' DLT initiatives undertaken even outside the DLT Pilot Regime that resulted to be completely compliant with CSDR and SFD. In general, the existing rules under CSDR can accommodate scenarios where CSDs choose to provide their services through DLT-based infrastructures. The regulatory framework is sufficiently technology-neutral to support such innovation in principle.
- That said, to support greater **regulatory certainty and consistent supervisory interpretation**, some **targeted clarifications** could be helpful, particularly through **Level 3 guidance** (e.g. Q&As, ESMA guidelines). These clarifications could address operational and legal questions arising from the use of DLT, such as:

1. Securities account (CSDR article 2 could be complemented with level 3 guidance/Q&A): to include securities wallets with a token view (vs. account view),
2. Outsourcing (CSDR articles 19 and 30 could be complemented with level 3 guidance/Q&A) relating to certain distributed validation models;
3. Messaging-based communication, related to DLT-based systems that rely on direct ledger interactions or smart contract triggers (article 35 to be completed with level 3);
4. Account Segregation (art. 38 to be completed with level 3): It would be helpful to provide clarification on how CSDs can meet segregation requirements when using blockchain-based infrastructures, particularly regarding how on-ledger addresses should be treated for regulatory purposes. Guidance on the definition and regulatory treatment of "omnibus accounts" in a DLT context would be welcome. For example, where a DLT platform records the tokens of multiple clients under a single DLT address, but each token is clearly attributed to individual clients in the CSD's internal records, would this arrangement satisfy the conditions for an omnibus account as defined under CSDR?
5. Cash settlement (art. 40 to be completed with level 3) to promote the use of certain types of CBDC and tokenised deposits.

Question 74:

We demand that further legal clarity in the form of Level 2 or 3 is provided to ensure that **(wholesale)CBDC may be used in the same way as other forms of central bank money**. For example, to clarify in Level 3 of CSDR art. 40 (as well as art. 38 of CDR 153/2013 EMIR) states that wCBDC can be classified as cash. This will ensure that counterparties may use wCBDC for settlement and as cash collateral.

Furthermore, **for the modernisation of European markets, it would be a bold SIU-supportive measure if CSDs were supported to settle the broadest possible range of assets**, beyond the central bank money. Making use of the infrastructure for the variety of settlement assets, such as FIAT, crypto-assets, ART etc., would help pooling of assets, leveraging the existing market connectivity for bigger scalability for all relevant actors, further integration of diverse markets, injecting further safety and investor protection in these markets and would support the modernisation and positioning of European markets as global financial champions.

Question 75:

In general, the use of DLT could help streamline certain aspects of the reporting process for CSDs, particularly by facilitating more structured and consistent data flows. The shared nature of the ledger may improve data availability and reduce duplication or reconciliation efforts.

However, the extent of the reduction in reporting burden would depend on how regulatory requirements evolve and whether supervisors are prepared to make use of DLT-native data formats or direct access models. At this stage, while DLT may offer opportunities to simplify reporting, its actual impact remains subject to the broader regulatory and operational framework.

Question 76:

We do not support a modular authorisation regime under CSDR, whereby service providers would be allowed to offer only selected core functions (e.g., notary, settlement, or central maintenance) independently. Such an approach would risk increasing market fragmentation, undermining operational coherence and complicating interactions for clients who would need to coordinate across multiple providers for services that are essentially integrated. Ultimately, this would not serve the efficiency, safety, or stability of the post-trade ecosystem.

Moreover, we do not believe that splitting core CSD services in this way would enhance proportionality or promote technological neutrality. On the contrary, unbundling essential functions would alienate the common definition of a CSD and go against the neutrality principle and could also introduce new operational and systemic risks, especially in cross-border or multi-technology environments, and create incentives for regulatory arbitrage or weakened accountability.

This approach appears misaligned with the nature of DLT-based infrastructures, where processes such as issuance, settlement, and asset servicing are even more natively integrated and highly interdependent, sometimes occurring in real-time and within a single smart contract or token lifecycle. Disaggregating these services under a modular regime would contradict the technological architecture of DLT and risk disrupting the benefits it brings in terms of automation, transparency, and reduced reconciliation needs.

Finally, this measure would not support further integration as an objective of the present consultation.

Question 77:

The existing EU regulatory framework already acknowledges this possibility through the DLT Pilot Regime Regulation (DLT PRR), specifically via the DLT Trading and Settlement System (DLT TSS).

But for the possibility to reach bigger pools of different instruments through a single account and the level playing field, the functions and possibilities allowed for the DLT providers under the Pilot regime should also be fully compatible with the CSDR. **The role of a TSS under the DLT Pilot regime should be accessible to CSDs** (as this is the case in Switzerland, where the entity operating a DLT-based platform has licences under the legislation aspiring to both the EU MiFID and CSDR).

Question 79:

The question implies a clarification of the ideal architecture. In some permissionless models, some validators may prioritise transactions, for example, based on incentives. The ability of validators to choose the order of transaction inclusion and prioritisation can negatively affect orderly settlement. In generic terms, this feature

introduces the risk of transaction reordering, settlement uncertainty, and potential market manipulation, particularly in the form of front-running practices.

Such behaviours, if not appropriately mitigated, are not compatible with the need to preserve market stability and investor protection, can undermine market integrity, distort price formation, and harm investor trust, especially when participants are not aware that their transactions may be strategically delayed, reordered, or excluded altogether.

Risks inherent to permission-less blockchains can be mitigated with the adoption of the so-called "fair ordering protocols" (e.g. First in / First out) or designing "hybrid" DLT architectures that, in any case, in regulated financial services, must prove to have sufficiently solid governance mechanisms to preserve orderly settlement.

Regulation shall support both permissionless and permissioned architectures that can preserve orderly settlement, including publicly qualified blockchains, to ensure fair competition, foster innovation, and allow CSDs to select the most suitable technology for their services. These capabilities should extend to the beneficial owner level, enabling retail access to DLT benefits.

Question 80 - 81:

We support maintaining a level playing field based on the principle of "same function, same regulation". The emergence of DLT-based tokenised financial instruments does not, in our view, require fundamental changes to the provision of CSD services or the requirement to use a CSD.

CSDR was designed to be technology-neutral, establishing a common EU definition of CSDs and a harmonised regulatory framework grounded in considerations of systemic risk and financial market stability. These objectives remain fully relevant regardless of the technological infrastructure used, including DLT. As such, the core functions of CSDs—such as issuance, notary service, settlement, and safekeeping—continue to apply equally in a DLT environment.

In line with core regulatory principles, any entity performing the same functions as a CSD should bear the same responsibilities and be subject to the same regulatory and licensing requirements. While certain related activities, such as registrar functions, may be performed outside of the regulatory perimeter of a CSD, they do not qualify as CSD functions. Clear functional distinctions are essential to ensure consistency, legal certainty, and the continued effectiveness of the regulatory framework in safeguarding financial stability and investor protection.

3.2.2. Detailed questions on the applicability of the CSDR and SFD to DLT-based CSDs

82) Are there barriers or concerns with the technological neutrality of the CSDR definitions listed below or any other definitions or concepts included in CSDR and SFD in particular in the context of DLT?

83)

	1 (not a concern)	2 (rather not a concern)	3 (neutral)	4 (rather a concer)	5 (strong concern)	No opinion
'central securities depository'	X					
'securities settlement	X					

system'						
'securities account'			X			
'book entry form'			X			
'dematerialised form'			X			
'settlement'	X					
'delivery versus payment (DVP)'	X					
Any other definitions or concepts in CSDR and SFD.			X			

For each of the definitions or concepts for which you expressed concern, please explain the exact nature of your concern and suggest potential solutions to address it (including drafting suggestions for a new definition, where available).

84) Would you have any concerns about the technological neutrality of the following CSDR rules?

	1 (not a concern)	2 (rather not a concern)	3 (neutral)	4 (rather a concern)	5 (strong concern)	No opinion
Rules on measures to prevent settlement fails	X					
Rules on measures to address settlement fails" (e.g. cash penalties, monitoring and reporting settlement fails)	X					
Rules on organisational requirements for CSDs	X					
Rules on outsourcing of services or activities to a third party			X			
Rules on communication procedures with market participants and other market			X			

infrastructures						
Rules on the protection of securities of participants and those of their clients	X					
Rules regarding the integrity of the issue and appropriate reconciliation measures	X					
Rules on cash settlement			X			
Rules on requirements for participation	X					
Rules on requirements for CSD links	X					
Rules on access between CSDs and access between a CSD and another market infrastructure	X					
Rules on legal risks, in particular as regards enforceability	X					
Any other rules						

For the rules for which you expressed concern, please explain the exact nature of your concern, provide suggested solutions that would ensure a level playing field between different providers of CSD services, if you have any, and explain how these solutions would ensure an equivalent mitigation of risks.

3.3. Barriers and other aspects under the FCD

Questions (for the purpose of the questions below, please note that the term barrier also includes difficulties or challenges)	Answers
84) What are the main barriers to the integration of EU markets and/or consolidation of financial market infrastructures related to the FCD?	The FCD has been implemented differently across EU jurisdictions, leading to inconsistencies in establishing valid financial collateral arrangements. This creates a disincentive for engaging in cross-border collateral transactions, as firms

	must review operational processes and seek new legal advice each time they operate in a different jurisdiction.	
85) Is there sufficient clarity regarding the use of tokenised assets as financial collateral in the context of financial collateral arrangements under the FCD?	It would be helpful to clarify the concepts of "book-entry securities collateral" and "relevant account" (as defined in Art. 2(1)(g) and (h) of the FCD) in the context of DLT. To ensure that the legislation remains technology-neutral, such clarification could be provided through supervisory guidance, without the need to reopen the directive itself.	
86) In the last FCD consultation, the addition re-insurers, alternative investment funds (AIF), institutions for occupational retirement provision (IORPs), crypto-asset service providers, all non-natural persons, non-financial market participants which regularly enter into physically or financially settled forward contracts for commodities or EU allowances (EUAs) was suggested by stakeholders. It was also asked if payment institutions, e-money institutions and CSDs should be added to the scope. Please provide any views you may have of one or several of the suggested potential additional participants.		
	Yes	No
87) Are there barriers related to the scope of the FCD (i.e. parties eligible as collateral taker and collateral provider, definition of financial collateral, definition of cash)?	X	
88) Do you see legal uncertainty related to the recognition of tokenised financial instruments as collateral under the FCD? If yes, please describe these uncertainties.	X	
89) Do the definitions and concepts in the FCD, including the notion of 'possession and control', 'accounts' and 'book-entry' result in barriers or legal uncertainty, e.g. due to the change in market practices, the use of DLT?	X	

90) Is the list of collateral providers and collateral takers limiting the applicability of the FCD in a detrimental manner for DLT-based financial collateral arrangements?		X
91) Do you think that collateral other than cash, financial instruments and credit claims should be made eligible under the FCD, in particular in light of DLT based financial collateral arrangements? If yes, please list what other forms of collateral should be considered as eligible and explain why.	X	
92) Do you see the need to change the current approach that only financial collateral arrangements should be protected where at least one of the parties is a public authority, central bank or financial institution? Please explain		
93) Is the non-aligned definition of 'collateral security' and 'financial collateral' under the FCD creating barriers?		X
94) Are the opt-out provisions for Member States creating any barriers to the single market?		
95) Have you encountered problems with the recognition/application of close-out netting provisions under the FCD (both national and cross-border)?		
96) As noted in the Commission report on the review of SFD and FCD (COM(2023)345 final), given the FCD deals primarily with financial collateral and only peripherally with netting (only as one of the methods that can be used to enforce collateral arrangements), do you consider that there is a need for further harmonisation of the treatment of contractual netting in general and close-out netting in particular?		X
) Are there any other barriers created by the FCD which are not mentioned above?		X
98) Are there any other issues you would like to address regarding FCD financial collateral in a DLT environment?		X

For questions 84, complete the following fields as appropriate. **For questions 84, 87, 93, 94, 95, and 97,** where your reply is 'yes' complete the	Please explain your answer (and, where relevant, clarify the type of barrier (i.e. barrier or a difficulty/challenge)). Please provide a clear explanation of the barrier, and the reasons for this being indicated as a barrier, including, but not limited to: - the specific legal or regulatory requirement(s) that create(s) the barrier, if relevant (national or EU level); - the supervisory or market practice(s) that create(s) the barrier, if relevant (national or EU level); - the operational requirements that create the barrier (national or EU level);

following fields as appropriate. **For questions 84, 87, 93, 94, 95, and 97,** where your reply is 'no' justify your reply, in particular identifying potential risks.	- the technical/technological aspect(s) related to the barrier, if relevant.
	Please provide a ranking of the priority of addressing the barrier as: - high priority; - medium priority; - low priority.
	Please provide an estimation of the costs of the barrier
	Please provide potential solutions and rank the solutions in terms of preference. Suggestions for solutions can include, but are not limited to, - legislative changes (specifying which changes are being suggested); - supervisory convergence (specifying which tools are being suggested); - adoption of market practice(s); - other
	Please provide data on the potential costs and benefits of the suggested solutions with a breakdown for different stakeholders.

Question 87: Are there barriers related to the scope of the FCD?

The FCD currently defines a limited range of assets eligible as financial collateral and restricts its application to specific categories of counterparties. Expanding both the scope of eligible assets and the range of eligible participants would be beneficial.

Question 88: Do you see legal uncertainty related to the recognition of tokenised financial instruments as collateral under the FCD?

Clarifying the notions of "book-entry securities collateral" and "relevant account" (as set out in Art. 2(1)(g) and (h) of the FCD) in the context of DLT would be beneficial, particularly given that some DLT-based systems and wallets do not present a traditional account structure, but instead operate based on unspent transaction outputs (UTXOs). To maintain technological neutrality, such clarification could be provided through supervisory guidance, without the need to reopen the directive itself.

Question 89: Do the definitions and concepts in the FCD, including the notion of 'possession and control', 'accounts' and 'book-entry' result in barriers or legal uncertainty, e.g. due to the change in market practices, the use of DLT?

Further clarification of the notion of "possession and control" does not appear necessary.

We consider that the concepts of 'possession' and 'control' in the FCD don't present any problems in the provision of cross-border collateral. As such, these do not require any additional clarification. Even though the terms possession and control might be defined and applied slightly differently under different national laws, this poses no problem as long as the governing law itself is unambiguous.

However, it would be helpful to provide some clarification on how the concepts of "accounts" and "book-entry" apply in a DLT context, given that certain DLT ledgers and wallets may not follow a traditional account structure but rather reflect unspent transaction outputs (UTXOs). To preserve the technology-neutral nature of the legislation, this could be addressed through supervisory guidance without the need to reopen the directive.

Question 91: Do you think that collateral other than cash, financial instruments and credit claims should be made eligible under the FCD, in particular in light of DLT based financial collateral arrangements?

Yes, we consider that positions in a DLT may have the same function as cash, financial instruments and credit claims but do not necessarily fall under the respective definitions under the FCD.

Question 93: Is the non-aligned definition of 'collateral security' and 'financial collateral' under the FCD creating barriers?

No, the non-aligned definitions of 'collateral security' under the Settlement Finality Directive (SFD) and 'financial collateral' under the Financial Collateral Directive (FCD) do not create barriers. This is because the two terms serve different legal and functional purposes within their respective frameworks. The definition of 'collateral security' in the SFD is tailored to support the protection of settlement systems against the effects of insolvency, while the FCD provides a broader legal framework for the use of financial collateral arrangements across the EU.

Moreover, the SFD explicitly references the FCD, allowing for a complementary application of the two directives. As a result, any differences in terminology or scope are mitigated by the interlinked nature of the legal instruments, and they do not give rise to legal uncertainty or operational barriers in practice.

3.4. Uneven/inefficient market practices and disproportionate compliance costs

3.4.1. Internalised settlement

Question 99: Does the current reporting obligation of internalised settlement allow for an accurate identification of the risks stemming from settlement outside of a CSD?
If no, which additional information (for example the identification of the trading venues where the respective financial instruments are admitted to trading or traded) should be included in the internalised settlement reporting.
If no, what would be the operational implications for supervisors of expanding these reporting obligations? Should the reporting be done directly to ESMA and not to national competent authorities?
What would be the cost implications of such additional reporting?

ECSDA response:

No

Internalised settlement should be thoroughly examined and understood with regard to: 1. the level of regulatory arbitrage it creates, as well as 2. to a more complete understanding of the post-trade, including cross-border.

In the context of the SIU debate and challenges concerning post-trade and cross-border settlement, the existence of double standards for the provision of similar services leads to regulatory arbitrage and deprives infrastructure of the settlement volumes required to generate much-needed economies of scale.

The higher the level of regulatory burden and hence costs for compliance with it put on the settlement in the

regulated infrastructure (including settlement penalties, prudential and other CSDR provisions), the bigger the incentives to use non-regulated roads, and the smaller the number of transactions for which the regulated infrastructure is used. **The continuous adding of new stringent requirements on the infrastructure and not on other actors leads to: 1). outflow of activity to the non-regulated entities, 2). issues for the efficiency and straight-through processing in the market, and 3). further issues to cross-border harmonisation since the percentage of the market using lower requirements and old standards stalls the progress.**

There is frequent reference to the relatively limited volume of cross-border transactions settling via T2S. However, this reflects a **market reality**: asset managers and other institutional investors often rely on **global or local custodian agents** to settle cross-border transactions bilaterally or outside the T2S platform. These internalised settlements do not pass through a CSD, nor are they visible in T2S, which leads to a **lack of transparency** and underestimation of true cross-border activity in the EU.

We recommend that ESMA update the settlement internalisation report, which dates back to March 2021, to provide a valuable and timely foundation for any informed reflection on the state of the EU settlement activities, particularly in the context of the ongoing SIU debate.

The current internalised settlement reporting obligations do not provide a sufficiently comprehensive view to fully capture the scope and nature of internalised settlement activities across the EU. The available data are often too aggregated and lack context with respect of the "cross-border nature" of the reported transactions limiting their usefulness for understanding the development of settlement practices outside of central securities depositories.

To improve the informational value and cross-border relevance of internalised settlement reporting, we suggest including the following additional elements:

Identification of the trading venue or execution platform where the relevant financial instruments are admitted to trading or traded. This would allow better mapping of market activity linked to internalised settlements.

Cross-border dimension of the transaction, for instance, by indicating whether the transaction involves parties located in different Member States. This would support a better understanding of financial integration and the functioning of the EU internal market.

Internalised settlement should be thoroughly scrutinised and assessed whether CSD/T2S-level settlement should be mandated at least for certain transactions to benefit from the CSD settlement transparency, as well as safety and protections resulting from the application CSDR requirements.

Question 100: Should settlement internalisers with very high internalised settlement activity (in terms of value and volume) be required to publish information on their internalised settlement activity including settlement fail rates (similar to the annual data on settlement fails published by CSDs)?

Yes, the assumption could be that full transparency can be an incentive.

Internalised flows do not contribute to the ideas around cross-border business and also do not go through CSD/T2S system, thereby increasing implicit costs and driving fragmentation. Further, fails penalties are not applied for settlement internalisation: banks which settle via CSDs are subject to penalties for settlement

failures, whereas banks using systemic internalisation do not face these penalties. This discrepancy creates an uneven playing field and leads to avoidance of penalties when banks internalise settlements.

A possible solution could be to restrict the maximum level of fail rates in a certain product (for which the settlement fail rate in a settlement internaliser is too high), as well as require that settlement of transactions above a defined amount across all instruments be mandated to settle in a CSD.

Question 101: Would you identify additional risks other than operational and legal risks stemming from internalised settlement?

Regulatory arbitrage and disincentive to send settlement flows to T2S, with ultimate impact on the improvement and scalability of the platform.

From the perspective of the present consultation on the integration of flows and pooling of assets, the settlement internalisation further splits the flows, setting them apart from the standardised regulated environment based on the internalisers' individual interfaces and preferences. Fragmentation at this level is broader dispersed than the much-discussed fragmentation of regulated market infrastructures.

Question 102: Should some/all rules pertaining to settlement discipline and/or other CSDR requirements currently applicable to settlement at CSD level be also applicable to internalised settlement?

Yes
Same business, same rules principle should apply – with the benefits of avoiding fragmentation, leading to more cross-border flows, and this scaling at T2S would reduce the costs for each participating party. Currently, the T2S seems to be an "empty highway" as internalisers are not sending the flows and do not thoroughly comply even with the AMI-SeCo standards.

Further, same penalty rules should apply to the Settlement internalisers as to the banks which settle via CSDs and that are subject to penalties for settlement fails. The banks using systemic internalisation do not face these penalties. Such discrepancy creates an uneven playing field and cost-arbitrage.

3.4.2. Information sharing

Question	Answer	
	Yes	No
103) Is the role of the CSDR college as envisaged in CSDR refit sufficient to ensure efficient and complete information sharing between different authorities under CSDR?	X	
104) Are there barriers to information sharing between authorities and/or authorities/market participants that hinder the smooth provision of CSD services and the supervision thereof? If yes, should the document and information flows supporting the process for authorisation of CSDs and the review and evaluation of CSDs and their activities be simplified and streamlined, for example through the use of a central platform in a way that ensures all authorities involved are well informed and able to identify risks and take action to address them in accordance with their roles?		X
105) Are there duplications and/or overlaps in the reporting requirements between national, European competent or relevant authorities?		NA

Please justify all your answers to the above questions. If you consider that there is an issue, please clearly describe the issue, which legal, regulatory or operational requirements should be amended to resolve it, the solution(s) you have in mind to resolve it (including drafting suggestions, where possible), and the potential impact of the solution(s) you propose.

Question 103:

While the establishment of the CSDR college was a reasonable and balanced compromise under the Refit, no such college has been set up to date. As such, its effectiveness in facilitating supervisory coordination and information exchange remains untested.

Given that this framework was only recently introduced, we believe it is important to allow it to be implemented and assessed in practice before considering any further changes. The college structure has the potential to enhance supervisory coherence and efficiency under CSDR, but its real value can only be determined through actual experience.

Once operational, it will be essential to monitor its functioning closely to ensure it delivers on its objectives without creating unnecessary complexity or duplication.

Beyond the reporting requirements, we would like to highlight the potential benefits of developing further possibilities of sharing the information, a.o. in the context of links to avoid the requirement to perform the due diligence on the authorised and supervised CSDs from another EEA State.

Question 104:

No, we do not see barriers but areas of improvement. The main barriers tend to stem from divergent interpretations of the requirements by supervisory authorities, as well as from instances of gold-plating during the transposition of EU legislation into national law.

We support and encourage the acceptance of documents in one single language in all regulatory processes, incl. such as review & evaluation and passporting.

Duplication of information shall be avoided to reduce the compliance burden. For example, as highlighted in the ESMA SBR questionnaire we see an increase of reporting obligations under the CSDR REFIT amendments of 2017/392 and 2017/394. Extensive changes to the RTS and ITS as the requirement for 16 new data sets under Article 41 of the RTS on CSD Requirements increases the volume of information to be submitted and the number of reports to be generated, thereby adding more tasks and complexity.

3.4.3. Authorisation procedures

Question	Answer	
	Yes	No
106) Is the authorisation procedure for CSDs too long and/or burdensome? If yes, how could the process be simplified?		X
107) Is the procedure for the extension of CSD authorisation and for outsourcing of services and activities too long and/or burdensome?	X	
108) Is the procedure for the authorisation to provide banking ancillary services too long and/or burdensome? If yes, how could the process be simplified?		
109) Are the current authorisation/supervisory approval processes under CSDR suitable, or could it benefit from some refinements/streamlining and/or clarifications?	X	
110) Are the current authorisation processes/supervisory approval under CSDR creating legal barriers for (potential) new entrants		X
wishing to provide CSD services?		X
111) Do you consider that market participants, who provide only one core service (for example, notary, central maintenance or settlement) should be covered by some/all elements of CSDR? If yes, what would	X	

be the benefits or risks?		
112) Could there be benefits to a tiered authorisation (i.e. per service) for CSDs being introduced, e.g. to enable the requirements to reflect the different nature of different core services? If yes, should there be a process to enable requests to extend the authorisation for additional services?		X

Please provide a clear justification for all your answers to the above questions. If you consider that there is an issue, please clearly describe the issue, which legal, regulatory or operational requirements should be amended to resolve it, the solution(s) you have in mind to resolve it (including drafting suggestions, where possible), and the potential impact of the solution(s) you propose.

Question 107:
Is the procedure for the extension of CSD authorisation and for outsourcing of services and activities too long and/or burdensome?
Article 30(1) CSDR and Article 49 RTS 2017/392 fully compare staff sharing with other CSDs belonging to the same group to outsourcing with third party providers, mainly in terms of prior authorisation requirement. Such requirements represent a challenge for CSDs groups in terms of possibility to achieve further synergies (see also 4.2). The process could be simplified by removing the link with outsourcing requirements and with a notification process instead of prior authorization of the NCAs.

Question 109:
Are the current authorisation/supervisory approval processes under CSDR suitable, or could it benefit from some refinements/streamlining and/or clarifications?

Articles 17(3) and 19(2) CSDR provide for a pre-filing phase during which relevant NCA should check completeness of the application for authorisation within 30 days. These provisions are subject to different supervisory practices that might lead to unintended extension of the timeline of the authorisation procedure. The pre-filing should be applicable to the initial authorisation of CSDs where it is reasonable given the number of information required under implementing technical standards. For all the other authorisation processes, as provided under article 19, this phase would not be justified considering the scope of authorisation is narrower. In terms of expected gain, the removal of this pre-filing will ensure clearer timeline of the authorisation process without prejudice for the possibility of NCAs to ask relevant information during the authorisation process that could last up to 6 months.

Furthermore, to support competition and innovation in the CSDs landscape we believe that new services provided by the CSD even though not listed under Sections B of the annex should be subject only to notification procedure whether they do not entail credit or liquidity risk for the CSDs (e.g. data services, ICT services etc.).
Only additional services entailing credit or liquidity risk should be subject to authorisation that should be aimed to assess if operational model defined by the CSD ensures proper management of credit and liquidity risk, where relevant (e.g. fiscal services etc).

Question 110:
The effort required to obtain a CSDR licence reflects the critical role played by CSDs, and any new entrant should be subject to the same regulatory framework to ensure not only a level playing field, but also high level of safety of services provided.

Question 111:

We support maintaining a level playing field based on the principle of "same function, same regulation".

In line with core regulatory principles, any entity performing the same functions as a CSD should bear the same responsibilities and be subject to the same regulatory and licensing requirements. While certain related activities, such as registrar functions, may be performed outside the regulatory perimeter of a CSD, they do not qualify as CSD functions. Clear functional distinctions are essential to ensure consistency, legal certainty, and the continued effectiveness of the regulatory framework in safeguarding financial stability and investor protection.

Question 112

We do not support a modular authorisation regime under CSDR, whereby service providers would be allowed to offer only selected core functions (e.g., notary, settlement, or central maintenance) independently. Such an approach would risk increasing market fragmentation, undermining operational coherence and complicating interactions for clients who would need to coordinate across multiple providers for services that are essentially integrated. Ultimately, this would not serve the efficiency, safety, or stability of the post-trade ecosystem (see also Q. 76 related to DLT).

3.5. Interaction between the CSDR and other EU legislation

113) Are there are issues between the CSDR and other EU legislation? Please explain. Yes/No Yes

If there is an issue, please clearly describe the issue, which piece of legislation should be amended to resolve it, the solution(s) to resolve it (including drafting suggestions, where possible), and the potential impact of the solution(s) you propose.

ECSDA provided contribution to the ESMA Simplification and burden reduction questionnaire, identifying, among other matters, areas of overlap between CSDR and other EU legislation.

Main issues identified are duplicate provisions between DORA, CRA, EBA, NIS and CSDR are mainly in:

- ICT risk management,
- operational resilience and cybersecurity,
- 3rd party oversight,
- contractual obligations.

Overlaps in the field of outsourcing, where requirements are often overly burdensome, stemming from multiple layers of legislation (CSDR, Commission Delegated Regulation (EU) 2017/392, ESMA Guidelines on outsourcing to cloud service providers, CRD/EBA Guidelines on outsourcing arrangements (where relvant), DORA and potentially additional requirements in national legislations in the EU and outside the EU. (See also 4.2 (2)).

3.6. Other issues on post-trading

114) Other matters that could potentially contribute to removing barriers to the consolidation of post-trading infrastructure, to improving the EU's capital markets attractiveness while reducing fragmentation and to improving integration in post-trade services might also be important.

Please provide any further suggestions to improve the integration, competitiveness, and efficiency of post-trade services (including clearing and settlement) in the EU. Please provide supporting evidence for any suggestions.

PART 2

4. Horizontal barriers to trading and post-trading infrastructures

This section seeks feedback on horizontal barriers to trading and post-trading infrastructures in four main areas:

- EPTF (European Post Trade Forum)
- cross-border operational synergies between entities
- issuance
- and innovation

Respondents are asked to provide concrete examples to support answers provided, and, where possible, quantitative and qualitative information.

4.1. EPTF barriers

1) How do you assess the continuing importance and the urgency of their resolution of the barriers identified by the EPTF report and those put on EPTF watchlist (WL) in 2017?

Please rank each barrier according to the urgency of its resolution for achieving an integrated EU market for post-trade services. Please rank barriers as high/medium/low urgency (max 6 barriers per grading category). Please mark barriers that have been resolved and are no longer relevant.

Barrier	High	Medium	Low	No longer relevant	Do you agree with EPTF recommendations? YES/NO
Fragmented corporate actions and general meeting processes (EPTF 1)	X				
Lack of convergence and harmonisation in information messaging standards (EPTF 2)	X				Y, ISO 20022 adoption is the main issue
Lack of harmonisation and standardisation of ETF processes (EPTF 3)		X			Yes
Inconsistent application of asset segregation rules for securities accounts (EPTF 4)	X				Y, To facilitate handling on new asset classes. In a cross-border scenario different segregation rules create frictions.
Lack of harmonisation of registration rules and shareholder identification processes (EPTF 5)	X				
Complexity of post-trade reporting			X		

structure (EPTF 6)					
Unresolved issues regarding reference data and standardised identifier (EPTF 7 (formerly Giovannini Barriers 8 and 9, redefined and combined)			X		

Uncertainty as to the legal soundness of risk mitigation techniques used by intermediaries and of CCPs' default management procedures (EPTF 8) (formerly Giovannini Barrier 14)					NA
Deficiencies in the protection of client assets as a result of the fragmented EU legal framework for book entry securities (EPTF 9) (formerly Giovannini Barrier 13)			X		Each MS legislation allows protection of client assets, according to the applicable laws. Asset protection rules are transparent. Not connected to SIU
Shortcomings of EU rules on finality (EPTF 10)					N.A See section on SFD
Legal uncertainty as to ownership rights in book entry securities and third-party effects of assignment of claims (EPTF 11) (formerly Giovannini Barrier 15)			X		
Inefficient withholding tax collection procedures (the lack of a relief-at- source system) (EPTF 12)	X				
National restrictions on the activity of primary dealers and market makers (WL1)		X			
Obstacles to DvP settlement in foreign currencies at CSDs (WL2)	X				
WL3: Issues regarding intraday credit to support settlement (WL3)			X		
Insufficient collateral mobility (WL4)			X		
Non-harmonised procedures to collect transaction taxes (WL5)	X				

4.2. Leveraging cross-border operational synergies between entities (outsourcing, treatment of group structures)

2) On a scale from 1 (it is inadequate) to 5 (it is adequate), do you believe that the current regulatory and supervisory set-up as regards outsourcing is adequate, and captures the risks linked to outsourcing appropriately?

1	2	3X	4	5	No opinion

If you responded 4 or less, please point to specific issues and to possible improvements, including, where relevant, any distinction between intra- and extra-EU outsourcing.

3) In case of groups that include trading and/or post-trading infrastructures, does the legislative framework adequately cater for intra-group synergies, notably by way of outsourcing, on a scale from 1 (inadequate) to 5 (adequate)?

1	2X	3	4	5	No opinion

If you responded 4 or less, please point to which types of operations have been negatively impacted by the legislative framework, and what have been the costs (or alternatively: foregone cost synergies)? Please indicate which specific regulatory provisions or supervisory practices have hindered the ability to outsource functions within your group, notably across borders.

If you consider that the current regulatory and/or supervisory framework should be adapted to more effectively facilitate intra-group operational synergies, please detail the specific legislative amendments that should be implemented. Should any safeguards be maintained in this process (e.g. for preventing/managing conflict of interests)?

Please explain

Questions	Answers	
4) What are the main barriers to consolidation at group level of CSDs' functions: legal barriers in the CSDR; legal barriers in other EU legislative acts; legal barrier (incl. fiscal, tax-related regulatory requirements) in national law; supervisory barriers; technical/operational barriers; market practice other barriers	legal barrier (incl. fiscal, tax-related regulatory requirements) in national law; Supervisory barriers	
	Yes	No
5) Are there barriers to consolidation due to the structure of the regulatory reporting mandated in the CSDR?		X

6) Are there barriers to consolidation due to the organisational requirements (e.g. on outsourcing) mandated in the CSDR?	X	
7) Are there obstacles to consolidation related to the current CSD supervisory and oversight framework?		X

For question 4 complete the following fields: **For questions 5 to 7**, where your reply is 'yes' complete the following fields as appropriate. **For questions 5 to 7** where your reply is 'no' justify your reply, in particular identifying potential risks.	Please provide a clear explanation of the barrier, and the reasons for this being indicated as a barrier, including - the specific legal requirements that create the barrier, if relevant (national or EU level); - whether a barrier is more prominent for one or more types of financial instruments - the supervisory or market practice(s) that create(s) the barrier, if relevant;	
	- the technical aspects related to the barrier, if relevant; - information on the costs, if the level of costs is considered an issue.	
	Please provide a ranking of the importance of the issue as: - high priority; - medium priority; - low priority.	
	Please provide an estimation of the costs of the absence of a group perspective, where possible.	
	Please provide potential solutions and rank the solutions in terms of preference. Suggestions for solutions can include, but are not limited to, - legislative changes (specifying which changes are being suggested); - use of supervisory convergence tools (specifying which tools are being suggested); - centralised supervision; - adoption of market practice(s); - other.	
	Please provide data on the potential costs and benefits of the suggested solutions.	

Question 2:

The current regulatory and supervisory framework for outsourcing in post-trade market infrastructure groups effectively addresses the associated risks. However, it can be disproportionate for certain types of activities

that technically fall under the definition of outsourcing, even though they do not pose any meaningful risk.
There are two key areas of concern. First, the outsourcing requirements are often overly burdensome, stemming from multiple layers of legislation (CSDR, Commission Delegated Regulation (EU) 2017/392, ESMA Guidelines on outsourcing to cloud service providers, CRD/EBA Guidelines on outsourcing arrangements (where relvant), DORA and potentially additional requirements in national legislations in the EU and outside the EU.
Second, a more proportionate and simplified approach should be considered for intragroup outsourcing within regulated entities.
Three types of simplification would help CSDs better allocate resources and achieve synergies:

(i) allowing institutions to exclude certain activities from the scope of the outsourcing framework based on a risk-based assessment, (e.g. sharing of staff between CSDs and between CSDs and other regulated entities),

(ii) recognising the equivalence and interoperability of different legislative frameworks, and

(iii) streamlining the overall requirements and obligations within the outsourcing framework (e.g. no duplications of assessments and registers of providers, streamlining the approval and notification procedures concerning critical service providers across countries, regulations and legislations.

Moreover, certain contractual requirements under the current framework—such as obligations related to subcontracting, audit rights, and the general duty to cooperate—are often contested by third-party service providers, as they are not aligned with prevailing market practices. In particular, they fail to reflect the widespread use of cloud services and the multi-client nature of many outsourcing arrangements.

Question 3

Existing groups of CSDs (as any other group of entities in other industries) usually relies on intra-group outsourcing for efficiency purposes. Intra-group outsourcing are perceived as disproportionately burdensome, especially considering the regulated status of the entities involved. For example, Article 49(1) of Commission Delegated Regulation (EU) 2017/392 extends the CSDR outsourcing requirements to situations where CSDs share staff with other group entities. This appears excessive, particularly when the staff is shared with institutions subject to the same or equivalent regulatory standards.

The regulatory framework should be adapted to distinguish between intra-group outsourcing and outsourcing to third-party entities. Specifically, when the service provider is both a group entity and a regulated institution, a group-level regulatory approach should be permitted. This would, for example, allow for the development of exit plans at the group level rather than duplicating efforts across individual entities.

It would also be beneficial to encourage supervisory authorities to rely, where appropriate, on the oversight conducted by the competent authority of the EU-based regulated outsourcing provider(s) when fulfilling their own supervisory responsibilities.

Question 4:

The design of the capital markets infrastructure is heavily driven by the absence of harmonised national laws, distinct tax systems and procedures, differences in market characteristics and practices, diverse supervisory approaches, and inconsistent standards for securities issuance, settlement, and corporate actions prevent the ability to achieve a higher level of operational integration.

Regulatory constraints, sovereign prerogatives, national currencies and the need to keep local asset

protection lead to the absence of a business case for M&A, prevent consolidation at legal entities level. However, **this is not a sign of the level of consolidation of the market and would not bring benefits to investments that remain essentially local.**

Competitive market forces and a regulatory framework based on open access and freedom of issuance have driven the significant consolidation of settlement volumes in a few main players, despite the current multi-jurisdictional environment.

Question 6:

There are no barriers to consolidation stemming per se from the organisational requirements, but divergent interpretations of certain requirements increase burden and complexity (for example in the field of sharing members of the senior management). See above for outsourcing requirements.

Question 7:

The introduction of a new supervisory college structure under CSDR - though still to be fully tested - has addressed some of the challenges in this area. Similarly, the CSDR Refit has brought clear benefits by introducing a single supervisory decision-maker, particularly with respect to passporting. This change has significantly streamlined the process and even resolved previously stalled passporting notifications submitted before the Refit. As a general principle, we believe the single decision-maker approach is highly effective and should be applied wherever possible, especially given its established basis in EU law.

4.3. Issuance

Questions	Answers
8) Please describe the steps and how long it takes to issue securities (and, if applicable other financial instruments) in your Member State, and indicate which steps could work better, in particular if undertaken cross-border (i.e. CSD and/or trading venue is in another Member State).	Issuance is the process of initial creation and distribution of securities involving a number of entities/intermediaries depending on the structure of the issuance (i.e. issuer CSD, the issuer agent, primary dealers, syndicate dealers and finally custodians) along the custody chain. The assessment of the steps and how long it takes to issue securities implies analysis of the pre-trade and post-trade

	phases taking into account the entities involved. When it comes to the CSDs level, the process is already very efficient since for straightforward securities with complete and compliant documentation, the admission process can be completed very quickly. However, **the efficiency and duration of the process is heavily influenced by how reference data are represented and transmitted to the issuer CSD.** It must be considered that post-trading processes are affected by reference data not only in respect of the initial registration of securities in the CSDs books, but also in the lifecycle management of securities, and specifically corporate actions processing. **It is essential that issuers and issuer agents provide reference data to Issuer CSDs in a standardised machine-readable format and using agreed industry taxonomy.** See below some additional considerations on the

	issuer CSD component of the issuance process.	
9) What are the main barriers to the smooth functioning of processes related to pre-issuance and issuance in an integrated EU market? In answering this question, please consider all of the following, but not limited to this: - legal requirements; - supervisory practice; - differing or lack of data exchange standards (exchange of non-machine readable data; - market practice; - differences in national requirements; - technical/technological aspects.	-	
	Yes	No
10) Are there barriers related to the settlement period of primary market operations?		
11) Are there barriers related to ISIN allocation, or relating to the length of ISIN allocation processes? If so, could any of these barriers be addressed through legislative changes?		X

12) Should the attribution of ISIN be further regulated, e.g. introduction of a 'reasonable commercial basis' clause, or the prohibition of entities active in closely linked activities (e.g. settlement-related activities) from performing tasks as national numbering agencies? 13) Should measures be taken to create more competition in the area of ISIN attribution and, if so, please explain what measures?		X
14) Are there barriers related to the lack of a harmonised approach for investor identification and classification?	X	
15) Are there barriers related to the lack of automation and straight- through processing along the issuance value chain?	X	
16) Are there barriers related to the exchange of data between the stakeholders involved in the issuance?		
17) Are there any other barriers related to issuance which are not mentioned above?		

For questions 8 to 11, and 14 to 17, where your reply is 'yes' complete the following fields as appropriate.	Please explain your answer (and clarify the type of barrier (i.e. barrier or a difficulty/challenge)), including - the instruments concerned, or for which the concern is most acute; - the specific legal requirement(s) that create(s) the barrier, if relevant (national or EU level); - the supervisory or market practice(s) that create(s) the barrier, if relevant; - the technical aspects related to the barrier, if relevant; -	
For questions 8 to 11, and 14 to 17, where your reply is 'no' justify your reply, in particular identifying potential risks.	Please rank the importance of the issue as - high priority; - medium priority; - low priority.	
	Please provide an estimation of the costs of the barrier.	
	Please provide potential solutions and rank them in terms of preference. Suggestions for solutions can include, but are not limited to: - legislative changes (specifying which changes are being suggested); - use of supervisory convergence tools (specifying which tools are being suggested); - other.	
	Please provide data on the potential costs and benefits of the suggested solutions.	

Question	Answer
18) On a scale from 1 (very complex) to 5 (very straightforward), what is your assessment of the current procedures for issuing debt or equity instrument in the EU, in particular for the first time?	

Please point to the main difficulties you might have identified, if any.	
19) In particular, what is your assessment of the level of competition in the area of underwriting, and of the level of fees for such services? Do you perceive that they can be a significant barrier for those issuers considering issuing financial instruments (debt or equity)? If so, what are the drivers for such difficulties?	?? For issuers to assess
20) On a scale from 1 (very unsatisfactory) to 5 (very satisfactory), what is the level of transparency of fees structures in the area of underwriting satisfactory? If you think the level of transparency of fees structures is unsatisfactory, do you believe transparency on the prices billed to issuers and investors for such services should be provided on an ex post basis (e.g. publication of indicative prices for underwriting services) or on an ex ante basis (standard/average price lists)?	For issuers to asses.
21) Would a front-to-end pan European platform as proposed by the ECB in 2019 (European Distribution of Debt Instruments (EDDI) initiative) solve the barriers and obstacles identified in the previous questions?	no
If yes, should this front-to-end pan European platform focus on debts instruments solely or would this service also contribute to improving equities issuance processes too?	
If no, how should these barriers and obstacles identified be addressed?	
22) Are you satisfied with the current level of digitalisation of the bookbuilding process? Yes, No, don't know.	Yes
If you responded "No" to the previous question, is there any legislative measure that could be taken to support more digitalisation? If yes, please explain.	

Question 9:

Lack of legal requirement to issuers/their agents in some countries to transmit all securities data (both reference data and data, regarding corporate events on the securities) first to the issuer CSDs in some countries and then for other actors to use the data from the issuer CSD as golden source for further reference and processing is preventing CSDs from exercising their key notary function as enshrined in CSDR.

Lack of use of common data model/taxonomy to represent reference data and transactional data of securities and transmission in non-machine readable format is a fundamental barrier.

The application of AML requirements to CSDs is disproportionate and not helpful to facilitate the issuance process.

Immediate availability of ISIN to the Investor CSD/information that the ISIN have been created is also an issue where we see possibility to create a market practice.

With the introduction of digital securities (e.g. issued by the means of Distributed Ledger Technology [DLT]) in more and more countries, there comes new complexity and the need for harmonization as countries choose different paths, which creates additional cross boarder issues.

Other issues stem from several rather manual steps and reconciliation processes between the issuer, legal advisors, and investment banks. These manual touchpoints, often involving paper-based documentation and varying national requirements, become particularly cumbersome in cross-border transactions. Differences in legal frameworks, regulatory reporting obligations, and tax considerations across jurisdictions contribute to the extended timeframe. Addressing these pre-CSD bottlenecks is crucial for realizing the full potential of efficient cross-border issuance. Increased standardization of processes and machine-readable terms and conditions of securities can significantly streamline the process. Technologies like generative AI can further automate document creation and review, reducing both time and costs.

Harmonizing regulatory standards across Member States (e.g. via a 28th regime to create a common securities law) would further accelerate cross-border issuances and reduce the burden on issuers navigating multiple jurisdictions for the digital and traditional issuance of securities.

Question 10:

There are several barriers to the shortening of the settlement period of primary market operations:

The input of reference data of ISINs in the SSS, which may be relevant for the settlement of primary market transactions is done later in some markets due to need to ensure that CSDs comply with all legal requirements. Machine-readable input of reference data in standardized format by the issuer/issuer agent to the Issuer CSD would expedite this process as Issuer CSDs would automatically reject input which is non-compliant or lacking in required legal elements and can directly put in the reference data in their SSS when received from issuers/issuer agents.

Investor CSDs sometimes do not receive immediately the reference data for ISINs to be issued from the Issuer CSDs, which does not allow them to populate this data in their reference data or to use this data in order to make the securities available for settlement via existing CSD links. This has the effect of preventing cross-CSD settlements for primary market settlements or event settlements in the first several days of the lifecycle of a transactions (which in many cases is the time when most settlements happen in the security lifecycle.

Some Investor CSDs may delay the input of reference data in their systems (both the securities reference data in their system and the information that such securities are eligible for settlement via an existing link with the issuer CSD). This results in inability for CSD participants to match early their instructions, including for primary market, for cross-CSD settlements.

Some CSDs or their market participants are not willing (for various reasons) to use another CSD as place of settlement for primary market transactions, even if the necessary CSD link exists. This prevents cross-CSD settlement even if allowed by the Issuer CSD.

Some fiscal authorities do not allow cross-CSD settlements of primary market transactions for their government debt, i.e. in the terms and conditions of primary dealers.

Question 11:

We see a limited relevance of the ISIN allocation process, it's a minor part of the data at stake and it is perceived as generally efficient.

Question 12 and 13:

We do not believe that further regulatory intervention is necessary at this stage. The attribution of ISINs is already governed by the ISO standards and operationalised through the global network coordinated by the Association of National Numbering Agencies (ANNA). This system ensures standardisation, neutrality, and global interoperability.

It is important to note that in most jurisdictions, including across the EU, market practice is that the allocation of ISINs is not subject to a charge. Where charges do exist, they are typically modest and transparent.

Question 14:

Yes, there are barriers stemming from the lack of a harmonised approach to investor identification and classification across the EU.

In particular, SRD II suffers from inconsistencies in scope and definitions that limit its effectiveness:

- Non-harmonised scope of financial instruments across EU Member States (i.e. only some MS cover debt instruments). This divergence creates uncertainty and fragmentation, particularly in cross-border contexts.

- Diverging definitions of 'shareholder': There is no common EU definition, which leads to inconsistencies in how intermediaries interpret and respond to identification requests and creating issues in the harmonisation of identification processes.

- Lack of full compliance with shareholder identification industry standards and differences in the information flows due to specific market practices. The process is affected also by the lack of standardised reference data on securities (question 9).

Question 21:

We would like to remind that as known, the ECB chose not to proceed with the EDDI/DIMCG initiative following the market consultation in 2019 that revealed limited support. Many respondents noted that existing private platforms already handle debt issuance effectively, and introducing EDDI could lead to market fragmentation and inefficiencies. There were also concerns about a potential conflict of interest, given the ECB's role as both a market infrastructure provider and an investor. Additionally, stakeholders expressed a preference for any new solution to be modular and voluntary rather than imposed.

4.4. Innovation – DLT Pilot Regime (DLTPR) and asset tokenisation

Questions		Answers	
		Yes	No
23) Do you believe that the DLTPR limit on the value of financial instruments traded or recorded by a DLT market infrastructure should be increased?			X
24) Do you believe that the scope of assets eligible within the DLTPR should be extended?			X
25) Do you believe that the DLTPR should be extended to cover other types of systems, such as clearing systems?			
For questions 23 to 25, where your reply is 'yes' please complete the following fields as appropriate.	Please provide details on the preferred changes to the DLTPR and explain your reasoning (how limits should be increased, which concrete assets should be eligible and why)		
	Please provide a ranking of the importance of the issue as: - high priority - medium priority or - low priority		
	Please provide an estimation of the benefits and risks that result implementing the changes to the DLTPR that you propose. For example, if you suggest extending the scope of instruments, or increasing the threshold, you are encouraged to estimate how much additional financial activity would the DLTPR attract, and opine on the associated risks.		

For questions 23 to 25, where your reply is 'no' please explain your reply, in particular identifying potential risks.	

Question 23 and 25:

To effectively achieve the objectives of the DLT Pilot Regime (DLTPR), targeted improvements to the regime are necessary. A key priority is to provide strong legal and economic certainty for all stakeholders – DLT infrastructure operators, market participants, and especially investors and end-users. This is particularly critical regarding the transition or "graduation" phase out of the pilot regime, which currently functions as a sandbox or controlled testing environment. Without clarity on the post-pilot regulatory status, the incentives for long-term engagement remain limited.

Firms investing in DLT infrastructure need predictable and credible regulatory pathways to justify their strategic and financial commitments. This includes clear alignment with key legislative frameworks such as **MiFID II, MiFIR, and CSDR**. In other words, participants must have visibility on how projects can move from the "sandbox" to **mainstream regulatory regimes**—a transition from a test environment to full-scale market integration ("real-world regulation").

Finally, **clarity on the expected duration and future of the DLT Pilot Regime** is essential. Market actors need to understand whether the regime will be extended, replaced, or integrated into a broader legislative framework. This certainty is necessary to make strategic decisions and avoid regulatory dead-ends.

The limited uptake in the Pilot cases suggests that market participants are hindered rather by regulatory uncertainty and lack of consistent supervisory interpretation. DLT setups can already support a variety of financial instruments, if appropriately structured. Rather than expanding the scope of the DLTPR, we would value targeted guidance from ESMA and NCAs on how to structure DLT solutions in compliance with existing regulations that are technologically neutral. In our view, this would offer a more stable and future-proof pathway for adoption of DLT than revising the pilot regime.

Question 24:

From the perspective of the SIU Consultation, we believe that it is essential to ensure that as many assets as possible are streamlined through the CSDR-based regulated infrastructures benefiting from the full protection and connectivity across Europe. As we also mentioned previously, leveraging the regulated infrastructure to enable pooling across all asset types in a highly secure and efficient infrastructure would be in line with the SIU objectives.

The authorities should be attentive to the regulatory arbitrage created by the existence of the more and less regulated distinct environments for the same assets, out of which the Pilot regime is not technologically neutral.

Therefore, in the medium-term perspective, the DLT Pilot regime should only be relevant to ensure the support of instruments that are not to be mandatorily registered in a CSD (such as unlisted securities). The objective for infrastructure for the instruments under the CSDR scope, should be to quit the arbitrage and move to the CSDR regime.

Question	Answer

	Yes	No
26) Should the DLT trading and settlement system (DLT TSS), allowing for trading and settlement activities within a single entity, become embedded into the regular framework (CSDR, MIFID)?	X	
Please explain your reply, noting in particular the risks and the benefits.	We need incentives to encourage firms to exit the DLTPR and fully regulated under CSDR. Currently, some services, such as (DLT-based) TSS, would no longer be viable post-pilot. Therefore, CSDR must evolve to become more attractive and innovation-friendly, enabling both new entrants and existing CSDR-regulated entities to leverage new technology more effectively. To support this, we propose the **Integration of TSS into CSDR and MiFID II.** Allowing TSS within these frameworks would demonstrate a strong commitment to innovation and enable DLTPR graduates to continue operations. CSDs meeting equivalent standards should hereby be permitted to act as TSSs without requiring additional MiFID II licenses.	
27) What other changes to the DLTPR are needed to ensure that it remains a framework that is fit for the purpose of allowing new entrants and established financial companies to deploy pioneering innovation with DLT in the EU, while also ensuring appropriate risk mitigation? 28) What type of below-specified changes to the DLTPR would improve business certainty and planning for businesses that are considering to join the DLTPR? Please rank each set of changes on a scale of 1-5 (1 denoting 'least important').		

Questions 27-28

The DLTPR does not clearly define the conditions under which especially MiCA instruments / EMTs can be used for settlement, nor does it provide guidance on issuer eligibility, redemption mechanisms, or supervisory oversight. This creates uncertainty for platforms that aim to integrate EMTs into settlement workflows.

Lack of harmonised standards: There is no consistent EU-wide approach to EMT interoperability, risk management, or integration with traditional payment systems. This limits the scalability of hybrid models, which require seamless interaction between tokenised and FIAT-based infrastructures.

Banking and prudential constraints: EMTs issued by non-bank entities may face limitations in terms of access to central bank money, safeguarding requirements, and systemic risk oversight are raising concerns for systemically important infrastructures.

Question 30. Do you think that in addition to, or instead of the current derogations-based approach (allowing switching off of certain MIFID and CSDR provisions), the DLTPR should take a principles-based approach whereby high-level provisions govern trading and settlement services, with the purported aim of creating more flexibility for deploying innovative DLT-based projects?

[YES/NO] NO

Please explain your reply

What would be the advantages and disadvantages of such an approach and how can the disadvantages be mitigated?

32) Do you believe there are regulatory barriers beyond those addressed by the DLTPR that may hinder or prevent DLT-based provision of trading services in financial instruments?		
If 'yes': Please specify and explain these regulatory barriers		

Please provide examples of principles-based standards or regulation (EU or non-EU), in the financial or non-financial domain, that may serve as a useful model or inspiration for a principles- based DLTPR, and why you think these examples are insightful.

ECSDA Response:

Principles-based regulation can provide a certain degree of flexibility that is useful to support innovation and adapt to evolving market conditions. However, we believe that clear and specific rules are still necessary.

While we support a more innovation-friendly regulatory environment, we would caution against relying solely on a principles-based approach within the DLTPR. Such an approach could reduce regulatory predictability and make it more difficult for participants to plan for and achieve a successful transition or graduation into the full regulatory framework (e.g. under MiFID/MiFIR or CSDR).

In our view, clarity and certainty are essential for firms investing in DLT infrastructure, both in terms of compliance obligations and the long-term viability of their business models. Therefore, any move towards a principles-based framework should be carefully calibrated and accompanied by sufficient guidance to avoid ambiguity and fragmentation in interpretation.

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Question	Answer	
	Yes	No
31) Do you believe that DLT is a useful technology to support trading services in financial instruments?		

Please explain your response.	

33) For a financial entity using DLT to deploy its services, the distributed ledger is often an external platform on which services are run, and this platform may have a very distributed governance structure. What are the benefits and risks of deploying financial services, including post-trading services, on distributed ledgers external to the financial service provider, and therefore outside its direct control?

34) How should the regulatory perimeter between a technological service provider and a financial service provider, especially a CSD, be drawn in the above described DLT context?

ECSDA Response:

In our view, the regulatory perimeter between a technological service provider (TSP) and a financial service provider, particularly a CSD, should be clearly delineated based on the nature of responsibilities, regulatory obligations, and the role each plays in ensuring market integrity.

While a TSP may offer critical infrastructure or technological capabilities (e.g. DLT platforms, smart contract execution, or data services), it does not assume the same level of regulatory accountability or systemic responsibility as a CSD. A CSD is not merely a service provider, it is a systemically important financial market infrastructure that is entrusted with safeguarding the integrity and stability of the financial system.

The key differentiator lies in the CSD's role as a guarantor of fulfillment and continuity. CSDs are subject to stringent regulatory oversight precisely because they are responsible for ensuring the finality of settlement, the safekeeping of securities, and the orderly functioning of post-trade processes. This includes managing counterparty and operational risks, ensuring compliance with investor protection standards, and maintaining robust governance and risk management frameworks.

In contrast, TSPs, while essential enablers of innovation, do not bear the same level of trust or systemic responsibilities. Their services, though critical, are modular and substitutable, and they typically do not carry obligations related to the legal finality of transactions or the continuity of market operations in times of stress.

35) The Commission recently published a study on the use of permissionless blockchains for enhancing financial services, which set out operational robustness criteria for assessing permissionless blockchains. Do you believe that beyond the Digital Operational Resilience Act (DORA), additional legislative or non-legislative action is needed to ensure appropriate mitigation of risk stemming from decentralised IT systems such as permissionless blockchains?

[YES/NO.]

Please explain your reply.

36) Basel prudential standards on crypto exposures applicable to credit institutions assign group 2 status to tokenised assets, including tokenised financial instruments, that are issued and recorded on permissionless distributed ledgers. The transitional prudential treatment of exposures to tokenised assets in the Capital

Requirements Regulation currently applicable does not make a distinction based on the type of underlying distributed ledger. Do you believe that prudential rules should differentiate between permissioned and permissionless distributed ledgers?

[YES/NO.]

Please explain your reply.

37) Do you believe that risks from permissionless blockchains, in particular operational risks and other risks set out in the BIS Working paper on novel risks, mitigants and uncertainties with permissionless distributed ledger technologies, can be mitigated?
[YES/NO]

No answer from ECSDA

Please explain your reply

38) Asset tokenisation concerns the use of new technologies, such as distributed ledger technology (DLT), to issue or represent assets in digital forms known as tokens. Where do you see most barriers to asset tokenisation in Europe?
Please rank each of the potential barriers on a scale of 1-5 (1 denoting 'least barriers').
(a) Member State securities and corporate law
(b) (c) (d) Member State laws other than securities and corporate law
EU laws that relate to trading and post-trading
EU laws other than laws that relate to trading and post-trading
Please explain your reply, pointing to concrete examples in areas beyond the SFD, FCD and CSDR.

Question	Answer	
	Yes	No
39) Should public policy intervene to support interoperability between non-DLT systems and DLT systems?		No
If reply is 'yes': Please explain how this can be done in a manner that is cost-efficient for the industry.		
If reply is 'no': Please explain your response.		
40) Should public policy intervene to Support interoperability between distributed ledgers?		No, the private sector should get this organised.
If reply is 'yes': Please explain how this can be done in a manner that is cost-efficient for the industry.		
If reply is 'no': Please explain your response.		

41) Lack of standardisation acts as a hindrance to interoperability. This is especially the case with a relatively new technology such as DLT. Where is the greatest need for standardisation in the area of DLT?

Multiple replies are possible. Please rank each of your reply from 1-5, with 1 denoting 'least important'

(a) Business standards applicable to digital assets (for example data taxonomy to describe digital assets) -> 5- very important

Technical standards applicable to digital assets and smart contract-based applications -> 5- very important

(b) Technical standards applicable to links (bridges) between DLTs

(c) Other

Please explain your reply.

42) Given how you foresee DLT-

43) based financial market infrastructure to develop, what do you think is the best way of providing interoperability between distributed ledgers?

Please rank each of your reply from 1-5, with 1 denoting 'least important'

(a) regulated financial entities, such as a CSD, that are present on multiple ledgers, acting as a distributed ledger hub for clients -> 5- very important

(b) pure technology companies that focus on sending messages securely across distributed ledgers for clients that are regulated financial companies -> 3

(c) regulated financial entities that focus on sending messages securely across distributed ledgers for clients that are regulated financial companies -> 5- very important

(d) some other model Please explain your reply.

Question 39 – 40:

As to the general concept of interoperability, the successful outcome of the European Central Bank's (ECB) trials for wholesale settlement using central bank digital money represents a **major milestone** on the path towards achieving **digital sovereignty** and advancing the vision of a **digital Capital Markets Union**. This progress not only validates the potential of Distributed Ledger Technology (DLT) solutions in enhancing financial market infrastructure but also creates significant momentum to further explore, develop, and support innovative DLT-based settlement mechanisms.

Importantly, this development must be pursued with careful attention to **avoiding additional fragmentation** of the market and **preventing the splitting of liquidity** across multiple platforms. The ultimate goal is to establish a **seamlessly integrated European digital asset market** that can support efficient, secure, and scalable transactions across borders and asset classes.

A foundational principle for realising this vision is **interoperability** — ensuring that new DLT-based ecosystems can effectively communicate and operate both among themselves and with the existing **traditional legacy systems** that currently underpin financial markets. Interoperability is essential to enable digital assets to move beyond isolated pilot projects and experimentation phases, and into widespread **mainstream adoption** that benefits all market participants.

In this context, ECSDA warmly welcomes the recent announcement by the Eurosystem regarding its intention to intensify efforts in supporting DLT-based transactions settled in central bank money. The focus on developing DLT solutions that are **interoperable with existing market infrastructures** is a critical and encouraging step forward. It reflects a pragmatic approach that balances innovation with the need for continuity, stability, and integration within the broader European financial ecosystem.

As ECSDA is not responding to the section related to Asset Management. So, we have

removed it from this document.

6. Supervision

This section covers the European Supervisory Authorities (ESAs) with a special focus on the European Securities and Markets Authority (ESMA). It is divided into three parts:

1. The first part focuses on the effectiveness of the current framework
2. The second part goes into more detail regarding the specific sectors, i.e. central counterparties (CCPs), central securities depositories (CSDs), trading venues, asset managers, and cryptos assets service providers
3. The last part covers four horizontal areas: the governance framework for new direct supervisory mandates, supervisory convergence, data and funding

Respondents are invited to provide concrete examples to support their responses, and, where possible, include quantitative and qualitative input.

a. Effectiveness of the current framework

1) How effective are current EU supervisory arrangements in achieving the objectives or performing the tasks below? Please rate each objective from 1 to 5, 1 standing for "least effective" and 5 for "most effective":

	1	2	3	4	5	No opinion
Contributing to financial stability					X	
The functioning of the internal market						X
The integrity, transparency, efficiency and orderly functioning of financial markets					X	
The enforcement of EU rules			X			
The prevention of regulatory arbitrage and promotion of equal conditions of competition		X				
Supervisory convergence across the internal market			X			
Development of the Single Rule Book			X			
Consumer and investor protection					X	
Support financial innovation in the market				X		
Market monitoring				X		
Supervisory data management including data sharing		X				
Responsiveness, transparency		X				
Stakeholder engagement and involvement				X		
Use of resources						X
Proportionality of the fees for direct supervision						X

2) What prevents the ESAs from reaching the objectives or performing the tasks listed in Question 1? Please explain your answer.

ECSDA Response:

We believe the existing instruments designed to promote supervisory and regulatory convergence are not being fully leveraged. To note that key issues such as asset protection and financial stability are inherently local and require strong national oversight to ensure high standards are maintained.

3) Please assess ESMA's governance model currently in place for the direct supervisory mandates. Currently, the Board of Supervisors adopts supervisory decisions prepared either by ESMA staff (for example for credit rating agencies (CRAs)) or the CCP supervisory committee (for tier 2 third country CCPs).

Please rate the effectiveness from 1 to 5 (1 least effective, 5 most effective).
You may want to consider elements, such as ability to take decisions swiftly, independent decision in EU public interest, quality of the decisions being taken, ability to take into account supervised entities and other stakeholders.

ECSDA Response

We believe it is not the role of FMIs to assess ESMA's governance model.

b. Specific questions on supervisory arrangements for different sectors

4) Do you have ideas how EU-level supervision of financial markets could be structured (for example the whole or part of the sector should be supervised at EU level, supervisory decisions could be taken at EU level or national, etc.)?

What broad changes would that involve in terms of
- supervisory architecture and supervisors' responsibilities,
- supervisors' approach to exercise their mandates and processes,
- improved cooperation among supervisors?

5) Some national competent authorities (NCAs) have developed advanced expertise or specialisation in supervising certain sectors. What is your view on building on these NCAs and creating EU centres of supervisory expertise by sectors?

6) Do you think supervision of EU financial markets would benefit from pooling together resources and expertise of individual NCAs in regional hubs?

7) What is your view on setting up regional hubs of ESMA to ensure closer interaction with market participants?

Please explain your reply highlighting benefits and downsides

c. Questions on the supervision of EU CSDs

i. Identifying costs related to the current supervisory framework and benefits of more integrated EU supervision

8) How would you rate the convergence of supervisory practices across Member States in the area of the

supervision of CSDs?

Please rate from 1 to 5 (1 very convergent, 5 very divergent)

Please provide examples of divergent outcomes of supervisory practices for CSDs in different Member States.

ECSDA Response

Convergence of supervisory practices for CSDs can be further improved for example in the field of passporting, qualification of outsourcing and ancillary services.

9) Please estimate the regulatory compliance costs (including administrative costs – such as staff costs, facilities costs, travel, IT technology costs –, professional fees – such as legal, accounting, consulting, etc. –, and applicable fees) that arise from engagement with your current supervisor(s). Please separate any details on costs into fees and compliance, one-off cost and on-going costs and per supervisor. Please explain your answer providing, where possible, quantitative evidence and examples.

In particular, please provide, where possible, details on the cost of the following elements:

a) Applications for the initial authorisation of CSDs;
b) Applications for the extension of services or outsourcing of core services;
c) Supervisory processes/approvals, e.g. with regards to provision of services in host Member States, links, provision of banking-type ancillary services;
d) Involvement and consultations of different bodies, supervisors, central banks, and further authorities in supervisory decisions;
e) Ongoing compliance with Regulation (EU) No 909/2014, including reports and contacts with bodies, supervisors and authorities;
f) Lack of consistent processes (e.g. different actors involved) across different supervisory procedures;
g) Legal uncertainties arising from different implementation or interpretations of EU Regulations in different Member States or between Member State authorities and ESMA;
h) Duplicative or conflicting instructions from national supervisory authorities and ESMA;
i) Reporting of business and activities;
j) Other (please specify).

ECSDA does not provide the answer to this question at the Association level.

10) Do you consider that the current supervisory framework ensures efficient supervision and legal certainty? Please explain your answer providing, where possible, examples.

11) To which extent do you agree with the following statements about possible benefits of more integrated EU supervision (please rate from 1 to 5)?

a. It could reduce EU CSDs' regulatory costs;
b. It could enhance the quality of supervision over EU CSDs;
c. It could facilitate the provision of cross-border services by EU CSDs, and cross-border issuance by EU issuers;
d. It could simplify and accelerate the procedure to apply for authorisation for EU CSDs;
e. It could simplify and accelerate the procedure for additional authorisations (e.g. to extend the scope of

services or activities offered in the EU or to outsource EU CSD core services);

f. It could simplify and accelerate supervisory procedures and approvals, e.g. with regard to the provision of services by EU CSDs in host Member States, links and provision of banking-type ancillary services;
g. It could lead to more efficient use of supervisory resources;
h. It could decrease uncertainties that currently arise from different implementation or interpretations of EU Regulations in different Member States or by Member States and ESMA;
i. It would remove the need for market actors to deal with duplicative instructions from more than one supervisory authority;
j. It could create a level playing field between EU CSDs;
k. It could ensure a harmonised understanding of decentralised technologies and the novel risks they may bring to the EU CSDs to supervise;
l. It could improve the resilience of EU CSDs;
m. It could reduce the need for detailed regulations and extensive rulebooks to achieve harmonised supervision;

Other (please specify in reply to the next question).

Please explain your answer providing, where possible, quantitative evidence and examples. If you indicated 'Other', please specify what was intended.

12) Do you consider that more integrated EU supervision could also produce negative side-effects?

13) Do you have other comments?

ECSDA Response

We cannot provide a definitive opinion or rank the potential benefits of more integrated supervision as these largely depend on how integration is implemented and the model chosen.

In any case, any approach should not contradict the objective of simplification, nor should it lead to increased costs or complexity.

In some instances, the current allocation of responsibilities between relevant authorities and NCAs under CSDR could be further clarified or reinforced. Information flows among authorities could already be improved within the existing framework.

The issue is closely linked to the interaction between CSDR and other regulatory frameworks.

Regardless of which authority is responsible for supervision, the processes for requesting information should be harmonised and avoid duplication. Any decision on the supervisory framework should be based on a cost-benefit analysis.

ii. How could more integrated EU supervision of CSDs function?

14) Please indicate to which extent you support the following possible models of more integrated EU supervision:

a. A single EU supervisor, responsible for the supervision of all EU CSDs	
b. A centralised EU supervisor, responsible for the supervision of only certain, systemic EU CSDs (other CSDs to remain subject to national supervision)	

c. A centralised EU supervisor over all EU CSDs, but with powers in certain key areas with other powers remaining at national level (see questions on areas below)	
d. A centralised EU supervisor, responsible for the supervision of only certain, systemic EU CSDs and with powers in certain key areas (other powers, as well as non-systemic EU CSDs to remain subject to national supervision)	
e. Supervisory colleges with enhanced powers	
f. Other set-up (please explain in the textbox)	

For each point, options to choose from:
1 (strongly agree), 2 (rather agree), 3 (neutral), 4 (rather disagree), 5 (strongly disagree), 6 (no opinion)

Please explain your answer providing, where possible, quantitative evidence and examples, including on potential costs and benefits. If you replied 'Other', please indicate what was intended.

If you selected option 1 or 2 for question 14 (b), please explain which criteria you would use to determine the most systemic CSDs that would be subject to the supervision at the EU level e.g. ICSDs, CSDs that are substantially important for a certain number of host Member States, passing some pre-defined volume activity threshold.

If you selected option 1 or 2 for question 14 (c) or (d), please identify the areas where more integrated EU supervision would provide the most benefits (please indicate the relevant articles of CSDR where applicable)

Please explain your answers providing, where possible, quantitative evidence and examples.

ECSDA Response

We note that for large, internationally active CSDs, engagement with multiple regulators is already a structural reality and a challenge. Key issues such as asset protection and financial stability are inherently local and require strong national oversight to ensure high standards are maintained.

We support the idea of convergent supervision, underpinned by a single rulebook and uniform interpretation across jurisdictions.

However, we stress that the existing instruments designed to promote supervisory and regulatory convergence are not being fully leveraged.

While coordination and supervisory efficiency are important, meaningful progress will depend on tackling broader regulatory fragmentation and uneven implementation or interpretation of EU regulations.

15) Would joint supervisory teams, e.g. under options (c) and (d) in question 14, composed of national experts and representatives of the EU supervisor, under the EU supervisor's lead, be an efficient tool to provide technical support of the supervision by the EU level supervisor?

Please explain your answer

16) To ensure stronger EU-level supervision of CSDs, which of the following authorities or bodies should be closely involved in supervision?

a. ESMA;
b. EBA;
c. Relevant authorities as defined in CSDR;
d. The Eurosystem;
e. Competent authorities of other Member States;
f. Supervisory colleges;
g. The competent authority designated under MiFID;
h. The competent authority designated under the CRR

Other (please specify, in reply to the next question). Please explain your answer providing, where possible, quantitative evidence and examples. If you replied 'Other', please indicate what was intended.

17) How would you expect your compliance cost to change under the supervisory model you chose in question 14?

Strong increase +20% or more	Increase +5-20%	Neutral +/- 0-5%	Decrease -5-20%	Strong decrease -20% or more

Please explain your answer providing, as much as possible, quantitative evidence (e.g. your calculations of the evolution of your costs, splitting them between administrative costs (staff costs, facilities costs, travel, IT technology costs), professional fees (e.g. legal, accounting, consulting, etc), supervisory fees etc.