

## Outcome of the survey on DCP access policies by T2S CSDs

### 1. Background and purpose

In 2023, in the context of monitoring compliance with T2S harmonisation standards, different interpretations emerged with regards to the expectation by the T2S community on T2S CSDs providing DCP access to T2S and on the meaning of [T2S Harmonisation Standard 5](#): T2S schedule for the settlement day and calendar. Based on the mandate it received from the AMI-SeCo, in its meeting held on 12 March 2024, the AMI-SeCo Securities Group (SEG) discussed the topic further.

The SEG noted that there was a need for higher transparency on current practices by T2S CSDs and DCPs. To address this need, the SEG Secretariat was tasked with the preparation of a survey to be circulated to T2S CSDs, of which this note sets out the proposed composing questions.

The list of existing DCPs broken down by CSD and NCB was last [reported](#) by the T2S DCPG in October 2019. The primary purpose of the SEG survey was to provide an updated overview of the existing DCPs and T2S CSDs offering of DCP access. In addition, the survey aims to shed light on the nature of the reasons that would motivate T2S CSDs not to offer DCP access. Based on the survey outcome and on further SEG discussions, an AMI-SeCo recommendation / expectation to CSDs on offering DCP access could potentially be formalised with considering the views of T2S governance.

The survey focused on T2S CSDs and allowing DCP access to securities accounts in T2S. It does not cover DCP access on the cash side as these rules are clearly specified in the TARGET Guideline, i.e. defining which institutions can open and manage a T2S DCA.

All 24 CSDs connected to T2S have responded to the survey by the end of September 2024.

## 2. Survey questions to CSDs

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*Q1: Does your CSD allow its CSD participants to connect to T2S as directly connected parties (DCPs)?*

*If yes, please provide the total number of DCPs that currently use direct connectivity to access securities account provided by your CSD, with the breakdown by type of actors: NCBs, (I)CSDs, CCPs, other intermediaries.*

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All participating CSDs except for one responded that, in principle, they allow their CSD participants to connect to T2S as directly connected parties.

One CSD (KELER) responded that they do not allow their CSD participants to connect to T2S as DCPs.

Six CSDs specified that they do not have currently any DCP actors as they do not face any demand in their market but confirmed that they would allow DCP access if requested by any of their participants (KDD - Central Securities Clearing Corporation, Central Depository AD, SKDD Croatia, Nasdaq CSD, Depozitarul Central SA – Romania, Malta Stock Exchange).

Two CSDs reported that only (I)CSDs use direct connectivity to access securities in their market (LuxCSD, BNBGSSS).

Five participating CSDs currently only have / envisage to have NCBs acting as DCPs (Nasdaq CSD (Estonia, Latvia, Lithuania), Euroclear Bank, Euroclear Finland).

The rest of the CSDs that currently have DCP actors reported that they have several clients using DCP access falling in several categories (Clearstream Banking Frankfurt, LuxCSD, Euronext Securities (MIL), Euronext Securities (PTO), Euronext Securities (CPH), NBB-SSS, IBERCLEAR).

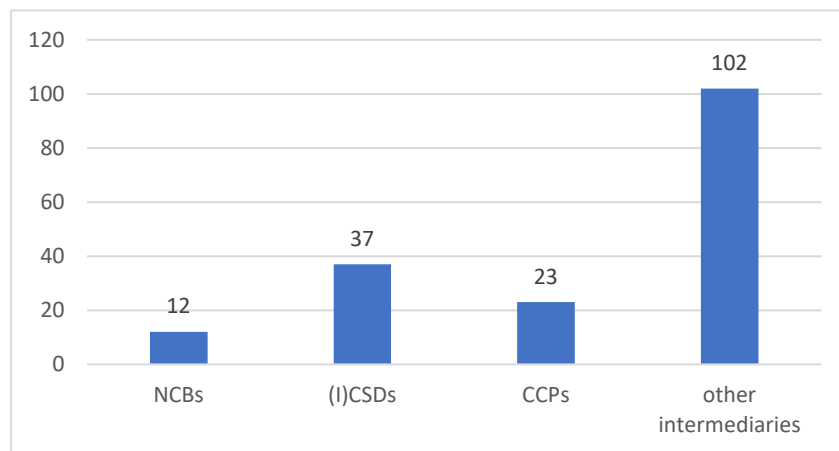
One CSD highlighted that they also serve entities who use the DCP access functionality via the technical infrastructure of other directly connected CSD participants (which are therefore technically not strictly direct connected to T2S but can be considered DCPs) (Iberclear).

Overall, across all T2S CSDs, the total number of instances of the provision of DCP access provided by the 21 responding CSDs is 174<sup>1</sup>. The majority of the DCPs is classified as other intermediaries, i.e. primarily custodian banks. The second largest group of DCP actors are (I)CSDs with 37 cases. NCB's using direct connectivity to access securities account was provided 11 times by the CSDs.

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<sup>1</sup> Regarding the number of DCPs the figures contain double-counting as many DCPs are active in several CSDs and hence are counted in each instance. As the survey did not cover the names (identities) of DCPs, only their types, such double-counting cannot be corrected based on the available information. Nevertheless, the figures give an insight on the proportion of types of institutions that use the DCP functionality.

*DCPs currently using direct connectivity to access securities account provided by CSDs by type of actors.*



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*Q2: In case your CSD does not currently allow DCP access to all the types of actors identified in Q1, please indicate the reason(s).*

*A – There is no demand for DCP access arising from the CSD’s clients, but the CSD would allow DCP access if there were demand.*

*B – There are technical barriers in the CSD and/or the CSD’s clients that prevent the CSD from offering DCP access to some types of actors (if so, please specify the nature of such barriers).*

*C – Other, please specify.*

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5 responding CSDs (NASDAQ, KDD, CDAD, BNBSSS and Euroclear Bank) stated that they currently do not offer DCP access to some type of actors (NCBs, (I)CSDs, CCPs, other intermediaries) because they do not face a demand for this. However, all of these respondents confirmed that in principle they would allow / facilitate DCP access if there was demand. Euroclear Bank added that it is currently rolling out its T2S-related services in a phased approach and will develop and offer DCP access functionality to all types of clients if demand was expressed in this process.

One CSD (Euroclear Finland) responded that it is currently assessing technical DCP functionality and its related legal aspects. This will lead to a decision on whether to offer it more widely.

One CSD (KELER) specified that there is no demand for DCP access arising from the CSD’s clients, as currently Hungary has a special T2S model. To allow DCP access in case of demand, the CSD specified that they would need a deeper technical analysis.

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*Q3: In case your CSD does not currently allow DCP access to some types of actors, but there is demand and plans in place, please indicate:*

*A – the date when this service will be added*

*B – the date when technical requirements for DCP authorization and testing will be made available*

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One ICSD which is currently only providing DCP access for NCBs indicates that their migration in T2S platform is based on a phased approach (Euroclear Bank). Euroclear Bank's first phase concerns settlement activity and mobilisation of collateral and is linked to the ECMS go-live, where NCBs will be able to connect in a DCP mode. The second phase is for intra-CSD settlement (for EB clients) where there is no client demand for DCP access for the time being. The last phase will allow to offer cross-CSD settlement with other T2S CSDs.

Another CSD also pointed out that it is currently focused on ECMS, where the local NCB will be able to connect in a DCP mode as of the ECMS go-live (Euroclear Finland).

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*Q4: Please share with us any further thoughts / observations you deem relevant on the topic of DCP access to T2S.*

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Some respondents suggested that direct connectivity should be mandatory unless local legislation prevents it since it is an important functionality that allows participants to adopt the same message structure and content with more than 20 CSDs connected to T2S. These CSDs identified the non-provision of DCP access as a potential barrier to harmonisation and pointed out a potential risk of creating an improper competitive advantage between CSDs otherwise. (Euronext Securities (CPH), Euronext Securities (PTO), Euronext Securities (MIL)).

One CSD mentioned that DCP access is offered by them since go-live on T2S and observe that there is continued strong appetite for this functionality from their clients. Those clients active in multiple markets

see the DCP access route as an important feature of T2S to enable harmonised STP processing across their operations. (Clearstream Banking Frankfurt)

Furthermore, some CSDs pointed out that DCP access is not a mandatory requirement under T2S Framework Agreement, and so DCP access should not be considered as a compliance question. (Euroclear Bank, Euroclear ESES, Euroclear Finland)

One CSD which is currently not facing any demand for DCP in their market but would offer it in case of demand, highlighted that becoming a DCP requires relevant systems developments and technical resources at participants. (BNBGSSS)