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From: Presidency

To: Working Party on Financial Services and Banking Union (MISP)
Financial Services Attachés

Subject: Market Integration and Supervision Package
- WP meeting on 28.04.2026
- Presidency explanatory note from the perspective of entity- and instrument-based settlement scenarios



Explanatory note from the perspective of entity- and instrument-based settlement scenarios (relevant to Article 5 new paras 8a-8h of the DLTPR)

Introductory remark: The present note relates to the ‘cash-leg’ as regards settlement under the DLTPR. The settlement of payments shall be carried out through central bank money, including in tokenised form, where practical and available or, where not practical and available, through commercial bank money, including in tokenised form, using the accounts of a CSD or a credit institution, or using ‘e-money tokens.’

1. Entity-based settlement scenarios

- **Options for a DLT SS/TSS operated by a CSD:**

Unless exemptions are provided under Article 5(8) of the DLTPR, the relevant **CSDR provisions [Article 40 and Title IV (including Articles 54, 54a, 54b, 54c)] of the CSDR** apply to the CSD **permitted under the DLTPR**. The CSDR states that a CSD shall settle the cash payments of its securities settlement system in central bank money where practical and available and where a CSD does not settle in central bank money a CSD shall only offer to settle the cash payments for all or part of its securities settlement systems:

- (a) through its own accounts;
- (b) through accounts opened with a credit institution authorised in accordance with Article 8 of Directive 2013/36/EU; or
- (c) through accounts opened with another CSD whether within the same group of undertakings ultimately controlled by the same parent undertaking or not¹.

¹ • A CSD wishing to settle the cash payments as specified in points (a) to (c), shall obtain an authorisation to do so in accordance with Articles 54, 54a or 54b and, where applicable, 54c, and Article 55 of the CSDR respectively, and shall comply with the requirements set out in Title IV of the CSDR.

Where the operator has requested exemptions under DLTPR, the competent authority may exempt that operator from Article 40 and Title IV of the CSDR, provided that that operator settles on the basis of delivery versus payment **and complies with new proposed paragraphs 8a to 8f of the DLTPR:**

- The CSD itself intends to settle through its own accounts. It must be authorized under the CSDR for the provision of the banking type ancillary services and also be CSDR Title IV compliant, in accordance with Article 54 of CSDR; or
- Designates a credit institution authorized solely for the provision of the CSD banking type ancillary services (special purpose bank) and CSDR Title IV compliant; or
- Designates a credit institution, which is CSDR Title IV compliant excl. the requirement for authorization solely for the provision of the CSD banking type ancillary services (no special purpose bank requirement). Where the designated credit institution provides the DLT notary and the DLT central account maintenance service in accordance with Articles 10b or 10c of the DLTPR, the credit institution shall be additionally exempted from (proposed) Article 54b(5), point (b), of the CSDR; namely from the requirement that the credit institution does not itself carry out any of the core services referred to in Section A of the Annex.

However, where the provision of settlement services by such credit institution takes place in the context of the simplified regime full exemption from Title IV compliance requirement applies. Where the settlement occurs using commercial bank money provided by a credit institution to which Title IV of the CSDR does not apply as a result of the application of the simplified regime, or where the settlement of payments occurs using 'e-money tokens', the DLT SS shall identify, measure, monitor, manage, and minimise any risks arising from the use of such means.

- **Options for a DLT TSS operated by a CASP:**

- Designate a credit institution authorized solely for the provision of the CSD banking type ancillary services (special purpose bank) and being CSDR Title IV compliant; or



- Designate a credit institution, which is CSDR Title IV compliant, excl. the requirement for authorization solely for the provision of the CSD banking type ancillary services (no special purpose bank requirement). Where the designated credit institution provides the DLT notary and the DLT central account maintenance service in accordance with Articles 10b or 10c of the DLTPR, the credit institution shall be additionally exempted from (proposed) Article 54b(5), point (b), of the CSDR; namely from the requirement that the credit institution does not itself carry out any of the core services referred to in Section A of the Annex.

However, where the provision of settlement services by such credit institution takes place in the context of the simplified regime full exemption from Title IV compliance requirement applies.

- **Options for a DLT TSS operated by an investment firm (MIFID firm):**

- Designate a credit institution authorized solely for the provision of the CSD banking type ancillary services (special purpose bank) and Title IV compliant; or
- Designate a credit institution, which is CSDR Title IV compliant excl. the requirement for authorization solely for the provision of the CSD banking type ancillary services (no special purpose bank requirement). Where the designated credit institution provides the DLT notary and the DLT central account maintenance service in accordance with Articles 10b or 10c, the credit institution shall be additionally exempted from (proposed) Article 54b(5), point (b), of the CSDR; namely from the requirement that the credit institution does not itself carry out any of the core CSD services.

However, where the provision of settlement services by such credit institution takes place in the context of the simplified regime full exemption from Title IV compliance requirement applies.

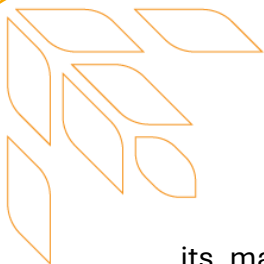
- Discharge of the settlement services by the MiFID firm itself by means of account provision by a credit institution. In this case the credit institution is only providing

the (nominee) account in the name of the MiFID firm, where the clients'/participants' monies are held. Client funding positions are replicated on the DLT TSS for the purpose of trading and settlement of financial instruments. The MiFID firm carries out the settlement instructions by crediting and debiting client balances with the DLT TSS operated by the MiFID firm, while the omnibus account balance with the credit institution remains unchanged. . However, from an insolvency protection perspective, while the account is legally held by the MiFID firm, it is separated from the MiFID firm's estate through operation of relevant MiFID provisions (obligation to segregate client funds), giving the clients of a DLT TSS/MiFID firm a pro rata claim over the total account balance held with the credit institution. This is in essence the meaning of the provision '*When the settlement of payments is carried out using representations in the DLT TSS of prefunded commercial bank money held in one or more accounts at a credit institution...*'

Where the aforesaid takes place in the context of the regular regime, the credit institution must be CSDR Title IV compliant excl. the requirement for authorization solely for the provision of the CSD banking type ancillary services (no special purpose bank requirement) Where the aforesaid takes place in the context of the simplified regime, no CSDR Title IV compliance is required.

2. Instrument-based settlement scenarios

- Central bank money
- Commercial bank money (two-tier structure)
- Specific case of settlement in EMTs:
 - EU currency-denominated EMTs issued by both EMIs and credit institutions, are eligible settlement instruments. No EU-currency denominated EMTs required for the settlement of a DLT financial instrument denominated in a non-EU currency.
 - Relevant 'accounts' (wallets) can also be provided by an authorised/notified CASP crypto-custodian (in addition to a credit institution/ DLT SS). However, any EMT-settlement related services, other than the provision of the wallet/account,



its management and payment (crypto-transfer) processing, that amount to banking-type ancillary services under Section C of the Annex to the CSDR must be provided by a credit institution. The said credit institution may or may not be CSDR authorised as special purpose bank, over and above its CRD authorisation and must otherwise comply with Title IV of the CSDR. Where the said designated credit institution provides the DLT notary and the DLT central account maintenance service in accordance with (proposed) Articles 10b or 10c, this credit institution shall be additionally exempted from (proposed) Article 54b(5), point (b), of Regulation (EU) No 909/2014; namely from the requirement that the credit institution does not itself carry out any of the core CSD services.

However, where the provision of such (other) banking-type ancillary services by such credit institution takes place in the context of the simplified regime, full exemption from Title IV compliance requirement applies.

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