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From:	General Secretariat of the Council
To:	Working Party on Financial Services and Banking Union (MISP) Financial Services Attachés
Subject:	Market Integration and Supervision Package - WP meeting on 08.05.2026 - CZ - HU - PL non-paper on proportionality of mandatory connectivity to T2S for CSDs in non-euro area Member States

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Background

Article 40(2) of the MISP proposal introduces de facto a requirement for CSDs to settle through a common settlement infrastructure integrated with central bank real-time gross settlement systems in the Union. According to the Commission's explanation, this provision implies not only access to central bank money, but also mandatory connectivity to the common settlement platform, i.e. T2S.

While the objective of increased use of central bank money is fully shared, the extension of this objective into a general obligation to connect to T2S raises proportionality concerns for CSDs operating in non-euro area Member States.

Issue of proportionality for non-euro CSDs

T2S does not support settlement in all Union currencies. As a result, non-euro CSDs are required to:

- maintain their **own settlement system** connected to domestic central bank cash systems, and simultaneously
- establish and maintain **connectivity to T2S**, even where settlement in T2S-supported currencies is marginal.

In such cases, mandatory connectivity does not deliver meaningful efficiency gains, but rather imposes **significant fixed costs** for infrastructure, compliance and operations and additional variable costs.

For example, in some non-euro Member States settlement in T2S-eligible currencies is limited to **very specific transaction types** (e.g. repo transactions only). Mandatory connectivity in these circumstances risks leading to the **cease of services**, as it may no longer be commercially viable for CSDs to offer them.

Limited added value for non-euro Member States

The argument that mandatory T2S connectivity will lead to greater harmonisation, lower costs and higher efficiency is less convincing in the non-euro context:

- Only a very small number of non-euro CSDs currently remain outside T2S (3).
- The marginal benefits of forcing the remaining non-euro CSDs to connect seem to be disproportionate to the substantial costs incurred.
- Market participants in non-euro jurisdictions often do not demand settlement in T2S, limiting the practical usefulness of the obligation.

Policy preference and solution

The decision whether to connect to T2S should remain based on economic viability and actual market demand rather than on a blanket regulatory obligation.

From this perspective, two possible approaches could ensure proportionality while preserving the objectives of the proposal:

Option 1 – Deletion

Remove Article 40(2) from the proposal, and thus leave CSDs free to determine the most efficient settlement arrangements in line with market needs and currency usage.

Option 2 – Targeted obligation based on materiality

Limit the obligation to cases where settlement in T2S-eligible currencies is **material and substantial**.

Suggested drafting (Option 2)

Article 40 – Cash and e-money token settlement

1. A CSD shall settle the cash payments of its securities settlement system in central bank money where practical and available.

2. Where a CSD offers to settle the cash payments of its securities settlement system **predominantly** in a currency available on a common settlement infrastructure integrated with central bank real-time gross settlement systems operated in the Union, that CSD shall connect directly to such infrastructure and offer to its participants the possibility to settle their transactions denominated in currencies available on such infrastructure in accounts opened at such infrastructure.

   This obligation shall apply only where at least 10 % of the total number of transactions settled by the CSD, acting as issuer CSD, is denominated in a currency available on such common settlement infrastructure.

Conclusion

A differentiated approach is necessary to avoid imposing disproportionate costs on non-euro CSDs without corresponding benefits for markets or financial stability. Linking mandatory T2S connectivity to actual currency usage would ensure that the obligation applies only where it is economically justified and operationally meaningful.

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