

Overview of CSD links in Europe

Executive Summary

- **A CSD link is an arrangement allowing a central securities depository to give its clients access to securities issued in another CSD**, without requiring these clients to be direct participants in the other CSD. Links thus contribute to market integration by facilitating cross-border securities deliveries.
- European CSDs operate a dense network of links. Only 4 of the 41 ECSDA members have no links at all with other CSDs. Another 4 CSDs have no “outbound links” to other CSDs, but they allow foreign CSDs to access their domestic market (so-called “inbound links”). The remaining **33 CSDs have at least one link with another European CSD**.
- If we set aside the three CSDs which maintain an unusually high number of links (Euroclear Bank, Clearstream Banking Luxembourg and SIX SIS), **European CSDs have on average 7 links** to other CSDs. The number is even higher for CSDs established in the EU (8.5 links on average).
- **The majority of CSD links (44%) are direct links** whereby a CSD is a direct participant in another CSD. Indirect links (whereby assets are held via an intermediary acting as sub-custodian) and relayed links (whereby assets are held via a “middle” CSD) account for 32% and 24% of the total number of links respectively.
- **Around 2/3 of CSD links allow for settlement on a delivery versus payment basis**, meaning that not only securities but also cash transfers are possible through the link. The vast majority of links allow for the transfer of different types of securities, including equities and debt instruments.
- **More than half of CSD links are used on a daily basis by market participants**. 39% of the remaining links are used infrequently (e.g. on a weekly or monthly basis), and 9% have been established but are not currently used due to lack of market demand.

1. Definitions and acronyms

On 26 January 2015, ECSDA published an [overview of CSD links](#) containing information on all its member CSDs. The present report aims to provide an update of this overview based on data collected in early 2016. The same harmonised template and methodology have been used as in 2015 (see Annex).

The overview of CSD links uses the following terminology, in line with the definitions contained in the CSD Regulation¹:

Direct link	A CSD A (called the "investor CSD") has a securities account in CSD B (called the "issuer CSD").
Direct link (operated)	A CSD A (called the "investor CSD") has a securities account in CSD B (called the "issuer CSD"), and the daily management of the account is outsourced to a third party, typically a reputable custodian bank called the "operator".
Indirect link	A CSD A has account with an intermediary (sub-custodian) which holds securities on behalf of CSD A at CSD B. The intermediary is a direct participant in CSD B. CSD A is not.
Investor CSD	A CSD which holds a securities account in the books of another CSD (the "issuer CSD") in order to allow its participants to hold securities issued in this other CSD.
Issuer CSD	A CSD which maintains a securities account in its books on behalf of another CSD (the "investor CSD").
Relayed link	A CSD A has a securities account with a CSD C (called "the middle CSD") which holds securities on behalf of CSD A at CSD B (the "issuer CSD"). CSD C is a direct participant in CSD B. CSD A is not.

¹ Regulation (EU) No 909/2014 of the European Parliament and of the Council of 23 July 2014 on improving securities settlement in the European Union and on central securities depositories

For the purpose of this report, individual CSDs are referred to by using a short name or acronym, as follows:

Country	Short name / Acronym	Full name
AT	OeKB CSD	OeKB CSD GmbH
BA	CR HoV RS	Central Registry of Securities JSC Banja Luka
BA	RVP	Registry of Securities
BE	EB	Euroclear Bank
BE	EBE	Euroclear Belgium
BG	CDAD	Central Depository AD
CH	SIX SIS	SIX SIS Ltd
CY	CSE	Cyprus Stock Exchange
CZ	CSD Prague	Central Securities Depository Prague
DE	CBF	Clearstream Banking AG
DK	VP	VP Securities
EE	ECSD	Estonian CSD
ES	Iberclear	Iberclear
FI	EFI	Euroclear Finland
FR	EF	Euroclear France
GR	ATHEXCSD	Hellenic Central Securities Depository SA
HR	SKDD	Central Depository & Clearing Company Inc.
HU	KELER	KELER Ltd.
IS	NCSD	Nasdaq CSD Iceland
IT	Monte Titoli	Monte Titoli
LT	CSDL	Central Securities Depository of Lithuania
LU	CBL	Clearstream Banking Luxembourg
LU	globeSettle	globeSettle SA
LU	LuxCSD	LuxCSD SA
LV	LCD	Latvian Central Depository
ME	CDA	Central Depository Agency of Montenegro
MK	CSD AD Skopje	Central Securities Depository AD Skopje
MT	MSE	Malta Stock Exchange
NL	ENL	Euroclear Nederland
NO	VPS	The Norwegian Central Securities Depository
PL	KDPW	The Central Securities Depository of Poland
PT	Interbolsa	Interbolsa
RO	DC	Depozitarul Central
RS	CR HoV	Central Securities Depository and Clearing House
RU	NSD	National Settlement Depository
SE	ESE	Euroclear Sweden
SI	KDD	Central Securities Clearing Corporation
SK	CDCP SR	Central Securities Depository of the Slovak Republic
TR	MKK	Central Securities Depository of Turkey
UA	NDU	National Depository of Ukraine
UK	EUI	Euroclear UK & Ireland

2. A dense network of CSD links

This report provides an overview of CSD links as of 31 December 2015. The data was collected in the first half of 2016 and covers all **41 ECSDA members**², including 30 EU CSDs and 2 CSD from the European Economic Area (VPS and NCSD).

Only 8 ECSDA members do not have any “outbound” links (CR HoV RS, RVP, NCSD, globeSettle, CDA, CSD AD Skopje, CR HoV, KDD). This means that they do not act as investor CSDs, i.e. they do not maintain securities accounts at another CSD on behalf of their clients. Four of them, however, have “inbound” links as issuer CSDs, i.e. they maintain accounts in their books for other CSDs (CR HoV RS, NCSD, CR HoV, KDD).

The ECSDA overview of CSD links includes total of 370 “outbound” links whereby a CSD holds - or can potentially hold - securities on behalf of its participants at another CSD, whether or not the issuer CSD is located in Europe.

The two ICSDs, EB and CBL, and SIX SIS in Switzerland, are specialised in international securities and thus have an exceptionally high number of links (more than 30 links in Europe alone). If we exclude these three CSDs from the sample, **the average European CSD has close to 7 links** (as investor CSD).

When restricting the sample further to CSDs established in the European Union, **the average CSD has more than 8 links**.

Links with non-European CSDs are relatively frequent. **30% of ECSDA members have links with CSDs located outside Europe**. For example, CBF, EF and EUI have a direct link with DTCC in the US. Iberclear has two direct links with the CSDs in Argentina and Brazil. Other “international” links are typically indirect or relayed (via the ICSDs or SIX SIS).

The number of CSD links is relatively stable since 2014. Some new links were however established over the past year:

- EBE now has two relayed links to the CSDs in Israel and Liechtenstein;
- SIX SIS now has two indirect links to EFI and the CSD of the Romanian central bank;
- CBF now has a direct link to LuxCSD;
- EF now has a relayed link (via EB) to the CSD of the Greek central bank;
- ATHEXCSD now has an indirect link to EFI and to the CSDs in Australia, Japan, South Africa, Hong Kong and Singapore (although the last 4 links have not yet been used);
- SKDD now has a direct link to CBL;

² Non-ECSDA members, including non-European CSDs and European CSDs operated by national central banks, have not participated in the survey. However, links from ECSDA members (as investor CSDs) to these CSDs have been included and are counted in the aggregate figures.

- Monte Titoli now has a relayed link (via EB) to Interbolsa;
- CBL now has an indirect link to the CSD of the National Bank of Georgia;
- LuxCSD now has a direct link to NCSD;
- VPS now has an indirect link to VP;
- KDPW now has a relayed link (via CBL) to the CSD in Australia;
- DC now has indirect links to CDAD and to the CSDs in the US, Canada and South Africa.

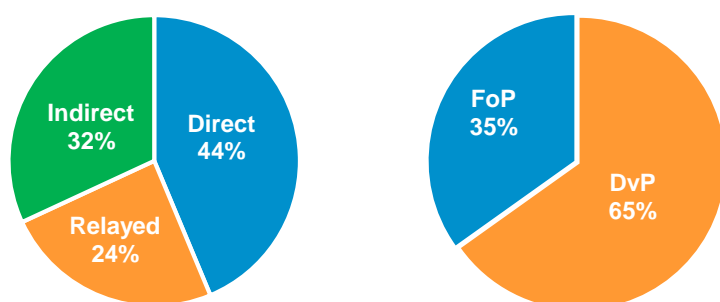
3. Different types of links

44% of all CSD links maintained by ECSDA members are direct links whereby the CSD is a direct participant in another CSD. 1/5 of these direct links are managed by an account operator, which means that a third party, typically a custodian bank with expertise in the local market of the issuer CSD, operates the securities account opened in the name of the investor CSD on behalf of the latter.

As illustrated in the first pie chart below, **indirect links (via a sub-custodian) and relayed links (via a middle CSD) respectively account for 32% and 24% of the total number of links.**

The second pie chart shows that **65% of CSD links allow for settlement on a delivery versus payment (DvP) basis.** A DvP link means that participants in the investor CSD can settle instructions in securities held at issuer CSD against cash thanks to a credit or debit made in their cash account at the central bank (or, in the few cases where the investor CSD has a banking license, a debit or credit in their commercial bank account at this CSD).

Different types of links

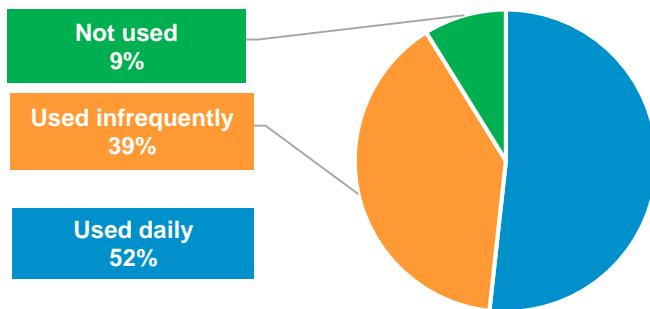


This means in turn that 35% of CSD links are only available for free of payment (FoP) securities transfers. These transfers can, for instance, be used by market participants to post collateral (e.g. in relation to CCP clearing, securities lending and borrowing transactions, repos, and central bank monetary policy operations). In other cases, while the CSD processes a free of payment instruction through a link with another CSD, market participants may arrange for the corresponding "cash leg" of the settlement instruction to be processed outside of the central bank and the CSD, for example by using a commercial bank as cash settlement agent in order to make the payment (e.g. if they wish to settle the securities against cash in a foreign currency).

4. Market demand for CSD links

More than half of CSD links are actively used by market participants, i.e. they are used on a daily basis. 39% of the links are used less frequently, i.e. on a weekly or monthly basis, and 9% have never been used so far.

Use of CSD links by market participants



That said, many CSDs are able to offer their participants access to a much wider range of markets, if there is demand. This is in particular the case when a CSD maintains an account with one of the ICSDs or with a CSD that maintains many links as investor CSD. In such cases, relayed links can be “activated” fairly quickly. In order to give a representative picture, the ECSDA overview of CSD links excludes such “potential” relayed links that have not yet been actively used.

Annex: Methodology

ECSDA members were asked to provide updated information on all CSD links that they have established as investor CSDs ("outbound links"), including with non-ECSDA members.

Data item	Description	Response format
Market	Country where the head office of the CSD is established	<i>Free text: 2-letter country code</i>
Group	Regional institutional grouping to which the country of incorporation of the CSD belongs	<i>EA (euro area country) EU (non-euro area country of the European Union) EEA (non-EU country of the European Economic Area) Other for all other European countries</i>
CSD	Abbreviated name of the ECSDA member	<i>Free text</i>
T2S	Has the CSD signed the T2S Framework Agreement?	<i>Yes or No</i>
Instrument Type	Which instruments are settled through the CSD link? If different cut-off times apply to different instruments, please use one line per type of instrument.	<i>(1) Debt and equities (2) Debt (3) Equities (4) Other</i>
Instrument details	Please use this field if you would like to add details on the instruments settled through the link, in particular where different cut-off times apply.	<i>Free text</i>
ESCB eligible	Is the link eligible for use in Eurosystem credit operations, i.e. has it been assessed against the Eurosystem user assessment framework?	<i>Yes or No</i>
Link Type	Please indicate the type of link arrangement in place. - In case of direct links , please distinguish further between cases where the account at the issuer CSD is managed by your CSD directly (direct link) or where a (local) intermediary is used to operate the account (direct link - operated). - Indirect links involve an intermediary acting as subcustodian, i.e. maintaining an account at the issuer CSD on behalf of the investor CSD. - In the case of relayed links , i.e. links via a middle CSD, please only include links that are active, i.e. that have actually been used at least once by one of your participants.	<i>(1) Direct link (2) Direct link - operated (3) Indirect link - via a subcustodian (4) Relayed link - via a middle CSD</i>

Data item	Description	Response format
Name of the intermediary	If possible, please provide the name of the intermediary that is used for the link: this includes the account operator (operated direct link), the sub-custodian in case of an indirect link or the middle CSD in case of a relayed link.	<i>Free text</i>
Method	Please indicate the settlement method(s) supported by the link arrangement, i.e. if the link allows for Delivery versus Payment (DvP) or only for Free-of-Payment (FoP) settlement.	<i>(1) FoP only (2) DvP and FoP (3) Other</i>
Currency	Please indicate the currency used for settlement through the link. In case of settlement in multiple currencies, please use one line per currency.	<i>Free text</i>
Use	Please indicate how frequently the CSD link is used for settlement purposes, in terms of daily use. This is mainly to determine whether an established link is actively used or not.	<i>(1) Used on a daily basis (2) Used but not on a daily basis (3) Not used</i>