

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 and amending Directives 98/26/EC and
2014/65/EU and Regulation (EU) No 236/2012 (Text with EEA relevance)

TITLE IV

**PROVISION OF BANKING-TYPE ANCILLARY
SERVICES FOR CSD PARTICIPANTS**

Article 59

**Prudential requirements applicable to credit institutions or
CSDs authorised to provide banking-type ancillary services**

- 1 A credit institution designated under point (b) of Article 54(2) or a CSD authorised under point (a) of Article 54(2) to provide banking-type ancillary services shall provide only the services set out in Section C of the Annex that are covered by the authorisation.
- 2 A credit institution designated under point (b) of Article 54(2) or a CSD authorised under point (a) of Article 54(2) to provide banking-type ancillary services shall comply with any present or future legislation applicable to credit institutions.
- 3 A credit institution designated under point (b) of Article 54(2) or a CSD authorised under point (a) of Article 54(2) to provide banking-type ancillary services shall comply with the following specific prudential requirements for the credit risks related to those services in respect of each securities settlement system:
 - a it shall establish a robust framework to manage the corresponding credit risks;
 - b it shall identify the sources of such credit risks, frequently and regularly, measure and monitor corresponding credit exposures and use appropriate risk-management tools to control those risks;
 - c it shall fully cover corresponding credit exposures to individual borrowing participants using collateral and other equivalent financial resources;
 - d if collateral is used to manage its corresponding credit risk, it shall accept highly liquid collateral with minimal credit and market risk; it may use other types of collateral in specific situations if an appropriate haircut is applied;
 - e it shall establish and apply appropriately conservative haircuts and concentration limits on collateral values constituted to cover the credit exposures referred to in point (c), taking into account the objective of ensuring that collateral can be liquidated promptly without significant adverse price effects;
 - f it shall set limits on its corresponding credit exposures;
 - g it shall analyse and plan for how to address any potential residual credit exposures, and adopt rules and procedures to implement such plans;
 - h it shall provide credit only to participants that have cash accounts with it;
 - i it shall provide for effective reimbursement procedures of intra-day credit and discourage overnight credit through the application of sanctioning rates which act as an effective deterrent.

Status: Point in time view as at 31/12/2020.

Changes to legislation: Regulation (EU) No 909/2014 of the European Parliament and of the Council, Article 59 is up to date with all changes known to be in force on or before 04 July 2024. There are changes that may be brought into force at a future date. Changes that have been made appear in the content and are referenced with annotations. (See end of Document for details)

4 A credit institution designated under point (b) of Article 54(2) or a CSD authorised under point (a) of Article 54(2) to provide banking-type ancillary services shall comply with the following specific prudential requirements for the liquidity risks relating to those services in respect of each securities settlement system:

- a it shall have a robust framework and tools to measure, monitor, and manage its liquidity risks, including intra-day liquidity risks, for each currency of the security settlement system for which it acts as settlement agent;
- b it shall measure and monitor on an ongoing and timely basis, and at least daily, its liquidity needs and the level of liquid assets it holds; in doing so, it shall determine the value of its available liquid assets taking into account appropriate haircuts on those assets;
- c it shall have sufficient liquid resources in all relevant currencies for a timely provision of settlement services under a wide range of potential stress scenarios including, but not limited to the liquidity risk generated by the default of at least one participant, including its parent undertakings and subsidiaries, to which it has the largest exposures;
- d it shall mitigate the corresponding liquidity risks with qualifying liquid resources in each currency such as cash at the central bank of issue and at other creditworthy financial institutions, committed lines of credit or similar arrangements and highly liquid collateral or investments that are readily available and convertible into cash with prearranged and highly reliable funding arrangements, even in extreme but plausible market conditions and it shall identify, measure and monitor its liquidity risk stemming from the various financial institutions used for the management of its liquidity risks;
- e where prearranged funding arrangements are used, it shall select only creditworthy financial institutions as liquidity providers; it shall establish and apply appropriate concentration limits for each of the corresponding liquidity providers including its parent undertaking and subsidiaries;
- f it shall determine and test the sufficiency of the corresponding resources by regular and rigorous stress testing;
- g it shall analyse and plan for how to address any unforeseen and potentially uncovered liquidity shortfalls, and adopt rules and procedures to implement such plans;
- h where practical and available, without prejudice to the eligibility rules of the ^{F1}Bank of England], it shall have access to ^{F1}Bank of England] accounts and other ^{F1}Bank of England] services to enhance its management of liquidity risks and ^{F2}... credit institutions shall deposit the corresponding ^{F3}sterling] cash balances on dedicated accounts with ^{F2}... ^{F4}the Bank of England];
- i it shall have prearranged and highly reliable arrangements to ensure that it can liquidate in a timely fashion the collateral provided to it by a defaulting client;
- j it shall report regularly to the authorities referred to in Article 60(1), and disclose to the public, as to how it measures, monitors and manages its liquidity risks, including intra-day liquidity risks.

5 ^{F5}The PRA may make] regulatory technical standards to further specify details of the frameworks and tools for the monitoring, the measuring, the management, the reporting and the public disclosure of the credit and liquidity risks, including those which occur intra-day, referred to in paragraphs 3 and 4. Such draft regulatory technical standards shall, where appropriate, be aligned to the regulatory technical standards adopted in accordance with Article 46(3) of Regulation (EU) No 648/2012.

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Textual Amendments

- F1** Words in Art. 59(4)(h) substituted (31.12.2020) by [The Central Securities Depositories \(Amendment\) \(EU Exit\) Regulations 2018 \(S.I. 2018/1320\)](#), regs. 1(3), **20(6)(a)(i)** (with savings in S.I. 2019/680, reg. 11); 2020 c. 1, Sch. 5 para. 1(1)
- F2** Word in Art. 59(4)(h) omitted (31.12.2020) by virtue of [The Central Securities Depositories \(Amendment\) \(EU Exit\) Regulations 2018 \(S.I. 2018/1320\)](#), regs. 1(3), **20(6)(a)(ii)** (with savings in S.I. 2019/680, reg. 11); 2020 c. 1, Sch. 5 para. 1(1)
- F3** Word in Art. 59(4)(h) inserted (31.12.2020) by [The Central Securities Depositories \(Amendment\) \(EU Exit\) Regulations 2018 \(S.I. 2018/1320\)](#), regs. 1(3), **20(6)(a)(iii)** (with savings in S.I. 2019/680, reg. 11); 2020 c. 1, Sch. 5 para. 1(1)
- F4** Words in Art. 59(4)(h) substituted (31.12.2020) by [The Central Securities Depositories \(Amendment\) \(EU Exit\) Regulations 2018 \(S.I. 2018/1320\)](#), regs. 1(3), **20(6)(a)(iv)** (with savings in S.I. 2019/680, reg. 11); 2020 c. 1, Sch. 5 para. 1(1)
- F5** Words in Art. 59(5) substituted (31.12.2020) by [The Central Securities Depositories \(Amendment\) \(EU Exit\) Regulations 2018 \(S.I. 2018/1320\)](#), regs. 1(3), **20(6)(b)(i)** (with savings in S.I. 2019/680, reg. 11); 2020 c. 1, Sch. 5 para. 1(1)
- F6** Words in Art. 59(5) omitted (31.12.2020) by virtue of [The Central Securities Depositories \(Amendment\) \(EU Exit\) Regulations 2018 \(S.I. 2018/1320\)](#), regs. 1(3), **20(6)(b)(ii)** (with savings in S.I. 2019/680, reg. 11); 2020 c. 1, Sch. 5 para. 1(1)

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