

Third country CSDs recognition under EU CSDR: SIU MISP alleviation ahead of 17 January 2027

On 7 October, ESMA published a [de-prioritisation supervisory statement](#) regarding third country CSDs under the EU's [Central Securities Depositories Regulation](#) (CSDR). This follows the European Council and the European Parliament having been reviewing the European Commission's December 2025 [proposed Regulation](#) under the Market Integration and Supervision Package (MISP), as part of the EU's Savings and Investment Union (SIU) policy initiative.

Beyond its main focuses, the proposed MISP Regulation also included significant alleviation for third country central securities depositories (CSDs) under CSDR, which is relevant for EU-nexus bond issuers. By way of reminder:

- (a) the CSDR required, [on its adoption in 2014](#), a third country CSD, which provides either of two 'core' services of initial recording of securities ("notary service") and maintaining top tier level securities accounts ("central maintenance service") regarding financial instruments "constituted" under the law of an EU Member State, to apply for recognition with ESMA within six months following an equivalence decision in respect of that CSD's home jurisdiction by the European Commission (with a related provision on cooperation arrangements between ESMA and the responsible authorities in that jurisdiction) – all additionally subject to a specific grandfathering provision that national rules continue to apply in the interim;
- (b) following a [2023 amendment](#) (post-Brexit, so not impacting the UK's CSDR), under the EU's Regulatory Fitness and Performance (REFIT) programme, the recognition requirement's (i) scope of financial instruments "constituted" under the law of an EU Member State is specified, on one reading, as extending to the corporate (or similar) law of the Member State where the issuer is incorporated and the governing corporate (or similar) law of the Member State under which the securities are issued (though the interaction between these two limbs is not free from doubt) and (ii) national-rules grandfathering provision is set to last only until 17 January 2027; and
- (c) the proposed MISP Regulation envisages (i) the recognition requirement's financial instrument scope as just financial instruments governed by the law of a Member State and (ii) national-rules grandfathering provision extending to three years following the MISP Regulation's entry into force.

(No equivalence decisions seem to have been adopted by the European Commission, aside temporarily regarding the UK-based CSD, CREST, post-Brexit.)

Following initial European council deliberations suggesting broad support for:

- (a) narrowing the recognition requirement's financial instrument scope, whether as proposed or by clarifying application only to financial instruments both governed by the law of a Member State and issued by EU-incorporated entities (from the balance of responses appearing in the 15 July 2026 [Consolidation](#) of post trade written comments, at Questions 16/17 on pp.64-72) – thereby putting beyond doubt a cumulative reading of these two limbs; and
- (b) national-rules grandfathering extension (as reported in the Cyprus Council Presidency's 25 June 2026 [Progress Report](#), at paragraph 27 on p.6).

A [proposed general approach](#) was circulated on 2 October with a view to agreement being reached during the 9 October meeting of the Economic and Financial Affairs Council (ECOFIN).

Meanwhile the European Parliament rapporteur's 11 June 2026 [draft report](#) (amendments 1 to 200) and additional individual MEP amendments ([201-410](#), [411-685](#), [686-958](#), [959-1211](#) and [1212-1463](#)) seemingly only address other aspects of the proposed MISP Regulation, suggesting agreement with narrowing the recognition requirement's financial instrument scope and extending the national-rules grandfathering.

On this basis, EU intent seems clear on enacting (i) a narrowing in some form of the recognition requirement's financial instrument scope and (ii) a national-rules grandfathering extension. However, given the much wider overall scope of the proposed MISP Regulation and the range of other issues thus being subject to detailed deliberation, it seems highly unlikely that both Council and Parliament will be able to begin trilogue negotiations on a final agreed text ahead of the currently-applicable end of national-rules grandfathering on 17 January 2027 – let alone conclude such negotiations in time to enable formal enactment of the MISP Regulation to come into force by then. (Though the Council at least is reportedly looking to have reached its common position on as many aspects as possible by October.)

The 2023 CSDR Refit amendments can arguably be interpreted much more narrowly – and in a way which would address current concerns. However, such arguments on interpretation are unlikely to give stakeholders adequate prior comfort.

Consequently, impacted third country CSDs and also, significantly, related bond issuers (there seemingly being many thousands of outstanding bond ISINs by EU-incorporated issuers and some hundreds of outstanding bond ISINs governed by an EU Member State's law), would seem to have a legitimate reason for expecting that relevant EU authorities should not, whilst the outcome of the proposed MISP Regulation remains pending, take any enforcement action regarding the currently-applicable end of national-rules grandfathering on 17 January 2027. In this respect, ESMA's de-prioritisation supervisory statement should help mitigate the risk of pre-emptive action that might otherwise be taken

(and which could still be materially detrimental for the issuers concerned).

Looking forward to the three-year national-rules grandfathering extension, this should hopefully provide time for third country CSDs to further explore potential approaches – including encouraging their supervisory authorities to reach out to the European Commission (notably the heads of the C.2 *Financial Markets Infrastructure* unit of [DG FISMA](#) - the Directorate-General for Financial Stability, Financial Services and Capital Markets Union) to explore the equivalence process (*inter alia* in light of IOSCO's April 2012 [Principles for financial market infrastructures](#) and the Commission's July 2019 [Communication on equivalence in the area of financial services](#)).



Contact: Ruari Ewing
ruari.ewing@icmagroup.org
