

Feedback to consultation paper

Document Title	T2S Consultation Paper: Principles and High Level Proposals
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PRINCIPLE /Proposal Nr.	Statement	Comment	Institution	Confidential
Principle 1	I do not agree entirely	The governance of T2S should strictly reflect the co-responsibility of the Eurosystem and the CSDs in the delivery vs payment business, since the CSDs would be outsourcing part of its current business to T2S. Market representation should reflect the different categories of users of the system.	IBERCLEAR	No
Principle 2	I completely disagree	While increasing synergies and cost efficiencies, the use of Target 2 will increase also project risks due to the fact that the final platform will be shared for payment and securities. These risks must be taken into account when analysing the feasibility of the project.	IBERCLEAR	No
Principle 3	I do not agree entirely	Although we agree with the principle, we believe that it is inconsistent with other general principles such as P.6 and P.11. If the scope of T2S is limited to providing an IT platform for core settlement processing, then the Eurosystem should be fully coherent with this approach.	IBERCLEAR	No
Principle 4	I do not agree entirely	We agree with the principle. However we believe that it implies that because of its liability CSDs are obliged by Law to maintain full control of the balances of securities accounts in systems which are fully governed and control by them. And this control is jeopardised by some of the other principles in this consultation.	IBERCLEAR	No
Principle 5	I do not agree entirely	After a thorough technical analysis, it has been concluded that it will not be possible for IBERCLEAR to decommission their settlement infrastructures completely under the current scope of T2S. Delivering to CSDs the possibility of a total decommissioning would imply T2S providing functions of a CSD, which fall out of their mandate and are opposite to principle number 3.	IBERCLEAR	No
Principle 6	I do not agree entirely	As per the comments of principle number 4, the CSD will also have to update its positions. Besides, it should be up to each CSD to define the outsourcing with regards to the functions it will use T2S for.	IBERCLEAR	No
Principle 7	I agree		IBERCLEAR	No

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Principle 8	I agree	As stated several times, access to settlement in central bank money should be provided to all CSDs deciding not to join T2S. This access should be provided under no discriminatory conditions of price, service level, performance, accessibility, liability and availability. We recommend to add this comment as a separate principle.	IBERCLEAR	No
Principle 9	I agree		IBERCLEAR	No
Principle 10	I agree		IBERCLEAR	No
Principle 11	I do not agree entirely	Technical access of users to T2S does not bring added value by itself because they will still need to maintain interfaces with CSDs for non T2S services. The single access entry point and possibility to concentrate liquidity is already provided within T2S without a direct access. On the other hand, it implies instability of the perimeter of T2S. It could prevent CSDs from performing the validation and matching for pure domestic transactions. It is also incompatible with the comments to principle 4 and principle 5. We also believe that it is in conflict with principle 3, as only the CSDs should be responsible for the relationship with their customers.	IBERCLEAR	No
Principle 12	I agree	It is still to be defined how would the interests of their users be measured (i.e. the majority? Unanimity?) Additionally, all stakeholders interests must be taken into account (shareholders, board, etc).	IBERCLEAR	No
Principle 13	I agree		IBERCLEAR	No
Principle 14	I do not agree entirely	However, the adherence of T2S to the Code should not be limited to price transparency but also to service unbundling and non cross-subsidiation of activities. Although in principle 19 it is stated that T2S services shall be unbundled, in its explanation the principle refers only to the compliance of the Code by the CSDs. T2S shall be compliant with all aspects of the Code of Conduct and it should also allow its CSD members to comply with it on equal footing conditions.	IBERCLEAR	No
Principle 15	I do not agree entirely	National legal obligations of the CSDs, business requirements and technical needs have to be considered when defining the relevant arrangement.	IBERCLEAR	No
Principle 16	I agree		IBERCLEAR	No

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Principle 17	I do not agree entirely	Procedural harmonisation may require regulatory and legal changes in some cases. National legal specificities have to be covered outside the core functionality according to the requirements of the relevant CSD as long as relevant laws have not been harmonised by the public sector.	IBERCLEAR	No
Principle 18	I do not agree entirely	<p><u>Cost-recovery basis:</u> The contractual IT operations agreements between the Eurosystem and the CSDs will have to be based on fixed prices which may not be changed unilaterally by the Eurosystem.</p> <p><u>Not-for-profit basis:</u> It has to be examined whether the Eurosystem is entitled to finance IT-business without the intention to create profit out of that business. If it is found that the Eurosystem is actually entitled to do so the Eurosystem will have to offer such financing to every European based provider of IT services which are comparable to T2S.</p>	IBERCLEAR	No
Principle 19	I do not agree entirely	As we mentioned for principle 14, this unbundling should apply not only for securities settlement services related activities but also in what respects to the separation of the cash settlement services. As IT provider the Eurosystem must allow CSDs to comply with the Code's provisions on unbundling with respect to their participants. Therefore, CSDs should be charged separately for the securities leg and the cash leg. On the other hand, services offered by T2S should be unbundled and not cross-subsidised. For example, matching in T2S must be charged separately from settlement, so that CSDs that perform their own validation and settlement should not be subsidising transactions matched at T2S with a flat fee comprising all services.	IBERCLEAR	No
Principle 20	I agree	The Eurosystem should bear in mind that in order to achieve harmonisation in regulatory and supervisory requirements, they will need to liaise with the relevant public sector authorities, as the harmonisation of these tasks fall out of the responsibility of the CSDs.	IBERCLEAR	No
General		We miss one general principle stating the settlement model to be used by T2S		
PROPOSALS	Statement	Comment	Institution	Confidential
Proposal 1	I agree		IBERCLEAR	No

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Proposal 2	I do not agree entirely	To be clarified if the performance of cash settlement in a sub-cash account implies the use of dedicated liquidity instead of an integrated settlement model in cash and securities, which was one the benefits argued for the development of T2S.	IBERCLEAR	No
Proposal 3	I completely disagree	This should not be an option, there should be a "must" instead of "may" with the exceptions of the overnight settlement. All settlements from all CSDs must be settled in the same participant's cash account in order to avoid splitting their liquidity.	IBERCLEAR	No
Proposal 4	I agree		IBERCLEAR	No
Proposal 5		Needs further clarification. Does this imply that all settlements will take place in dedicated accounts?	IBERCLEAR	No
Proposal 6	I agree		IBERCLEAR	No
Proposal 7	I agree		IBERCLEAR	No
Proposal 8	I do not agree entirely	Please clarify what is the meaning of direct participation here. We understand that it is referring to the direct participation at the CSD and not at T2S, as the direct participation at T2S should be limited to the CSDs.	IBERCLEAR	No
Proposal 9	I do not agree entirely	This possibility should be also made available for CSDs.	IBERCLEAR	No
Proposal 10	I do not agree entirely	Again, any flexibility in the account structure provided at the level of participants should be also made available for CSDs, not only at the level of segregation but also at the level of aggregation.	IBERCLEAR	No
Proposal 11	I agree		IBERCLEAR	No
Proposal 12	I do not agree entirely	Securities data should be updated by the issuer CSD only. Changes should be communicated to all the CSDs that have that security eligible in their system. Only CSDs will communicate changes to their participants.	IBERCLEAR	No
Proposal 13	I do not agree entirely	We totally disagree with the last sentence since direct access for participants should remain out of the scope of T2S.	IBERCLEAR	No
Proposal 14	I agree		IBERCLEAR	No
Proposal 15	I do not agree entirely	Not only the changing of data, but also the opening of accounts must be performed by the CSDs. No participants should be allowed to open an account in T2S. All the accounts should be opened by the CSD, as subaccounts of its T2S main member account	IBERCLEAR	No
Proposal 16	I agree		IBERCLEAR	No
Proposal 17	I agree	Exceptional circumstances must be taken into account as far as deadlines and schedules are concerned.	IBERCLEAR	No
Proposal 18	I agree		IBERCLEAR	No
Proposal 19	I agree		IBERCLEAR	No
Proposal 20	I agree		IBERCLEAR	No

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Proposal 21	I agree		IBERCLEAR	No
Proposal 22	I agree		IBERCLEAR	No
Proposal 23	I agree		IBERCLEAR	No
Proposal 24	I do not agree entirely	In terms of service level, this description is too restrictive. Although it can be justified that instructions received too close to the deadline cannot be guaranteed to be processed more than once, more details are needed as to the level of settlement service delivered by T2S.	IBERCLEAR	No
Proposal 25	I agree		IBERCLEAR	No
Proposal 26	I agree		IBERCLEAR	No
Proposal 27	I completely disagree	T2S should be limited to pure vanilla settlement services. Validation, matching and instruction maintenance should be CSDs services. Only cross CSD matching might be tackled by T2S.	IBERCLEAR	No
Proposal 28	I agree	But at the CSD level. (See comment in Proposal 27).	IBERCLEAR	No
Proposal 29	I agree		IBERCLEAR	No
Proposal 30	I do not agree entirely	T2S should match only cross-CSD transactions. Besides, as per our comment in principle 19, T2S should have an unbundled price schedule, not charging CSDs for matching already done at the CSD, and charging transactions matched in T2S.	IBERCLEAR	No
Proposal 31	I do not agree entirely	In order to allow competition, matching should remain as a differentiated service among CSDs. Only cross-CSD matching transactions might be fully harmonised.	IBERCLEAR	No
Proposal 32	I completely disagree	It is not efficient to revalidating the matching of transactions that have already been matched at the CSD. The check should be general, i.e., the matching criteria at the CSD are compliant with T2S. Rechecking every matched instruction would make the whole process too expensive and inefficient. T2S should rely on the local matching systems for domestic transactions.	IBERCLEAR	No
Proposal 33	I do not agree entirely	See comments in Proposal 30	IBERCLEAR	No
Proposal 34	I agree	But always subjecto to our comment to Proposal 30.	IBERCLEAR	No
Proposal 35	I do not agree entirely	See comments in Proposal 30.	IBERCLEAR	No
Proposal 36	I agree	But always subjecto to our comment to Proposal 30.	IBERCLEAR	No
Proposal 37	I agree		IBERCLEAR	No
Proposal 38	I agree		IBERCLEAR	No
Proposal 39	I do not agree entirely	Local specifications stemming from legal regulation must be contemplated and accordingly costs must be dully allocated. Therefore, market specifics should not be financed by the whole project.	IBERCLEAR	No
Proposal 40	I agree		IBERCLEAR	No

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Proposal 41	I agree		IBERCLEAR	No
Proposal 42	I completely disagree	It must be proved that this technical netting has similar benefits as DVP2 or DVP3 mechanisms.	IBERCLEAR	No
Proposal 43	I agree		IBERCLEAR	No
Proposal 44	I completely disagree	See question 42.	IBERCLEAR	No
Proposal 45	I do not agree entirely	See question 42. We agree with the real time and the batch optimisation procedures, however DVP2, DVP3 still could be needed.	IBERCLEAR	No
Proposal 46	I agree		IBERCLEAR	No
Proposal 47	I agree		IBERCLEAR	No
Proposal 48	I do not agree entirely	Legal environment and market rules should be considered	IBERCLEAR	No
Proposal 49	I agree		IBERCLEAR	No
Proposal 50	I agree		IBERCLEAR	No
Proposal 51	I do not agree entirely	Further analysis and clarification is needed.	IBERCLEAR	No
Proposal 52	I completely disagree	No direct interface between users and T2S should be available out of the T2 cash activity Besides, all asset servicing payments must be CSD exclusive competence, i.e. CSDs should decide whether to send these payments directly to TARGET 2 or T2S	IBERCLEAR	No
Proposal 53	I do not agree entirely	CSDs must have the ability to extract this information (relative to themselves and to the other CSDs) themselves and make it available to their participants through their own interfaces as well. Read-only queries should be carried out through CSDs.	IBERCLEAR	No
Proposal 54	I do not agree entirely	Updating of direct or indirect participation to the cash account must be CSD competence, as it is its responsibility now to verify and set-up the correct relationship between securities accounts and cash accounts.	IBERCLEAR	No
Proposal 55	I completely disagree	There should be no direct access to T2S for participants. Only CSDs must have direct access. Online instructions and confirmations/status updates should be made available to the CSD only.	IBERCLEAR	No
Proposal 56	I agree		IBERCLEAR	No
Proposal 57	I do not agree entirely	Regarding the second point, under no circumstances should this information be made available to non-CSDs as in case it should be processed by non-CSDs it can still be the CSDs the ones that control and distribute this information as per current procedures.	IBERCLEAR	No
Proposal 58	I do not agree entirely	All T2S interfaces must be available only for CSDs	IBERCLEAR	No
Proposal 59	I agree		IBERCLEAR	No
Proposal 60			IBERCLEAR	No

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Proposal 61	I agree		IBERCLEAR	No
Proposal 62	I agree		IBERCLEAR	No
Proposal 63	I agree		IBERCLEAR	No
Proposal 64	I agree		IBERCLEAR	No
Proposal 65	I do not agree entirely	Use of archiving transactions should be limited exclusively to CSDs.	IBERCLEAR	No
Proposal 66	I completely disagree	Migration plan on a asset by asset class basis should not be ruled out at this stage	IBERCLEAR	No
Proposal 67		Further clarity is needed.	IBERCLEAR	No