

## Feedback to consultation paper

<b>Document Title</b>	<b>T2S Consultation Paper: Principles and High Level Proposals</b>
<b>Document Reference</b>	<b>070323_note_ConsultPrincipalsProposals_v0.98.doc</b>
<b>Issued for review</b>	<b>26.04.2007</b>
<b>Deadline for review</b>	<b>27.06.2007</b>

<b>Proposal Nr.</b>	<b>Statement</b>	<b>Comment</b>	<b>Institution</b>	<b>Confidential</b>
1	I agree	We agree that a uniform securities account structure should be used. However, the system and the account structure must have flexible functionality that meets local regulatory requirements. The securities account structure also affects the business cases for CSDs and their possibilities to deliver additional services. The securities account structure must support efficient use of both end-investor and intermediary accounts. The securities account structure, together with account functionality, form the basis for CSDs use of T2S and their business cases related to it. For example, the existing securities account structure allows for different accounts used for different purposes which renders in different functionality and service level connected to accounts. In addition, some accounts are connected with restrictions regarding which/types of securities that can be held on the accounts and restrictions regarding user rights and administration. Another important area is pledging of accounts/holdings on accounts, calculation of collateral value and performing checks on collateral value prior to accepting withdrawals from accounts. It should also be noted	NCSD Sweden (VPC)	No
2	I do not agree entirely	T2S also need to handle cash accounts for other currencies than euro. The fact that T2S will, at least in the initial phase, primarily focus on settlement in euro, will leave CSDs with additional system for providing settlement in other settlement currencies.	NCSD Sweden (VPC)	No
3	I agree		NCSD Sweden (VPC)	No
4	I agree		NCSD Sweden (VPC)	No
5	I do not agree entirely	In addition, the system should be flexible and allow also for fulfilling requirements in NCBs of other currencies but euro. The current market practise in the region allows for participants to use not only one cash account but sub-accounts in order to explicitly state the payments accounts that should be used for each transaction, hence enable for participants reserve payment capacity for specific settlement instructions.	NCSD Sweden (VPC)	No

**RESTRICTED**

<b>Proposal Nr.</b>	<b>Statement</b>	<b>Comment</b>	<b>Institution</b>	<b>Confidential</b>
6	I agree		NCSD Sweden (VPC)	No
7	I agree	Settlement instructions update securities accounts in the same matter. The main difference between investor and intermediary accounts is functionality, service level, how the accounts are used and the number of accounts.	NCSD Sweden (VPC)	No
8	I agree	It's important to harmonize the roles and the corresponding responsibilities across the markets intended to be covered by the systems. All terms used in proposal must be defined and specified clearly.	NCSD Sweden (VPC)	No
9	I agree		NCSD Sweden (VPC)	No
10	I agree		NCSD Sweden (VPC)	No
11	I agree	It makes sense to have this restriction in order for T2S to be restricted to settlement services. However, since there is need for additional reference date this will affect the possibilities for CSDs to decommission existing systems and, hence, affect the business case. In addition, rights of ownership and distribution of the reference data in T2S must be clarified.	NCSD Sweden (VPC)	No
12	I agree	It is important that the quality of the data is the best possible and that routines and responsibilities are clear. In this context, the reference data must be amended only by the issuer CSD.	NCSD Sweden (VPC)	No
13	I agree		NCSD Sweden (VPC)	No
14	I agree		NCSD Sweden (VPC)	No
15	I do not agree entirely	If CSDs set up different rules to the settlement process, the implications on legal risk for cross border settlement have to be analysed. It need to be clear under which jurisdiction that delivery versus payment take place and the responsibilities of the involved parties.	NCSD Sweden (VPC)	No
16	I completely disagree	A NCB should not be setting any rules relating settlement process. (See proposal 15 above)	NCSD Sweden (VPC)	No

**RESTRICTED**

<b>Proposal Nr.</b>	<b>Statement</b>	<b>Comment</b>	<b>Institution</b>	<b>Confidential</b>
17	I do not agree entirely	Clarification is needed; the term 'core settlement functionality' needs to be clearly defined in terms of what functionalities the harmonized deadlines and schedules should cover. Harmonization of core settlement schedule would be acceptable only if national legal requirements are fulfilled. It is difficult to draw the borderline between data required for settlement and auto-collateralisation and other data needed for asset servicing. When centralising reference data on the T2S platform, ownership of data and potential revenues from distribution of this data have to be clarified.	NCSD Sweden (VPC)	No
18	I do not agree entirely	See proposal number 17 above.	NCSD Sweden (VPC)	No
19	I agree	The migration from proprietary interfaces to interfaces based on international standards may have an impact on market participants' competitive advantages.	NCSD Sweden (VPC)	No
20	I do not agree entirely	It should be assumed as standard for any transaction platform in the financial industry in 2013 that it operates on a 24/7 basis. The However a CSD must have the decision-making power over its own systems incl. their operating hours. It needs to be analysed further whether the open hours of TS2 could be a sub-set of the open hours of Target2.	NCSD Sweden (VPC)	No
21	I do not agree entirely	It need to be analysed further whether the open hours should be divided into sub-periods and what the appropriate sub-periods then would be.	NCSD Sweden (VPC)	No
22	I do not agree entirely	All bookings to the book-entry system must be executed at authentic time. Thus, it is not acceptable that the business day would be changed before all bookings have been successfully entered into the accounts. See also comment on proposal 21.	NCSD Sweden (VPC)	No
23	I agree	We do agree that the night-time settlement must be optional, because a CSD must have the decision-making power regarding its own systems (book-entry system etc.). The fact that not all CSDs would be using the night-time settlement must be respected in the pricing of T2S services.	NCSD Sweden (VPC)	No
24	I agree		NCSD Sweden (VPC)	No
25	I agree		NCSD Sweden (VPC)	No
26	I do not agree entirely	The effect on the CSD-links should analyzed more in detail.	NCSD Sweden (VPC)	No
27	I agree	This is an important area where further detailed specifications are needed. There are several important functions, but in addition to those listed can instruction enrichment be mentioned. There is also a close relationship between this area and 'user rights', who has the right to see and do what in the process of lifecycle management.	NCSD Sweden (VPC)	No

**RESTRICTED**

<b>Proposal Nr.</b>	<b>Statement</b>	<b>Comment</b>	<b>Institution</b>	<b>Confidential</b>
28	I agree		NCSD Sweden (VPC)	No
29	I agree		NCSD Sweden (VPC)	No
30	I agree	This type of functionality is used for the automatic generation of settlement instructions from the trade feed from stock exchanges.	NCSD Sweden (VPC)	No
31	I agree		NCSD Sweden (VPC)	No
32	I agree		NCSD Sweden (VPC)	No
33	I do not agree entirely	In addition to ordinary settlement instructions, affecting one security, functionality for transferring multiple securities where the counterparties do not match each individual security. This functionality may not be available in the system interface but is a required functionality in the user interface. NCSD have produced white papers describing its views on matching, freeze-unfreeze and hold-release functionality. ( <a href="http://www.ncsd.eu">www.ncsd.eu</a> ).	NCSD Sweden (VPC)	No
34	I agree		NCSD Sweden (VPC)	No
35	I agree		NCSD Sweden (VPC)	No
36	I agree		NCSD Sweden (VPC)	No
37	I do not agree entirely	The terms used in the proposal need to be defined in order to more in detail evaluate the statement.	NCSD Sweden (VPC)	No
38	I do not agree entirely	More detailed information is needed in order to evaluate the proposal. It should be up to each CSD/CSDs in the markets to decide upon the most effective settlement process to use. T2S must allow for prioritization and sequencing based upon local requirements, for example in the case of legal encumbrance to be prioritised in the settlement process.	NCSD Sweden (VPC)	No
39	I agree		NCSD Sweden (VPC)	No
40	I agree		NCSD Sweden (VPC)	No
41	I agree		NCSD Sweden (VPC)	No
42	I do not agree entirely	The optimisation algorithms must be elaborated. It is not sufficient that T2S can handle back to back trades and empty circles. Furthermore T2S should not prefer CCP-clearing and cause unhealthy competition.	NCSD Sweden (VPC)	No
43	I agree		NCSD Sweden (VPC)	No

**RESTRICTED**

<b>Proposal Nr.</b>	<b>Statement</b>	<b>Comment</b>	<b>Institution</b>	<b>Confidential</b>
44	I completely disagree	Three times a day is not sufficient enough. If there is no possibility to <u>online</u> RTGS more optimisations are needed especially during the forenoon, so that the banks have time to transfer enough cash to T2S before end of day. It should be noted that not all CSDs settle (or can settle) in night-time.	NCSD Sweden (VPC)	No
45	I do not agree entirely	The term "real-time" must be defined in terms of performance and response times. Batch processing may be more effective from a system point of view and may allow for more efficient use of securities and payment capacity whereas for real-time settlement, performance and response times could be the most important factors.	NCSD Sweden (VPC)	No
46	I agree		NCSD Sweden (VPC)	No
47	I agree		NCSD Sweden (VPC)	No
48	I agree		NCSD Sweden (VPC)	No
49	I do not agree entirely	Agree, but three runs as written in the proposal 44 is not enough. NCSD Finland has 24 optimization runs per day. In addition to that the RTGS is also needed because there will always be some instructions that need to be settled immediately.	NCSD Sweden (VPC)	No
50	I agree		NCSD Sweden (VPC)	No
51	I agree	The impact on the existing agreements must be studied in details. Furthermore it must be clarified how the links to non-T2S CSDs (and markets) should function	NCSD Sweden (VPC)	No
52	I completely disagree	In addition to query-functionality, T2S have to have functionality for information being pushed automatically in real-time to the users of the system.	NCSD Sweden (VPC)	No
53	I agree		NCSD Sweden (VPC)	No
54	I agree		NCSD Sweden (VPC)	No
55	I do not agree entirely	The responsibilities of the CSDs have to be clearly defined and CSDs must, for example, be given functionality to monitor and to handle problems with the consistency of data and balances on accounts.	NCSD Sweden (VPC)	No
56	I agree		NCSD Sweden (VPC)	No
57	I do not agree entirely	Whether or not these queries can be provided by T2S depends on functionality and performance.	NCSD Sweden (VPC)	No

**RESTRICTED**

<b>Proposal Nr.</b>	<b>Statement</b>	<b>Comment</b>	<b>Institution</b>	<b>Confidential</b>
58	I agree		NCSD Sweden (VPC)	No
59	I agree		NCSD Sweden (VPC)	No
60		NCSD cannot comment upon its own volume figures which have been given to T2S project in the feasibility study. However, in addition to these figures also the settlement instructions in other currencies but euro should be considered.	NCSD Sweden (VPC)	No
61		The T2S project should do the necessary analysis on appropriate peak capacities.	NCSD Sweden (VPC)	No
62		The T2S project should do the necessary analysis on appropriate peak capacities.	NCSD Sweden (VPC)	No
63	I agree		NCSD Sweden (VPC)	No
64	I agree	The effects can be assessed only after detailed service level descriptions. However the rules for prioritising the IT tasks must be unambiguous so that CSD are treated equally.	NCSD Sweden (VPC)	No
65	I agree		NCSD Sweden (VPC)	No
66	I agree		NCSD Sweden (VPC)	No
67	I completely disagree	In addition to minimising the overall market impact, in terms of imposed changes, also aspects regarding effectiveness must be considered. Hence, there may be effective long term solutions that are optimal, even though the migration effort to them is higher. In the harmonization process, governance issues are of greatest importance, since the process changes the competitive environment between the CSDs and their customers.	NCSD Sweden (VPC)	No