



T2S: status update and next steps

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ECB-PUBLIC



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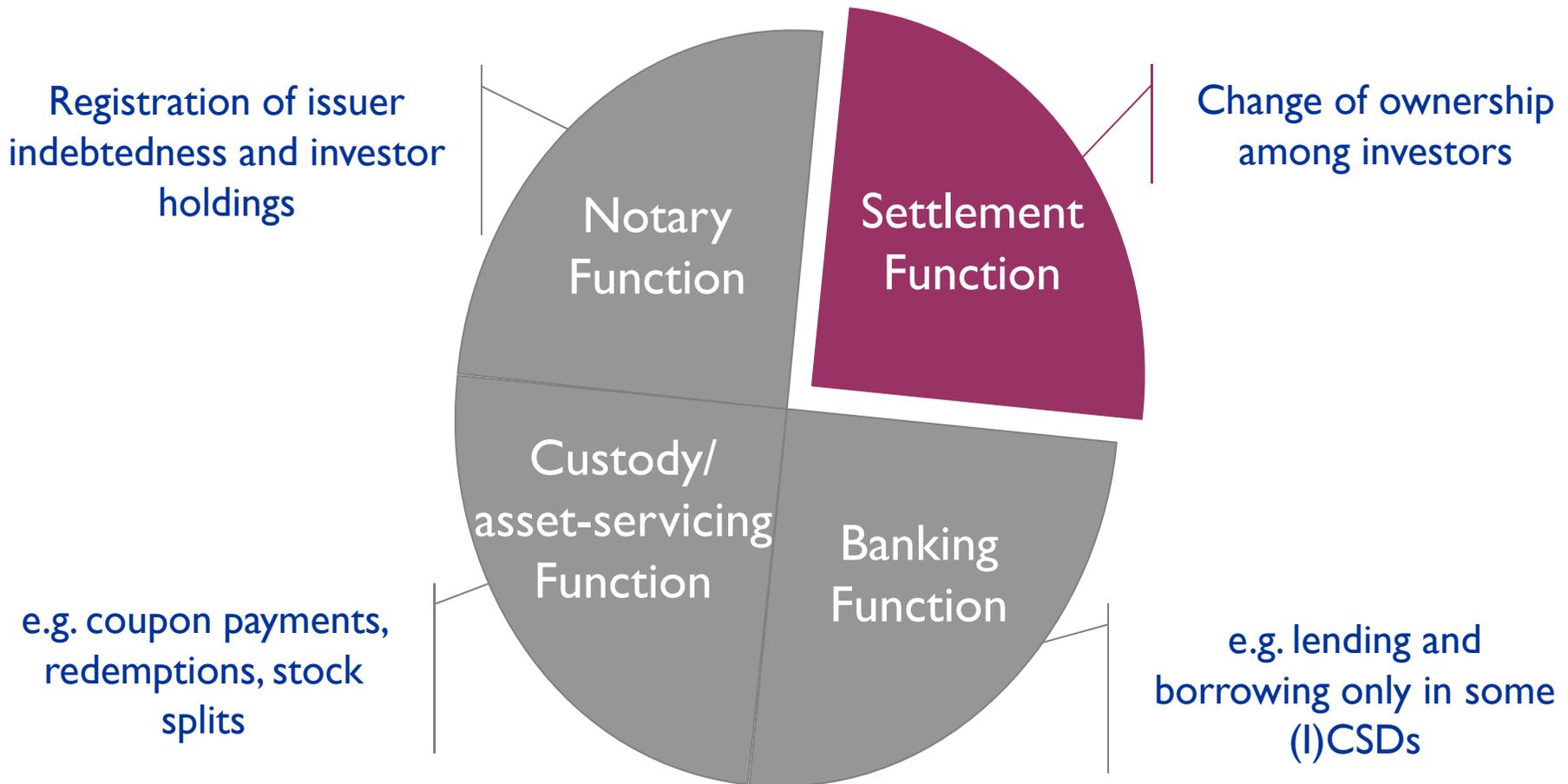
What is T2S?

Purpose and Benefits of T2S



http://www.youtube.com/watch?v=WpgLqy6dHj4&list=PL347E929CBF4A76F7&index=3&feature=plpp_video

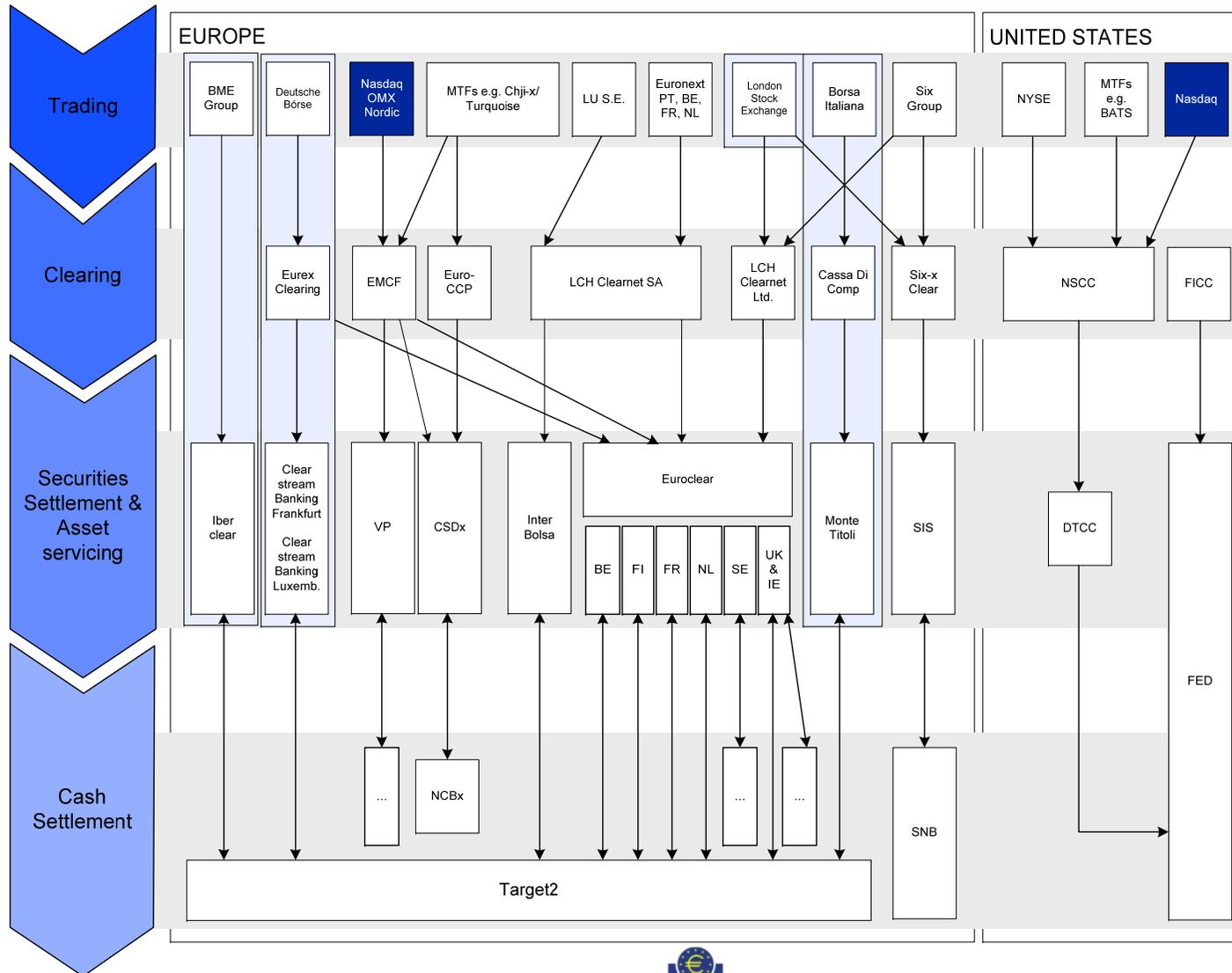
A Service offered to CSDs for Settlement only





Fragmented Infrastructure

Purpose and Benefits of T2S

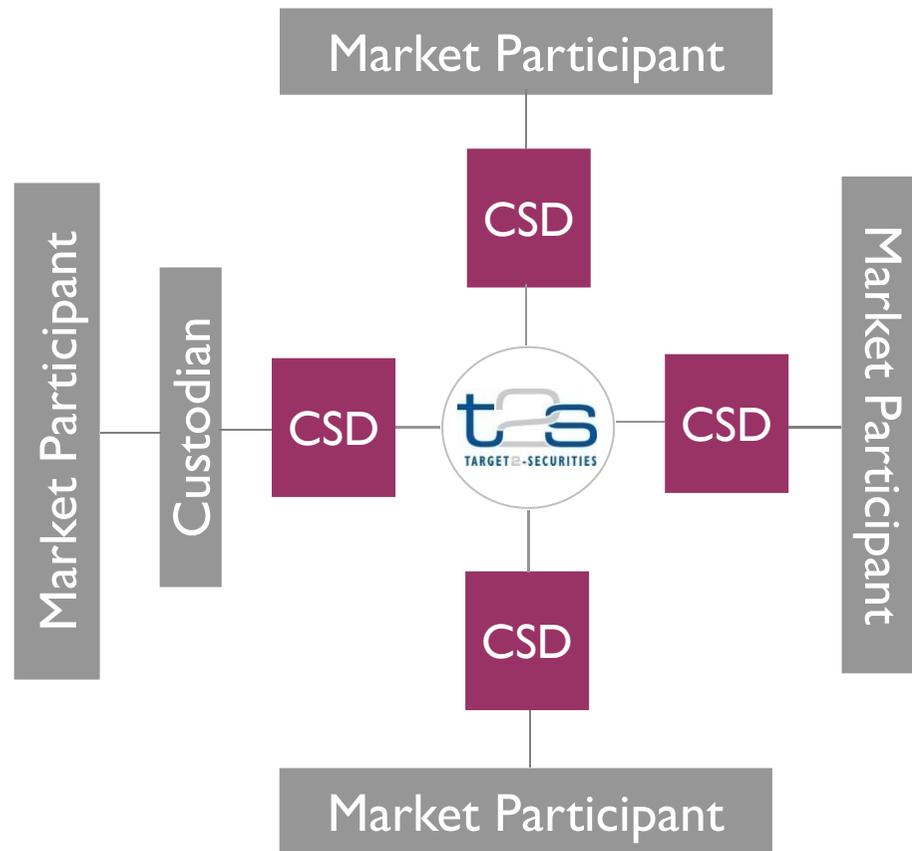




Future EU Settlement Landscape

Purpose and Benefits of T2S

One integrated settlement process (domestic and cross-border)





T2S is a Multi-currency Platform

Purpose and Benefits of T2S

- Higher economies of scale: win-win situation for all euro and non-euro participants
- Non-euro NCBs have same rights as euro NCBs;
 - Sovereignty over their currencies
 - Participation in governance bodies at all levels
- Transparent public debates on all new developments



Benefits for CSDs

Purpose and Benefits of T2S

- A technologically advanced, state-of-the-art, and robust settlement engine
- Economies of scale by pooling together settlement volumes across Europe
- New business opportunities through access to new markets
- Long-term savings from efficient re-shaping to T2S



Benefits for Users

Purpose and Benefits of T2S

- Same processing and reduced settlement fees for domestic and cross-border transactions
- Possibility to access all securities from one account in one CSD
- Potential to optimise collateral and liquidity requirements
- Reduced back-office costs
- New business opportunities through access to new markets



Benefits for Markets

Purpose and Benefits of T2S

- Higher level of competition in post-trade industry
- A Single Market for financial services in Europe through harmonized clearing and settlement
- Reduced costs of capital for firms to contribute to economic growth
- Reduced settlement risks on cross-border transactions to positively affect financial stability
- Investors can more easily diversify their portfolios
- Issuers more easily reach European investors



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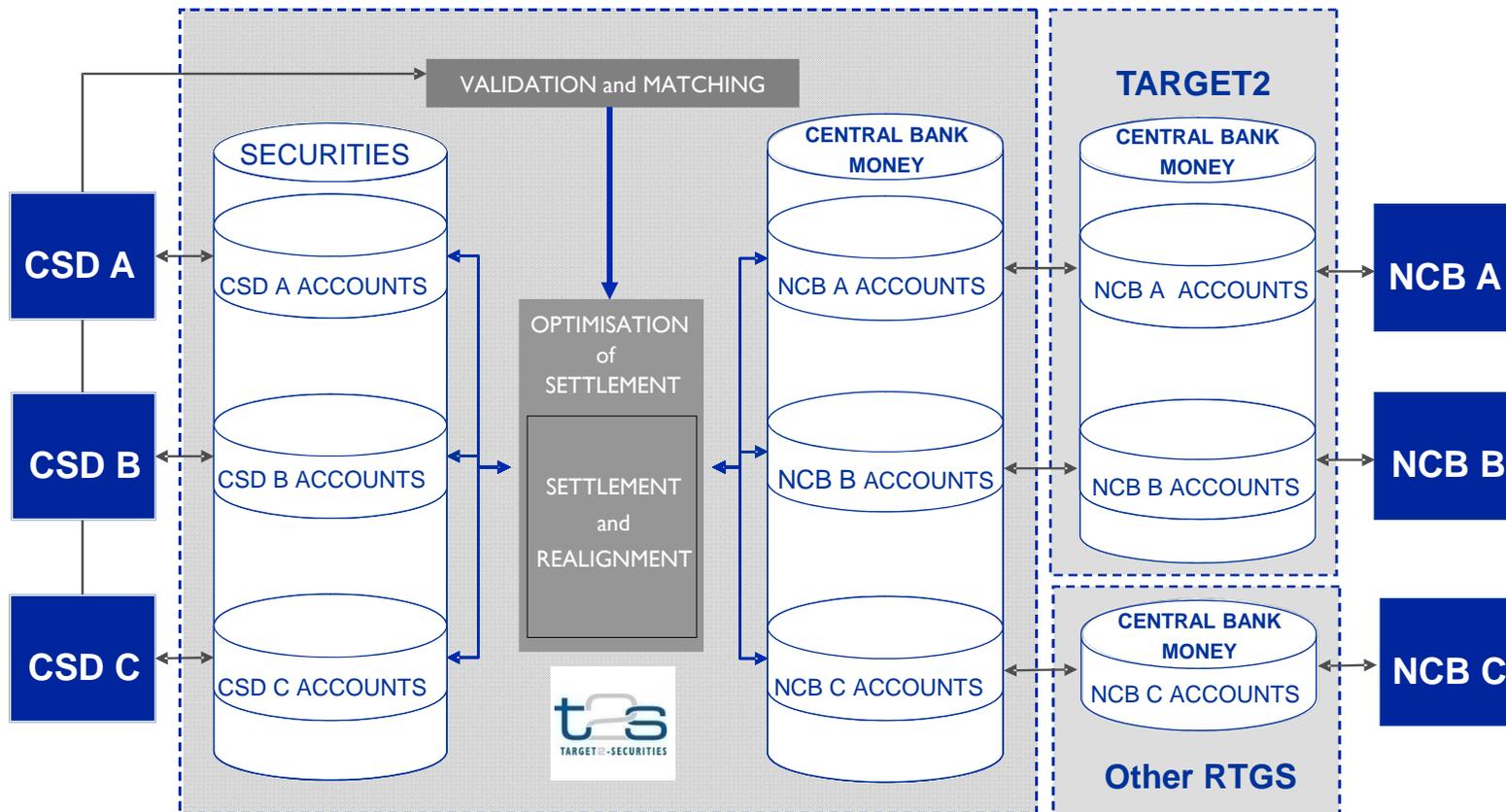
How does T2S work?

Functioning of T2S



SETTLING
WITHOUT
BORDERS

http://www.youtube.com/watch?v=QUVlzEauxzs&list=PL347E929CBF4A76F7&index=11&feature=plpp_video



Technical platform of all securities and cash accounts to settle all securities transactions in central bank money

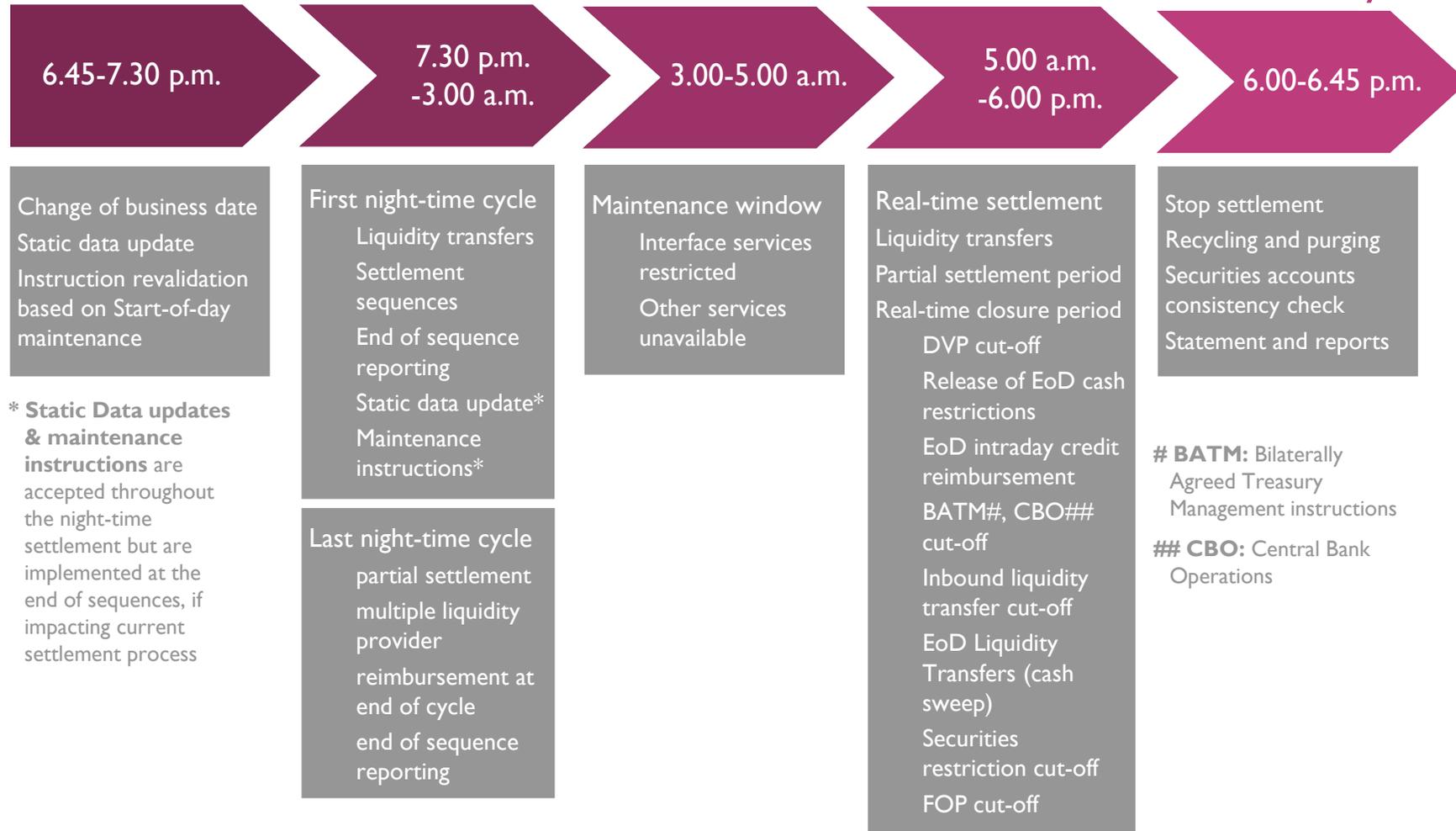


Schedule of a T2S Settlement Day

Functioning of T2S

Start of day

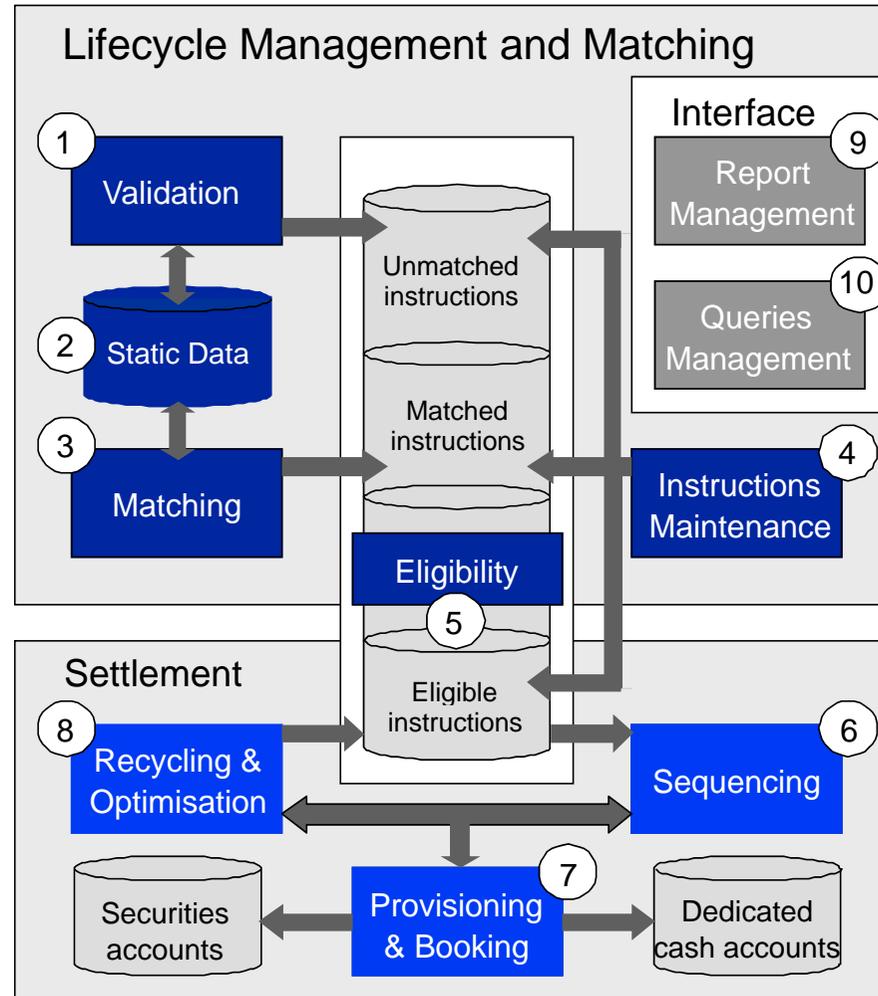
End of day



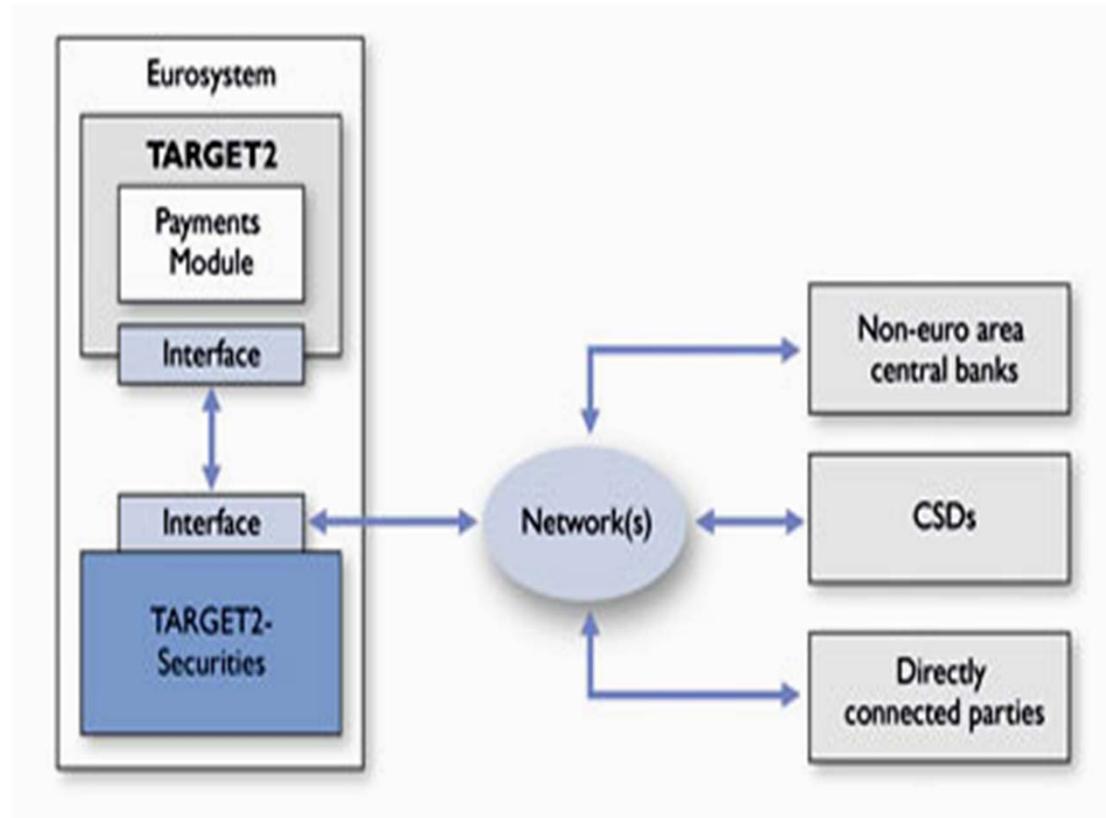
* **Static Data updates & maintenance instructions** are accepted throughout the night-time settlement but are implemented at the end of sequences, if impacting current settlement process

BATM: Bilaterally Agreed Treasury Management instructions
CBO: Central Bank Operations

- Optimised settlement model
 - CSD securities
 - CeBM cash
- Real-time gross settlement (RTGS), combined with
 - Auto-collateralisation
 - Continuous Optimisation
 - Recycling mechanisms
- In addition, T2S provides i.a.
 - Matching services
 - Conditional securities delivery
 - Automated real-time realignment of cross-CSD positions
 - Single account repository
 - Standardised interfaces
 - Message subscriptions & reporting



- Three T2S network providers to maintain competition: 2 value-added and 1 dedicated-line providers
- Eurosystem licensing procedures lead to selection of **SIA/Colt** and **SWIFT** as the value-added network providers
- Governing Council decided on Eurosystem's **CoreNet** to be the dedicated-line provider



**CSD participants can connect directly to T2S...
...but their CSD determines their access rights**

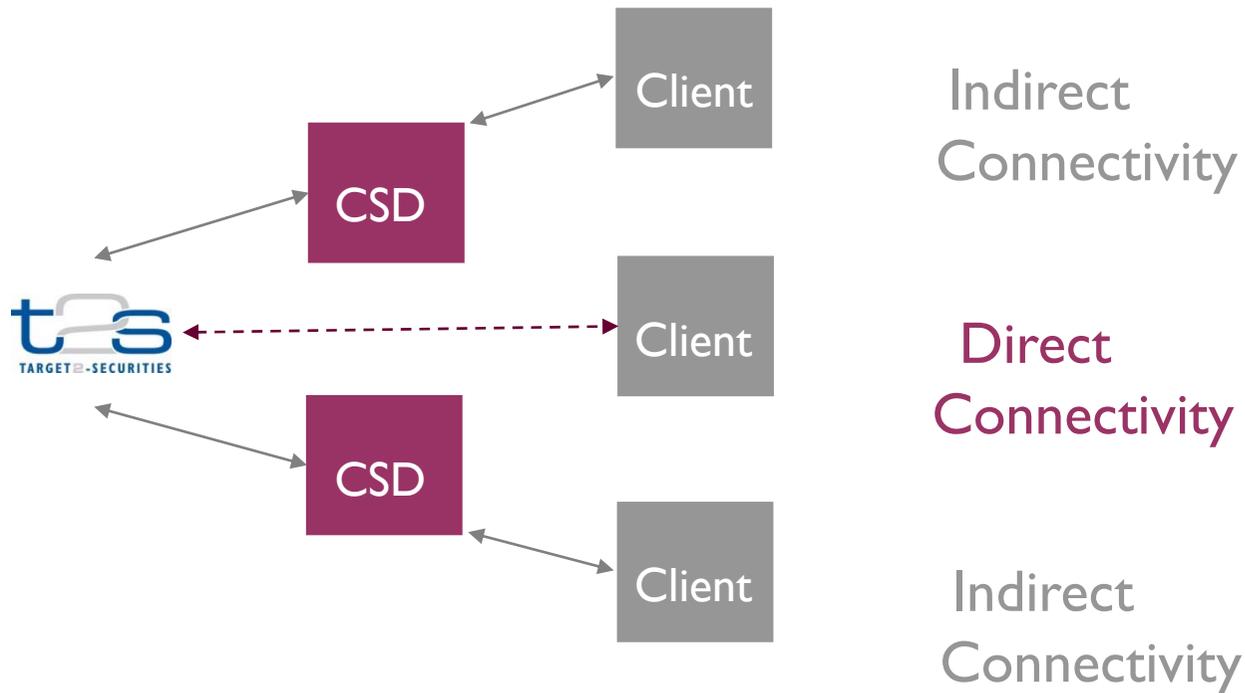




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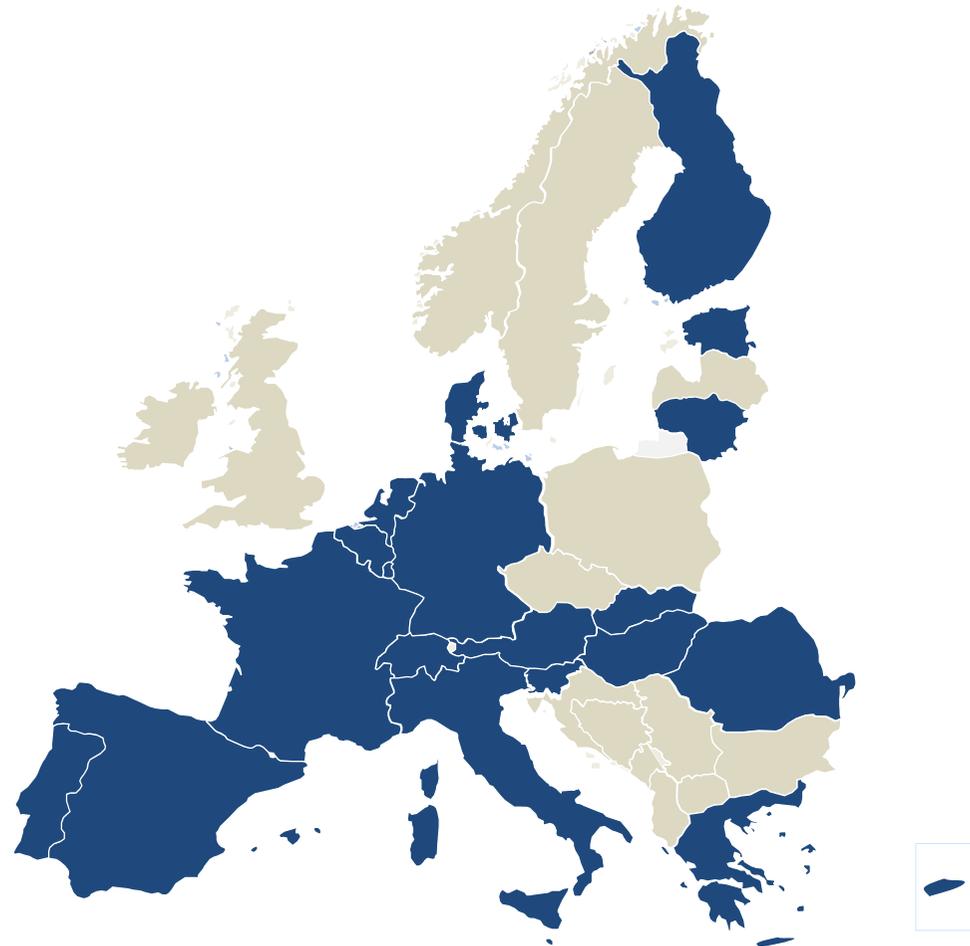
3 Current status and next steps



T2S Community

Current status and next steps

- 23 CSDs have confirmed their participation, representing nearly 100% of settlement volumes in euro
- Other CSDs may join later but will have to pay an entry fee
- So far only the euro and DKK (as of 2018) will be settled in T2S, but other currencies may join later

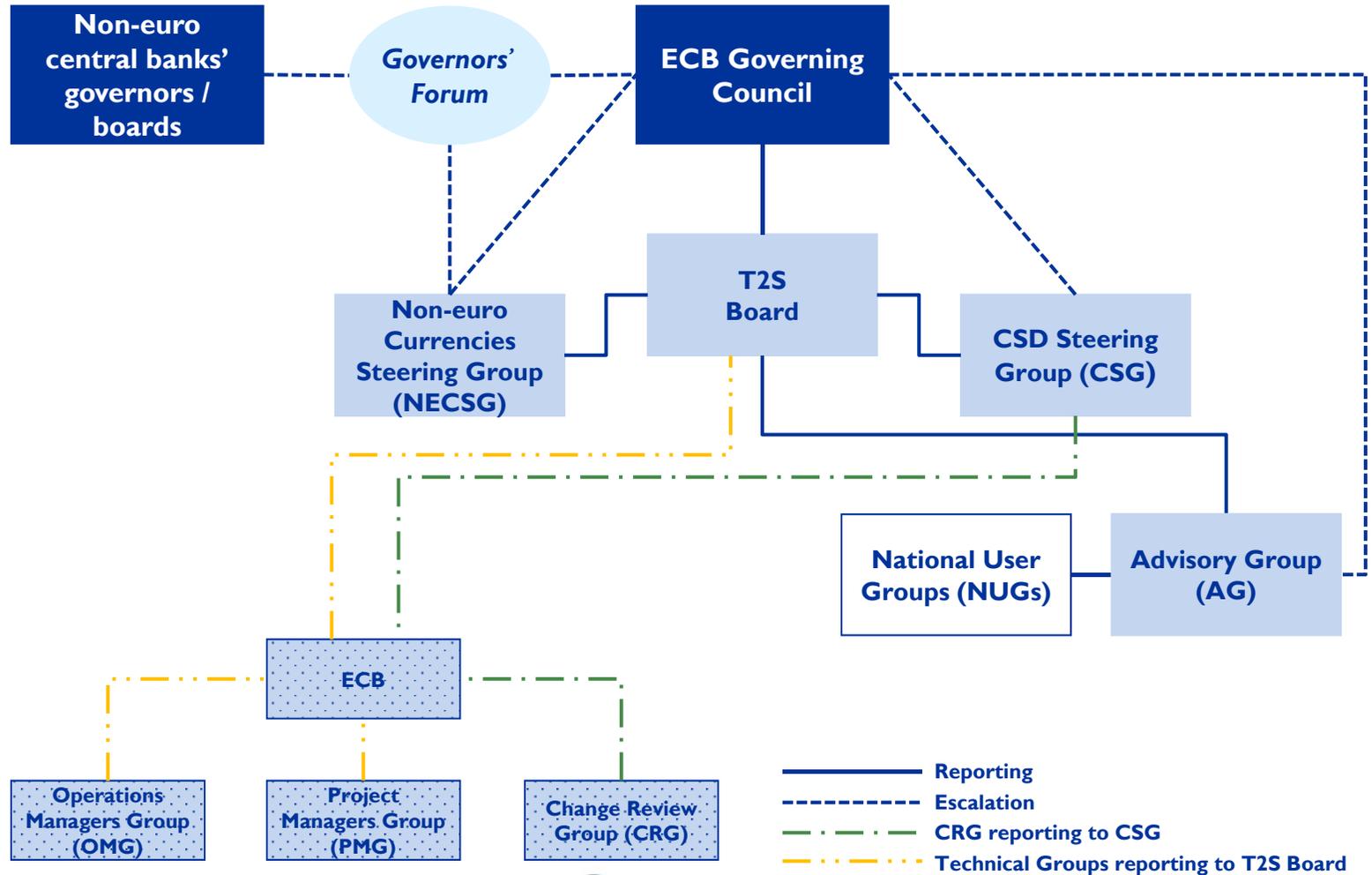




T2S Governance

Current status and next steps

Central Bank Decision-Making Bodies
Steering Level Bodies
Market advisory bodies
Technical Groups





T2S Governance

Current status and next steps

T2S Board	Chair: ECB senior manager + 9 members from other Eurosystem NCBs + 1 member from a non-euro area central bank + 2 non-central bank board members (all members are appointed by the Gov. Council)
Non-euro Currencies Steering Group	Senior managers from all non-euro NCBs that signed the Currency Participation Agreement
Governors Forum	Governors of non-euro NCBs with their currencies available in T2S. Plus an equal number of members of the ECB Governing Council
CSD Steering Group	CEOs/ Board members of CSDs that signed the Framework Agreement + T2S Board members and up to 6 user representatives as observers
Advisory Group	Participating CSDs and users in equal number + relevant public authorities (ECB, euro NCBs, non-euro NCBs) + observers (EU Commission, regulators, oversight, 4CBs, etc.)



Where we are?

Current status and next steps



The “4CB” (four central banks developing and operating T2S) have completed around 80% of software development and more than 40% are already tested.



What T2S has delivered so far

Current status and next steps

DELIVERED

- ✓ Legal framework has been defined:
Agreements with CSDs and Central Banks have been endorsed and signed by counterparties
- ✓ Technical documentation has been finalised:
Mature versions of User Requirements Document, User Detailed Functional Specifications, and Business Process Description have been published
- ✓ Feasibility assessments by CSDs/NCBs completed
- ✓ Connectivity solution for T2S:
SWIFT, SIA/Colt and Eurosystem's existing communication network have been selected as connectivity providers



Main challenge: Timely preparation of all stakeholders

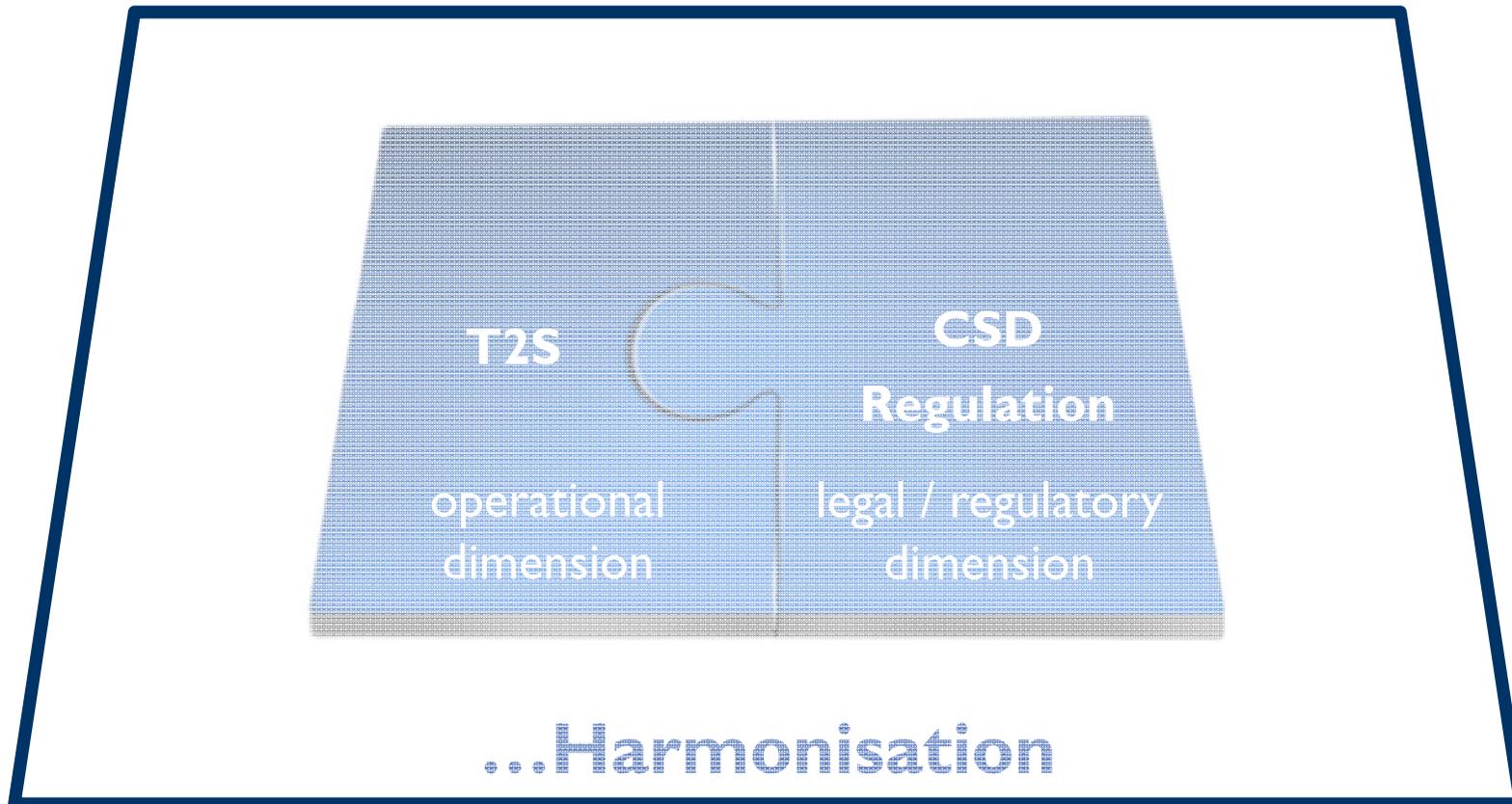
Current status and next steps

- Challenge: all T2S stakeholders (Eurosystem as provider, central banks, CSDs, users of CSDs) need to be ready in time for T2S go-live / their migration to T2S
- Programme management solution: 17 regular checkpoints (“synchronisation points”) to monitor progress of all stakeholders, including
 - SP5: Start of Internal Eurosystem Acceptance Testing (Feb 2014)
By this point 4CB need to deliver T2S software (notably, relations with 4CB have improved but Eurosystem control remains limited)
 - SP6: Eurosystem Ready for User Testing (Sept 2014)
User Testing environments must be set-up, and relevant training material and testing documentation delivered
 - SPI6: Ready for T2S Go-Live (June 2015)
CSDs and Eurosystem NCBs in first migration wave need to be ready for migration (several migration waves planned)

Synchronisation point 3 (SP3): marks the mutual assessment and confirmation that the T2S Programme Plan is fully comprehensive and adequately reflects all specifications and planning elements. The migration of CSDs remains a challenge.

- CSDs and Central Banks: Update of feasibility studies following the coordination between the various parties (in particular the CSDs within their own country) and the feedback from the ECB;
- Confirmation of the T2S programme plan by the Eurosystem;
- Confirmation of the migration waves composition and timing by the Eurosystem;
- Completion of SP3 (December 2012).

A wide frame is needed...





Harmonisation in T2S

Current status and next steps

- T2S harmonises settlement and thus indirectly fosters further alignments of EU market practices
- Progress is defined in line with T2S stakeholders and other market initiatives
- The Eurosystem co-operates with market participants and public authorities to align the harmonisation process

T2S is a unique opportunity to remove Giovannini barriers by harmonising EU post-trading

ACTIVITIES - HIGH PRIORITY		DEFINITION	MONITOR	IMPLEMENT
1. T2S MESSAGES	1.1 T2S ISO 20022 messages	G	G	G
	1.2 T2S matching fields	G	G	Y
2. SCHEDULE OF SETTLEMENT DAY		G	G	Y
3. CROSS-CSD SETTLEMENT	T-FAX work	Y	X	X
4. T2S CORPORATE ACTIONS STANDARDS		G	G	R
5. LEGAL HARMONISATION	5.1 Settlement finality I (moment of entry)	Y	X	X
	5.2 Settlement finality II (irrevocability of transfer order)	G	G	Y
	5.3 Settlement finality III (irrevocability of transfers)	G	G	Y
	5.4 Location of securities accounts (Law applicable)	Y	X	X
	5.5 Outsourcing IT	Y	X	X

Draft 3rd Progress Report of the T2S Harmonisation Steering Group to be presented to the T2S Advisory Group in November 2012

ACTIVITIES - HIGH PRIORITY

	DEFINITION	MONITOR	IMPLEMENT
6. SETTLEMENT DISCIPLINE REGIME	Y	X	X
7. SETTLEMENT CYCLES	Y	X	X
8. OMNIBUS ACCOUNTS	G	G	Y
9. REGISTRATION PROCEDURES	Y	X	X
10. ACCOUNTS NUMBERING	Y	X	X

ACTIVITIES - **LOW PRIORITY**

		DEFINITION	MONITOR	IMPLEMENT
11. CORPORATE ACTIONS MARKET STANDARDS	CA market (CAJWG) standards	G	G	R
12. PLACE OF ISSUANCE		Y	X	X
13. TAX PROCEDURES	13.1 Withholding tax procedures	G	X	X
	13.2 Transaction tax procedures	G	X	X
14. CROSS-BORDER SHAREHOLDER TRANSPARENCY		Y	X	X
15. INVESTMENT FUNDS SETTLEMENT		R	X	X
16. MARKET ACCESS		Y	X	X
17. CSD ANCILLARY SERVICES		Y	X	X
18. SECURITIES AMOUNT DATA		G	G	Y

The new framework will lead to increased competition

T2S



DVP will no longer be a bilateral relationship between one CSD and one NCB.

Any CSD in T2S is potentially in a DVP relationship with any NCB in T2S

CSDs regulation



Same safety and efficiency rules all over Europe

Harmonisation



Same market practice all over Europe: national boundaries will be broken down



More information on T2S

SETTLING WITHOUT BORDERS

News & Publications | Governance | Stakeholders | Programme Plan | Harmonisation | Pricing

T2S will significantly reshape the European post-trading landscape, thus impacting a wide variety of stakeholders. All stakeholder categories are involved in the project to the highest possible extent → [more](#)

CSDs
Central securities depositories (CSDs) will move their securities accounts to the T2S platform for settlement purposes. CSDs will remain responsible for the relations with market participants. Rights and obligations of CSDs towards the Eurosystem will be regulated by the Framework Agreement, a contractual arrangement to be signed in 2011. → [more](#)

Banks
T2S will bring about several benefits for European banks in terms of cost savings, efficiency gains and new business opportunities.
To ensure that T2S fulfils their needs, banks have been involved in the project since its very inception, most remarkably in the definition of the T2S User Requirements. Banks also participate in the governance of the project, both in the → [Advisory Group](#) and in the → [National User Groups \(NUGs\)](#). → [more](#)

National Central Banks
T2S will be developed and operated by the Eurosystem on a non-profit basis. The central banks of the Eurosystem are therefore key stakeholders in the T2S project.
The central banks participating in T2S will hold central bank money accounts for CSD customers on the single platform. In addition to the Eurosystem central banks, a number of non-euro area central banks have shown interest in joining T2S. Some of these are also considering the possibility to use T2S for settling securities transactions denominated in their national currencies.
All central banks that have shown interest in T2S participate in the governance structure both at the European and the national levels. → [more](#)

Other stakeholders
In addition to CSDs and banks, a number of other stakeholders will be affected by T2S. To ensure that they are well informed about the project and have the possibility to flag their concerns, the T2S team of the ECB holds dedicated workshops for funds, issuers and liquidity managers. → [more](#)
All stakeholders are also involved in the → [T2S Info Sessions](#) organised every quarter in different European locations.

T2S on the web: www.t2s.eu

- Publication of all relevant information and key documents
- Access to documents of all T2S working groups
- ‘Spotlight’ on latest information on the project
- Insights on project plan, governance, pricing, harmonisation
- Ad hoc sections dedicated to all stakeholder categories (CSDs, banks, NCBs, others)
- Publication of quarterly newsletter ‘T2S OnLine’

No 7, WINTER 2011 – 28 FEBRUARY 2011

- Editorial
- T2S Project update
- Insight - Part 1
- Insight - Part 2
- Bayle's view
- Introducing the National User Groups

T2S ONLINE - QUARTERLY REVIEW



Thank you for your attention

www.t2s.eu

