T2S: Settling without borders in Europe

London School of Economics
London, March 24 2014

Pierre Beck
Vice-Chairman of the T2S-Board
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Spot on T2S
Purpose and Benefits of T2S

Single IT Platform

Entirely New Concept

Solution to Fragmentation

Core-neutral Borderless securities settlement

Harmonised Commoditised DVP in CeBM

Reversed integrated model

Multi-currency dimension
Fragmented Infrastructure
Purpose and Benefits of T2S

EUROPE

Trading:
- BME Group
- Deutsche Borse
- Nasdaq OMX Nordic
- MTFs e.g. Chi-x/
- Turquoise
- LU S.E.
- Euronext
- PT, BE, FR, NL
- London Stock Exchange
- Borsa Italiana
- Six Group

Clearing:
- Eurex Clearing
- EMCF
- Euro-Clear
- LCH Clearnet SA
- LCH Clearnet Ltd.
- Cassa Di Comp
- Six x Clear

Securities Settlement & Asset servicing:
- Iberclear
- Clearstream Banking Frankfurt
- Clearstream Banking Luxemb.
- VP
- CSDx
- Inter Bolsa
- Euroclear
- Monte Titoli

Cash Settlement:
- BE
- FI
- FR
- NL
- SE
- UK
- IE
- ... NCBx
- ... SNB

UNITED STATES

- NYSE
- MTFs e.g. BATS

- NSCC
- FICC

- DTCC
- FED
Current EU Settlement Landscape
Purpose and Benefits of T2S

Non-integrated, cross-border settlement
Scope of T2S
Purpose and Benefits of T2S

A Service offered to CSDs for Settlement only

Registration of issuer indebtedness and investor holdings

Notary Function

Settlement Function

Change of ownership among investors

Custody/asset-servicing Function

Banking Function

e.g. coupon payments, redemptions, stock splits

e.g. lending and borrowing only in some (I)CSDs
Future EU Settlement Landscape

Purpose and Benefits of T2S

One integrated settlement process (domestic and cross-border)
(published in 2011)

- (1) The Eurosystem shall take on the responsibility of developing and operating T2S by assuming full ownership
  ...

- (3) T2S shall not involve the setting-up and operation of a CSD, but instead serves only as a technical solution for providing settlement services to CSDs
  ...

- (5) The respective CSD customers’ securities accounts shall remain legally attributed to the CSD and the respective central bank customers’ cash accounts shall remain legally attributed to the central bank.
  ...
(7) Securities account balances shall only be changed in T2S
(8) T2S shall settle exclusively in central bank money
...
(12) CSDs’ participation in T2S shall not be mandatory
(13) All CSDs settling in central bank money and fulfilling the access criteria shall be eligible to participate in T2S
(14) All CSDs participating in T2S shall have equal access conditions
...
T2S will benefit all market participants
Market integration
A new securities settlement landscape

Three streams shaping the new European securities settlement landscape
## T2S harmonisation Dashboard

**Status: 15 October 2013**

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## ACTIVITIES – PRIORITY 2

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The Technical Infrastructure
Main Functionalities of T2S

- 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
Optimisation Features
Functioning of T2S

Reduction of the need for cash and securities on transactions to minimize the use of resources

Creation of extra liquidity for settlement via collateral on flow and stock

Splitting of transactions in the case of limited availability of resources

Consideration of all transactions with equivalent ISINs to identify chains of transactions, empty circles, etc.
CSD infrastructures require adaptations to integrate with T2S.
T2S Governance since 1 July 2012
Status-quo of T2S

Central Bank Decision-Making Bodies

Steering Level Bodies

Market advisory bodies

Technical Groups

Non-euro central banks' governors / boards

Governors' Forum

ECB Governing Council

T2S Board

CSD Steering Group (CSG)

Non-euro Currencies Steering Group (NECSG)

Advisory Group (AG)

National User Groups (NUGs)

ECB

Operations Managers Group (OMG)

Project Managers Group (PMG)

Change Review Group (CRG)

Reporting
Escalation
CRG reporting to CSG
Technical Groups reporting to T2S Board
24 CSDs signed the T2S Framework Agreement
T2S under development

Preparation Phase

Specification Phase

Development & Internal Testing Phase

User Testing Phase

Migration Phase

SP1  SP2  SP3  SP4  SP5  SP6  SP13  SP17

T2S Go-Live

We are here
Thank you for your attention

www.t2s.eu

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