



T2S: Settling without borders in Europe

*London School of Economics
London, March 24 2014*

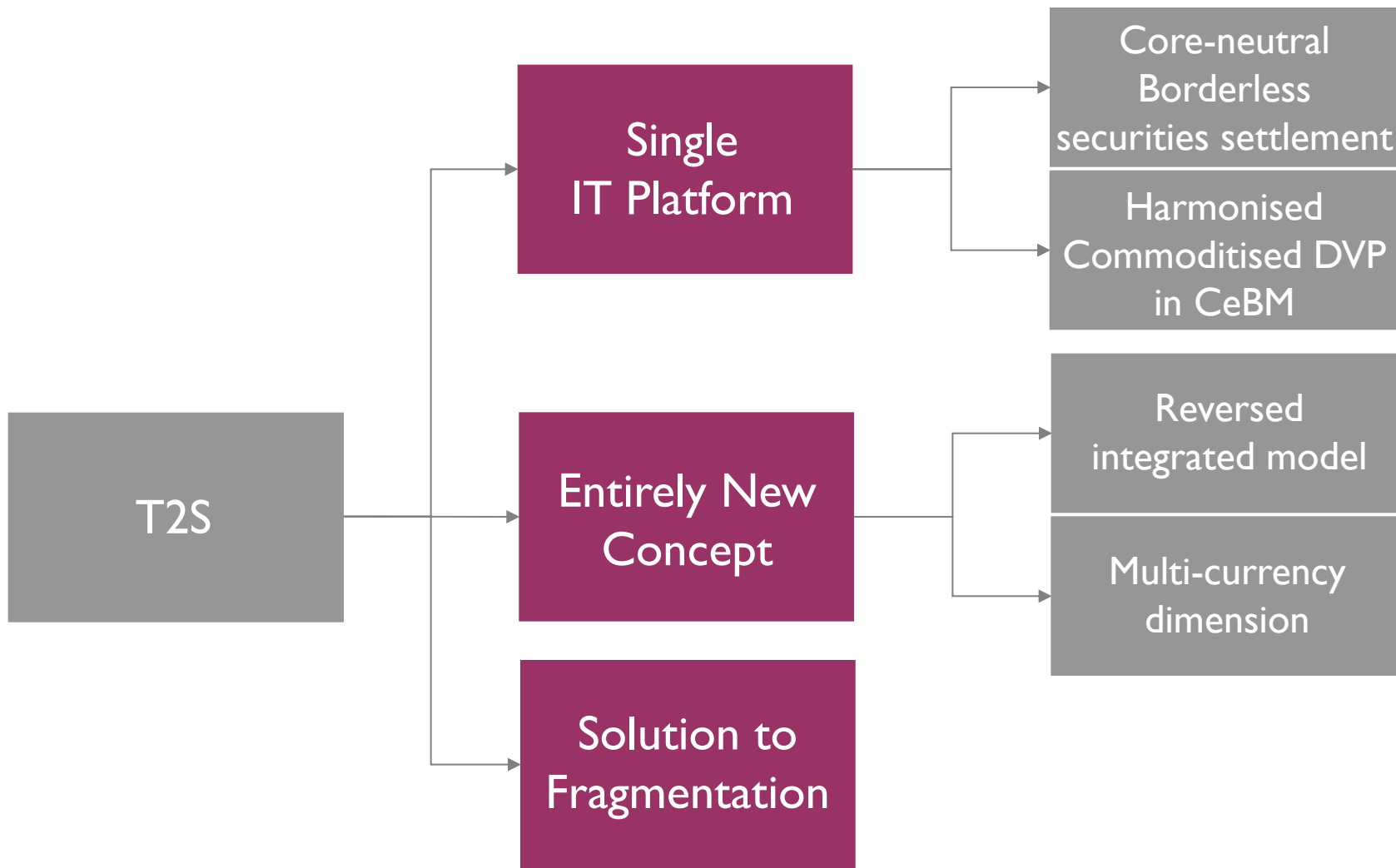
Pierre Beck
Vice-Chairman of the T2S-Board



1 Purpose and Benefits of T2S

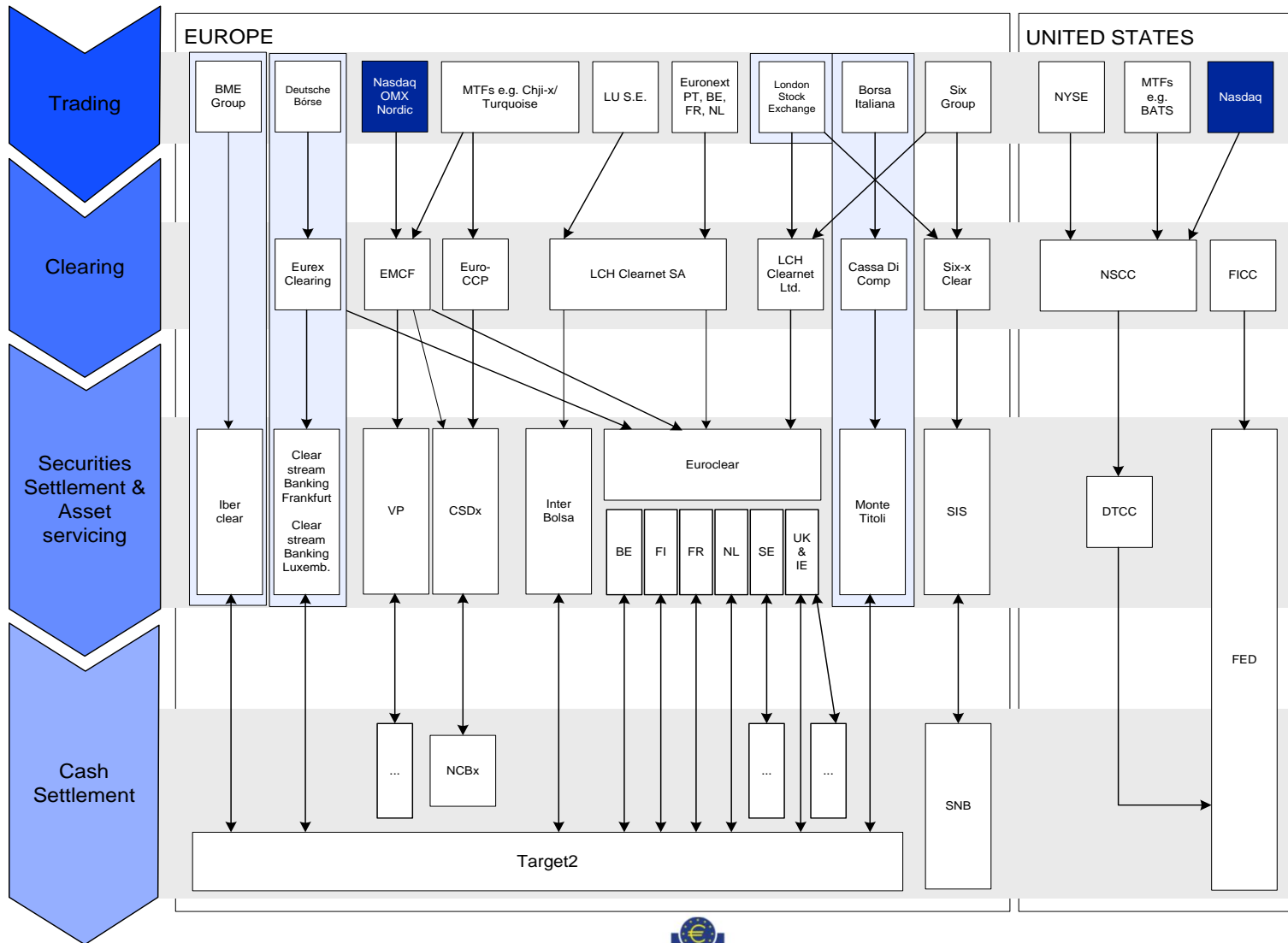
2 Functioning of T2S

3 Project Governance

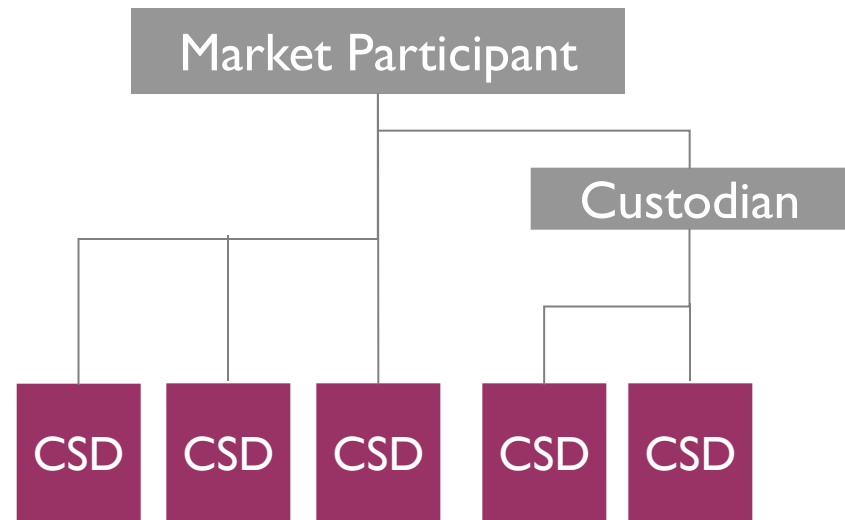
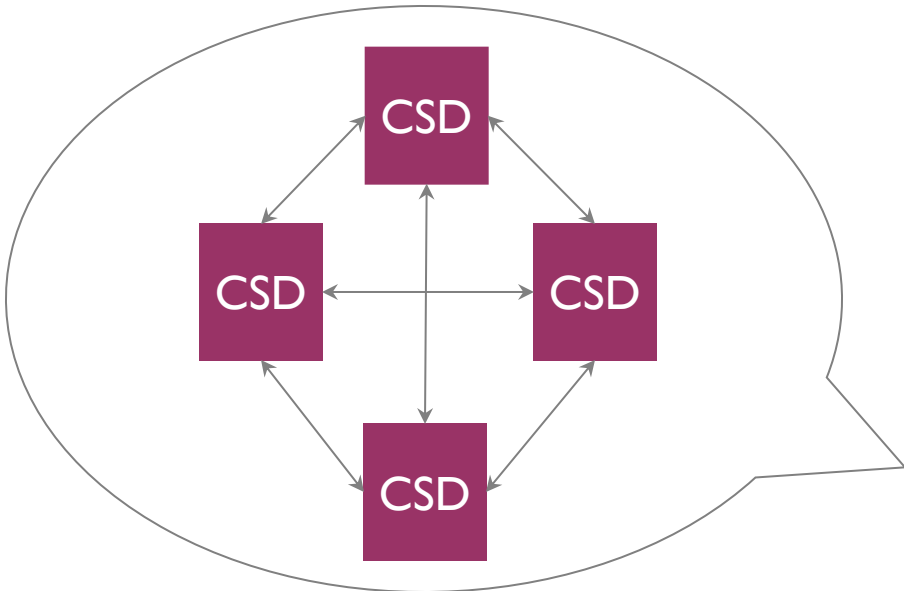


Fragmented Infrastructure

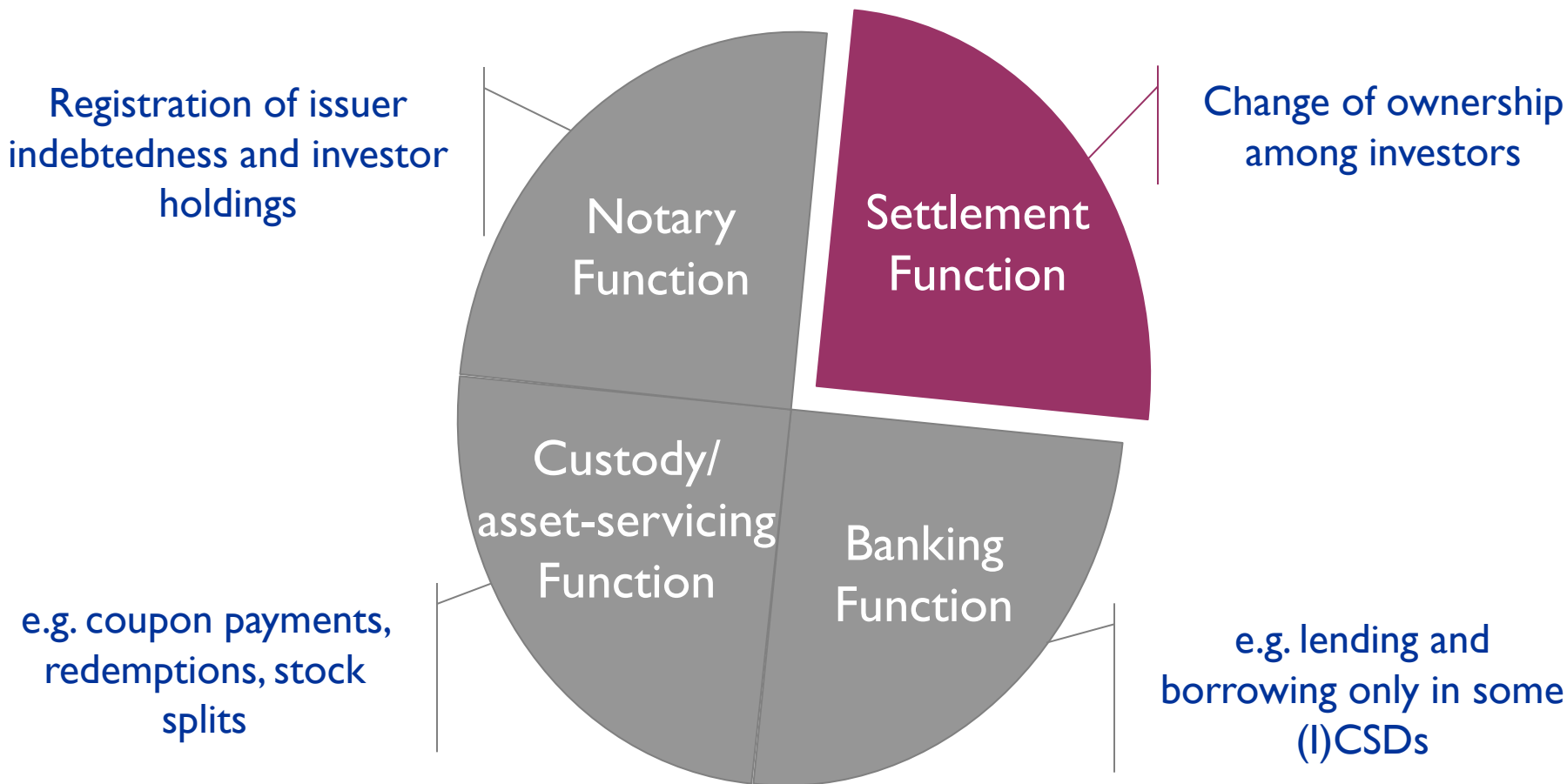
Purpose and Benefits of T2S



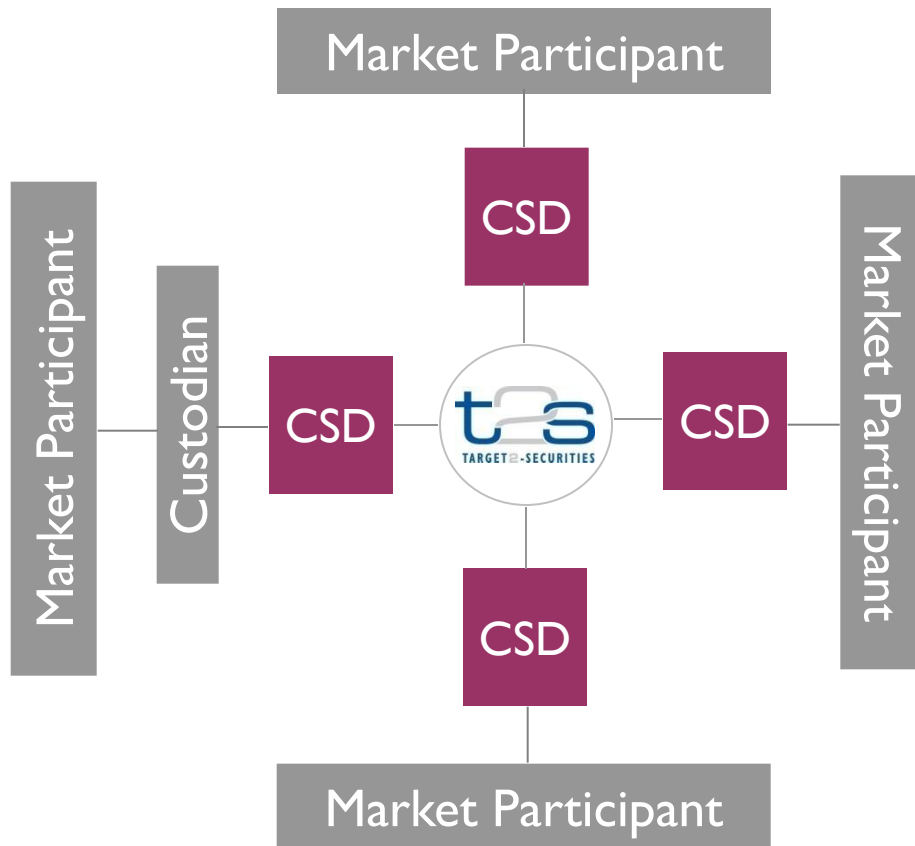
Non-integrated, cross-border settlement



A Service offered to CSDs for Settlement only



One integrated settlement process (domestic and cross-border)

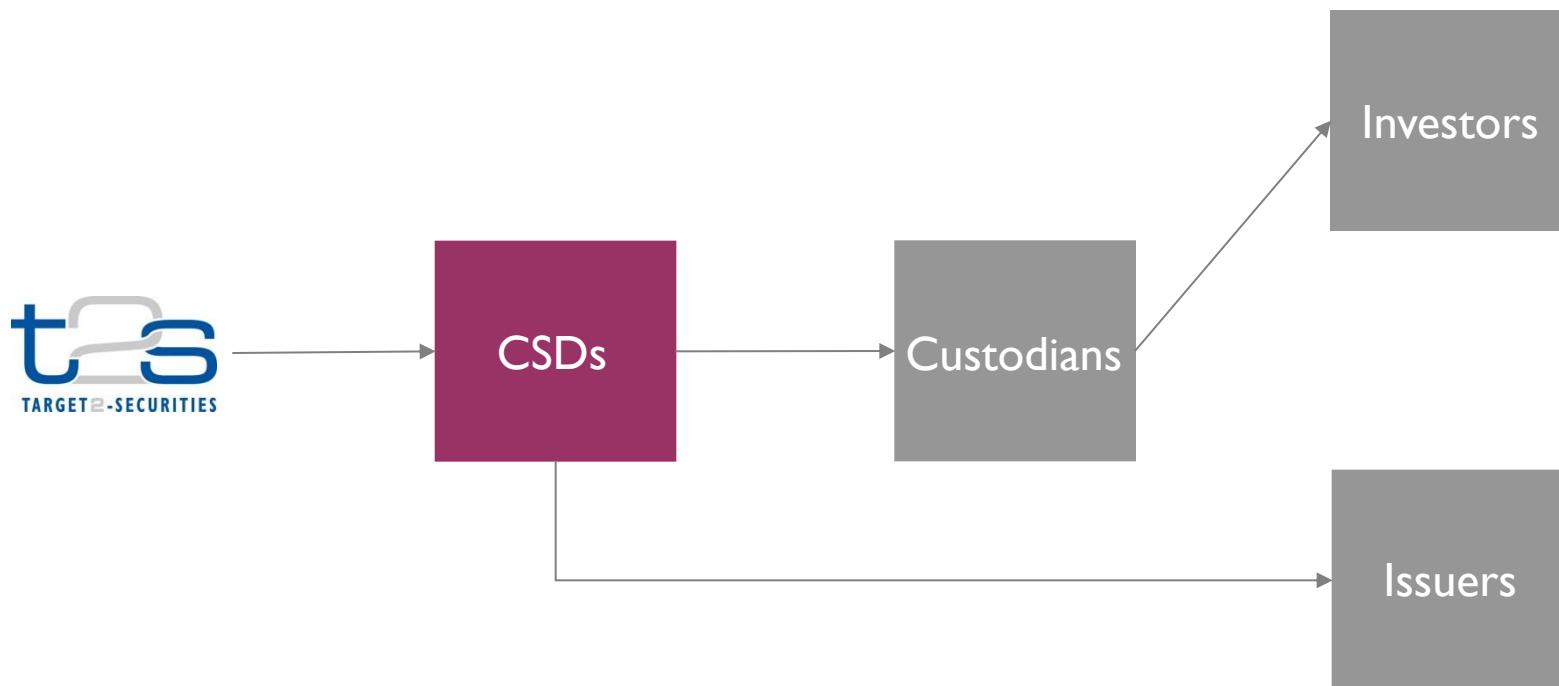


(published in 2011)

- (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



CSDR

harmonisation

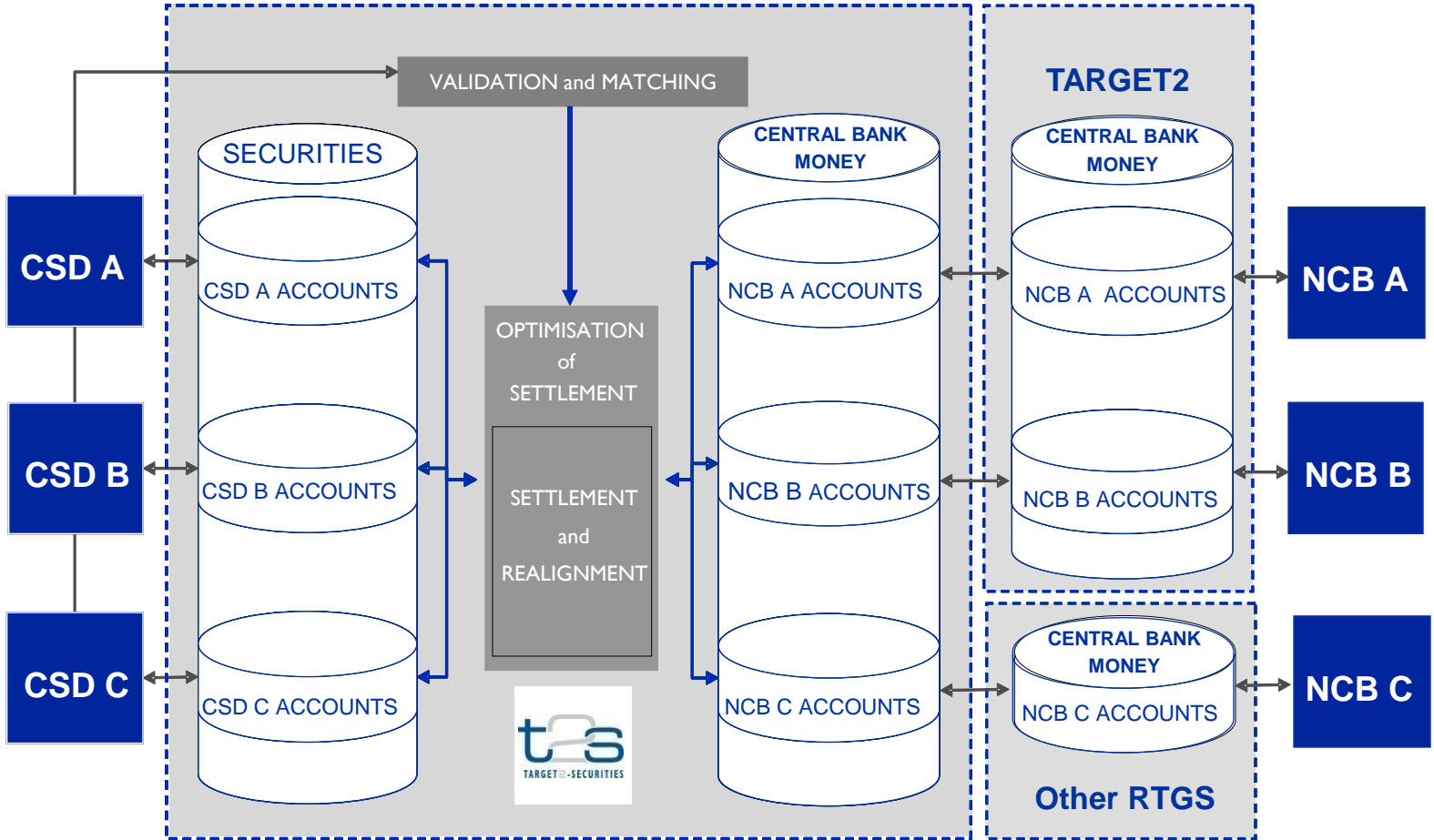
ACTIVITIES – PRIORITY 1			DEFINITION	MONITOR	COMPL.
1	T2S MESSAGES	T2S ISO 20022 messages	G	G	G
2		T2S matching fields	G	G	Y
3		Interaction for registration	G	G	G
4		Interaction for tax info	G	G	G
5		Interaction for CSD ancillary services	G	G	G
6	SCHEDULE OF SETTLEMENT DAY		G	G	Y
7	T2S CORPORATE ACTIONS STANDARDS		G	G	R
8	LEGAL HARMONISATION	Settlement finality I (moment of entry)	Y	X	X
9		Settlement finality II (irrevocability of transfer order)	G	G	G
10		Settlement finality III (irrevocability of transfers)	G	G	G
11		Law applicable/Conflicts of Law	R	X	X
12		Outsourcing IT services	R	X	X
13	SETTLEMENT DISCIPLINE REGIME		R	X	X
14	SETTLEMENT CYCLES		R	X	X
15	CSD ACCOUNT STRUCTURES	Availability of Omnibus Accounts	G	G	B
16		Restrictions on Omnibus Accounts	G	G	G
17	REGISTRATION PROCEDURES		Y	X	X
18	T2S ACCOUNTS NUMBERING	Securities accounts numbering	G	G	G
19		Dedicated cash accounts numbering	G	G	G
ACTIVITIES - PRIORITY 2			DEFINITION	MONITOR	COMPL.
20	CORPORATE ACTIONS MARKET STANDARDS	CA market (CAJWG) standards	G	G	Y
21	PLACE OF ISSUANCE		R	X	X
22	TAX PROCEDURES	Withholding tax procedures	G	Y	X
23		Transaction tax procedures	Y	X	X
24	CROSS-BORDER SHAREHOLDER TRANSPARENCY		Y	X	X
25	MARKET ACCESS		R	X	X
26	SECURITIES AMOUNT DATA		G	G	G

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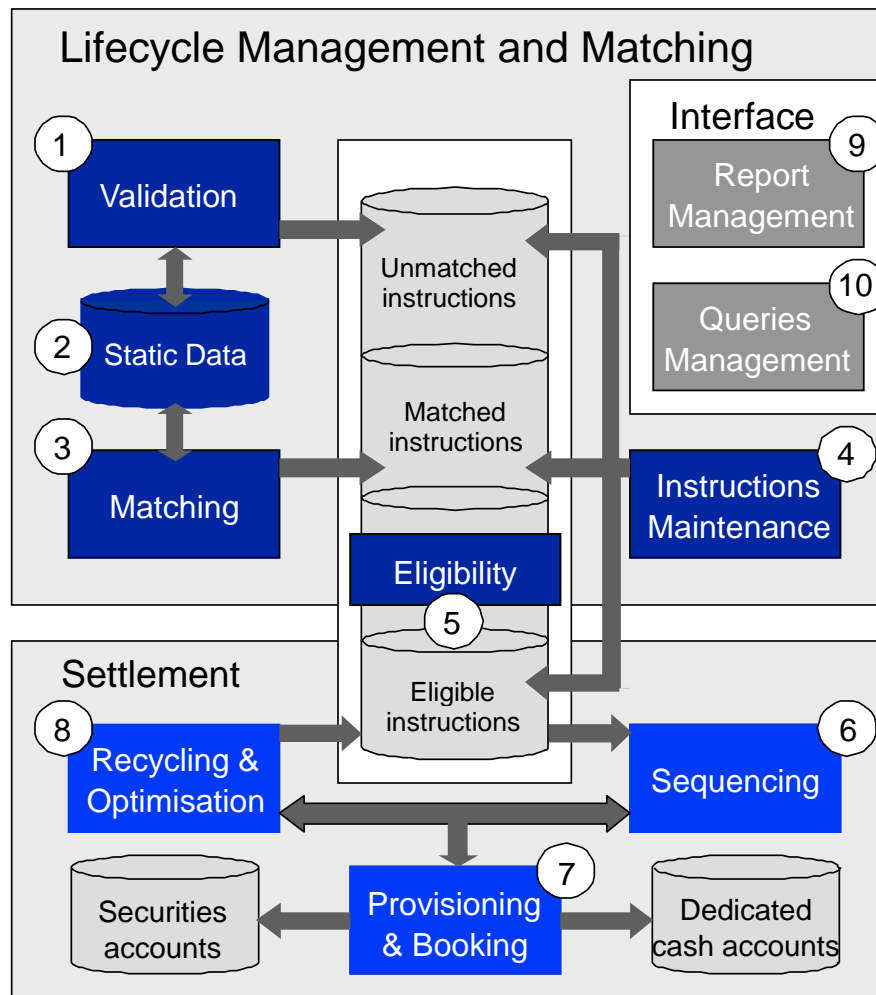
2 Functioning of T2S

3 Project Governance

The Technical Infrastructure



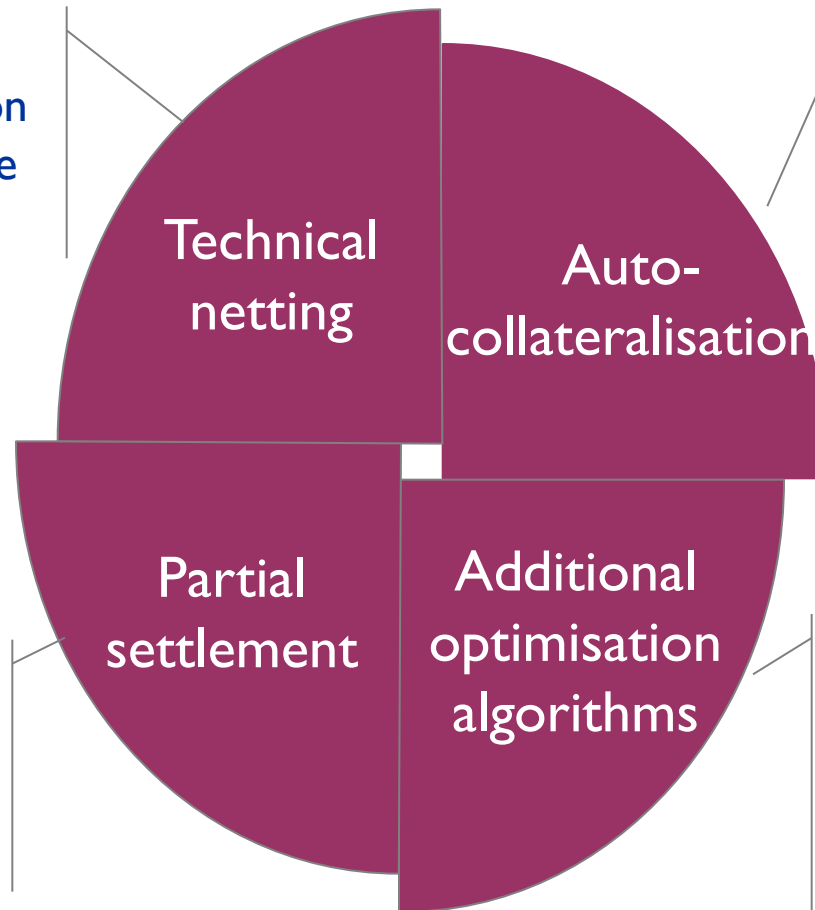
- Optimised settlement model
 - CSD securities
 - CeBM cash
- Real-time gross settlement (RTGS), combined with
 - Auto-collateralisation
 - Continuous Optimisation
 - Recycling mechanisms
- In addition, T2S provides i.a.
 - Matching services
 - Conditional securities delivery
 - Automated real-time realignment 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

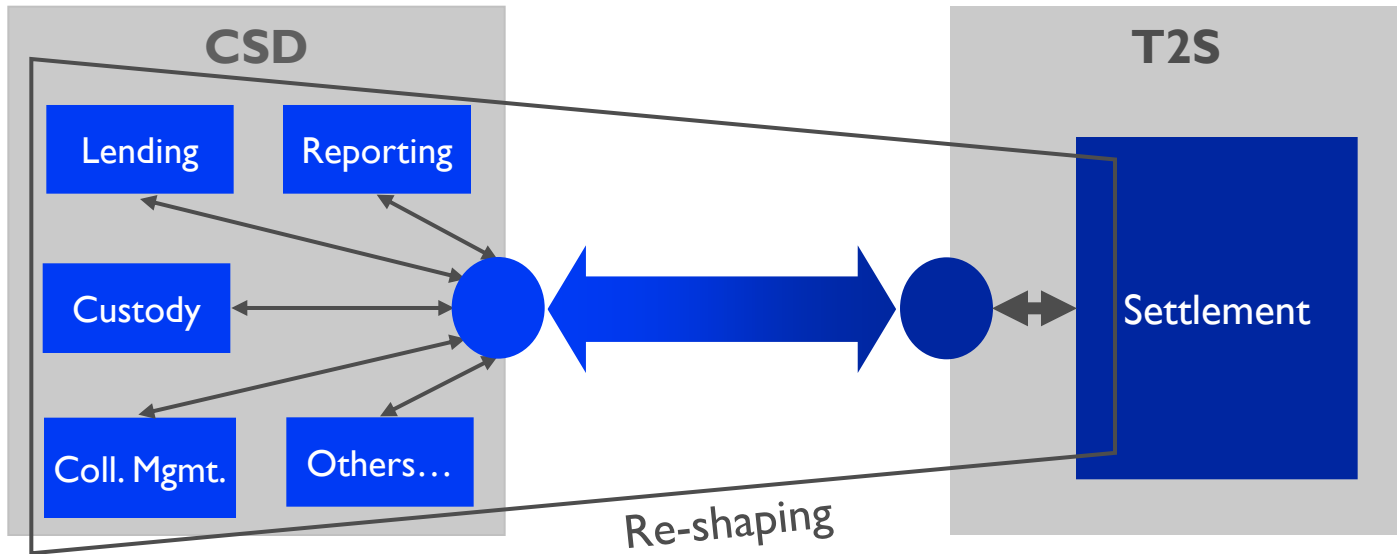


Creation of extra liquidity for settlement via collateral on flow and stock

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



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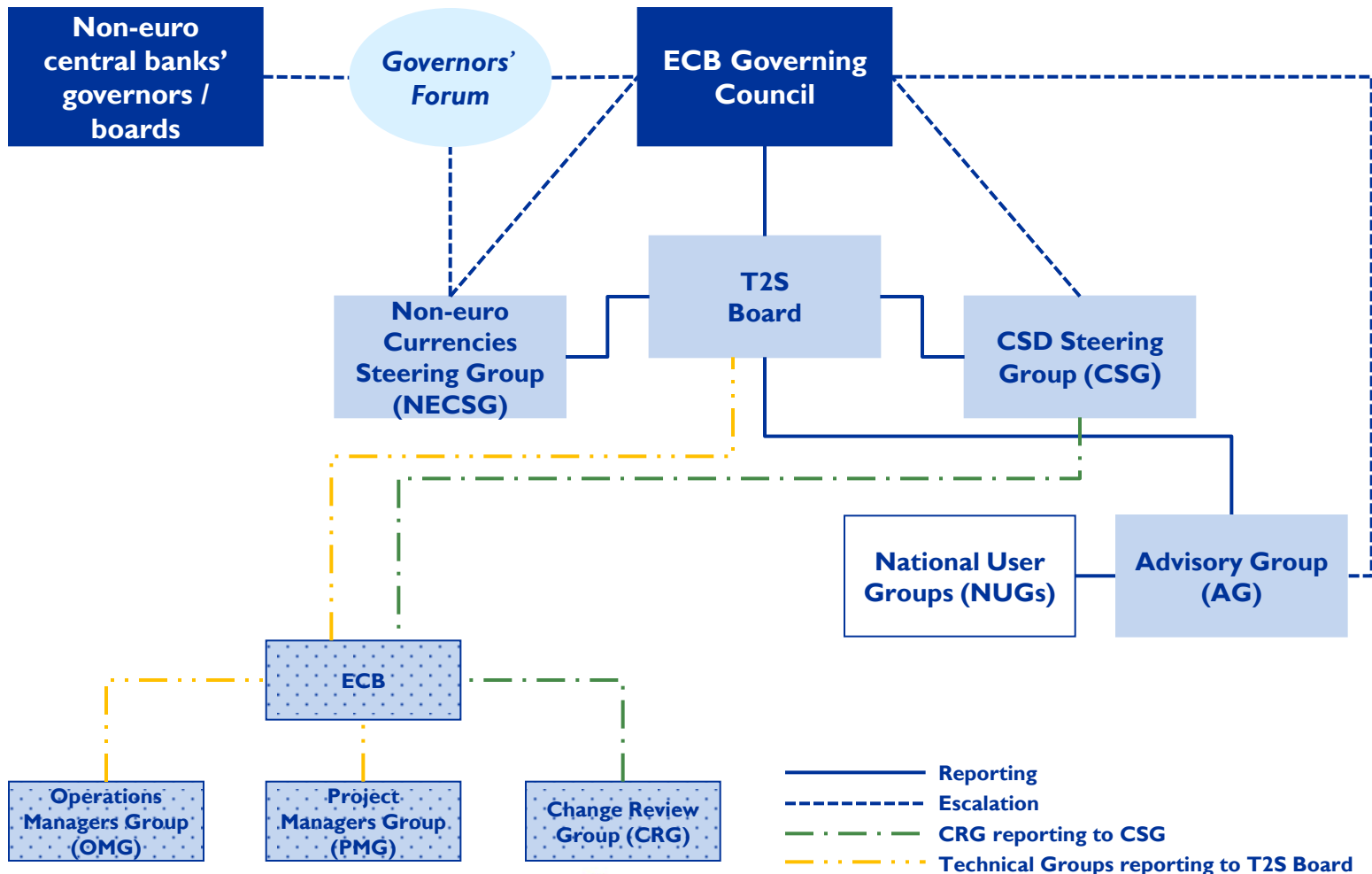
2 Functioning of T2S

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T2S Governance since 1 July 2012

Status-quo of T2S

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





T2S Community

Status-quo of T2S

Icelandic Securities Depository

Euroclear UK & IE

Euroclear NL

Euroclear BE

NBB-SSS

BNY Mellon

LuxCSD

VP LUX

Euroclear FR

Iberclear

Interbolsa

Monte Titoli

Euroclear SE

Euroclear FI

EVK

CSD of Lithuania

Latvian Central Depository

VP Securities A/S

KDPW

Clearstream Banking

SIX SIS

OeKB

CDAD

KELER

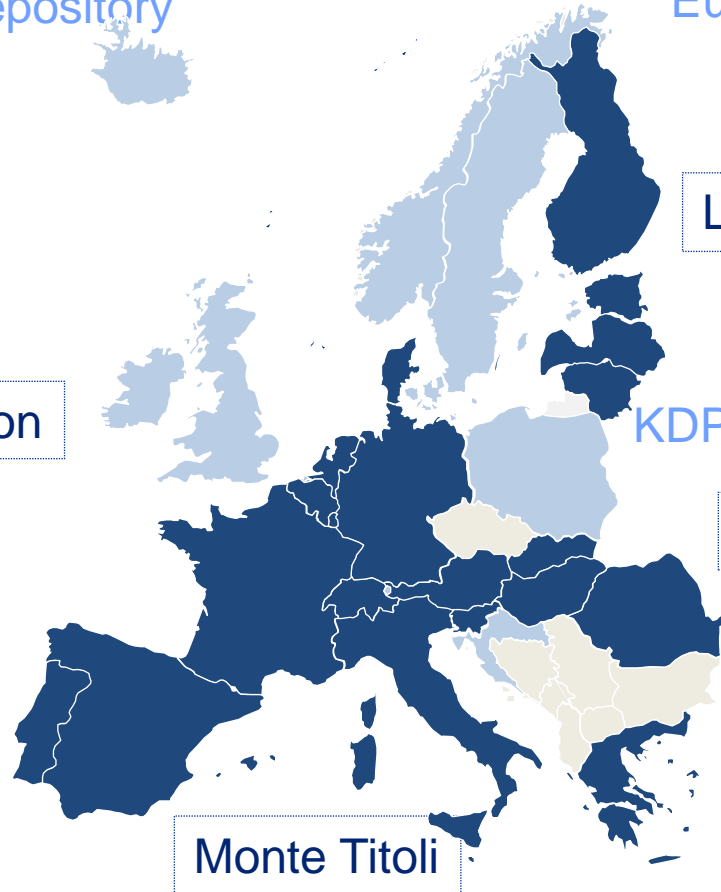
CDCP

KDD

Depozitarul Central

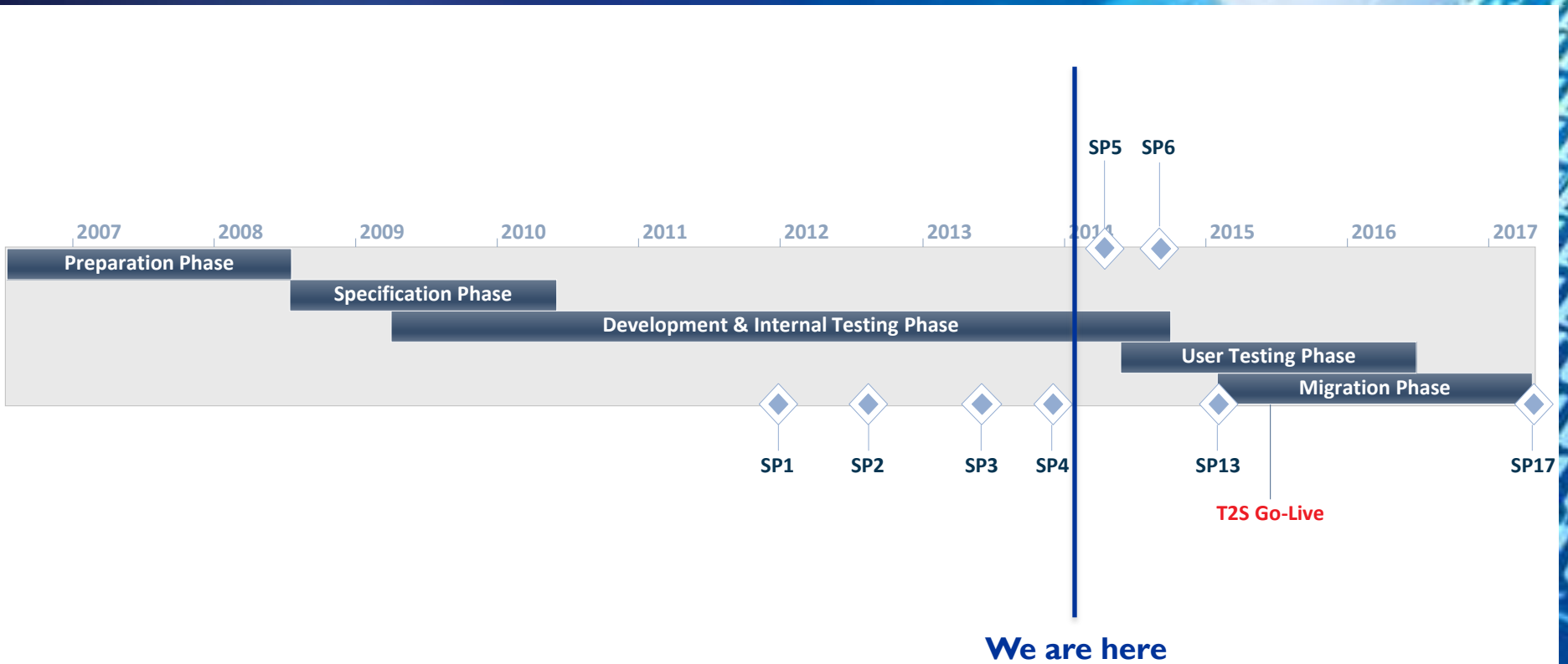
HELEX

BOGS



24 CSDs signed the T2S Framework Agreement

T2S under development



Thank you for your attention

www.t2s.eu



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