

CSDs: Euroclear Belgium (Belgium), APK (Finland), Clearstream (Germany), CRESTCo (UK), CRESTCo Ireland (Ireland), HELEX S.A. (Greece), Malta CSD (Malta), Cyprus - CDCR (Cyprus), Euroclear France (France), Interbolsa (Portugal), Monte Titoli (Italy), Euroclear Nederland (Netherlands), Iberclear (Spain), SIS (Switzerland), VP (Denmark), VPC (Sweden)

SMI Markets: Belgium, Cyprus, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Malta, Netherlands, Portugal, Spain, Sweden, Switzerland, UK

CMIRR Markets: Belgium, Cyprus, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Netherlands, Portugal, Spain, Sweden, Switzerland, UK

Date:
24 Jul
2008

Launch of the TARGET2-Securities Project - Update

Further to our previous newsflash where we announced the Governing Council of the European Central Bank's (ECB) decision to proceed to the next phase of the T2S project and to provide the resources required until its completion, a new T2S Advisory Group (AG) will be set up and the first meeting will take place on 9/10 October 2008 in Lisbon.

Full members of the new T2S AG shall include senior representatives of the CSDs that have expressed their support to T2S and their intention to enter into a contractual arrangement with Eurosystem which is to be concluded by the end of the first quarter of 2009. The contractual arrangement will include the commitment to use T2S once in operation. The CSDs that have fulfilled the aforementioned two conditions are: Clearstream, Cyprus Stock Exchange CSD, Euroclear, HELEX SA, IBERCLEAR, Interbolsa, Malta Stock Exchange plc, Monte Titoli, NCSD, SIS and VP. Interestingly, besides CDCP in Slovakia which declined the invitation, neither OeKB (Austria) or KDD (Slovenia) have been named in the list of CSDs to be included in the group. Both CSDs had supported continuing development of the programme, but OeKB had suggested that signing a contractual commitment in early 2009 may be premature, and KDD had suggested that given their resources, their involvement in T2S development may be limited.

More information about the composition of the new T2S AG is available at:

http://www.ecb.int/paym/t2s/pdf/T2S_AG_call_for_candidates.pdf

CSD Risk Impact

Euroclear Belgium (Belgium)

Impacted Risk Type: Financial Risk
Current Rating = AA
Flash Impact = On Watch

Impacted Risk Type: Operational Risk
Current Rating = A+
Flash Impact = On Watch

Euroclear's intention to support (on a qualified basis) further development and use the T2S platform as an optional settlement route alongside its Single Platform may have a risk impact in both Financial and Operational Risk areas, although it is too early to determine exactly how. Most CSDs joining T2S may decommission their settlement services and need to restructure their businesses to rely on non-settlement revenue, but Euroclear's strategy will allow them to effectively compete with T2S while offering their clients a free choice of settlement system. As such, Euroclear will not suffer as much of a threat to their business model as other CSDs. However, should their clients substantially opt to settle in T2S rather than the single platform, Euroclear will have to look at other ways to recoup the massive development costs of the ESES/SP projects. For Operational Risk, the project to link the depository to T2S is potentially open to operational disruption, and the end model based on fragmentation of settlement from other CSD services, may have an operational risk impact.

APK (Finland)

Impacted Risk Type: Financial Risk
Current Rating = AA-
Flash Impact = On Watch

Impacted Risk Type: Operational Risk

Current Rating = A+

Flash Impact = On Watch

APK's intention to support (on a qualified basis) further development and use the T2S platform as an optional settlement route alongside its Single Platform may have a risk impact in both Financial and Operational Risk areas, although it is too early to determine exactly how. Most CSDs joining T2S may decommission their settlement services and need to restructure their businesses to rely on non-settlement revenue, but APK's (as part of Euroclear in the future) strategy will allow them to effectively compete with T2S while offering their clients a free choice of settlement system. As such, VPC may not suffer as much of a threat to their business model as other CSDs. However, should their clients substantially opt to settle in T2S rather than the single platform, APK/Euroclear will have to look at other ways to recoup the massive development costs of the ESES/SP projects. For Operational Risk, the project to link the depository to T2S is potentially open to operational disruption, and the end model based on fragmentation of settlement from other CSD services, may have an operational risk impact.

Clearstream (Germany)

Impacted Risk Type: Financial Risk

Current Rating = AA+

Flash Impact = On Watch

Impacted Risk Type: Operational Risk

Current Rating = A+

Flash Impact = On Watch

Clearstream's commitment to help develop and use the T2S platform for both its Clearstream Banking Frankfurt (CBF) and Clearstream Banking Luxembourg (CBL) platforms may have a risk impact in both Financial and Operational Risk areas, although it is too early to determine exactly how. Any CSDs joining T2S that plan to decommission their settlement services will need to restructure their businesses to rely on non-settlement revenue, while the project to link the depository to T2S is potentially open to operational disruption, the end model based on fragmentation of settlement from other CSD services, may have an operational risk impact.

CRESTCo (UK)

Impacted Risk Type: Financial Risk

Current Rating = AA

Flash Impact = On Watch

Impacted Risk Type: Operational Risk

Current Rating = AA

Flash Impact = On Watch

Euroclear's intention to support (on a qualified basis) further development and use the T2S platform as an optional settlement route alongside its Single Platform may have a risk impact in both Financial and Operational Risk areas, although it is too early to determine exactly how. Most CSDs joining T2S may decommission their settlement services and need to restructure their businesses to rely on non-settlement revenue, but Euroclear's strategy will allow them to effectively compete with T2S while offering their clients a free choice of settlement system. As such, Euroclear may not suffer as much of a threat to their business model as other CSDs. However, should their clients substantially opt to settle in T2S rather than the single platform, Euroclear will have to look at other ways to recoup the massive development costs of the ESES/SP projects. For Operational Risk, the project to link the depository to T2S is potentially open to operational disruption, and the end model based on fragmentation of settlement from other CSD services, may have an operational risk impact.

CRESTCo Ireland (Ireland)

Impacted Risk Type: Financial Risk

Current Rating = AA

Flash Impact = On Watch

Impacted Risk Type: Operational Risk

Current Rating = AA

Flash Impact = On Watch

Euroclear's intention to support (on a qualified basis) further development and use the T2S platform as an optional settlement route alongside its Single Platform may have a risk impact in both Financial and Operational Risk areas, although it is too early to determine exactly how. Most CSDs joining T2S may decommission their settlement services and need to restructure their businesses to rely on non-settlement

revenue, but Euroclear's strategy will allow them to effectively compete with T2S while offering their clients a free choice of settlement system. As such, Euroclear may not suffer as much of a threat to their business model as other CSDs. However, should their clients substantially opt to settle in T2S rather than the single platform, Euroclear will have to look at other ways to recoup the massive development costs of the ESES/SP projects. For Operational Risk, the project to link the depository to T2S is potentially open to operational disruption, and the end model based on fragmentation of settlement from other CSD services, may have an operational risk impact.

HELEX S.A. (Greece)

Impacted Risk Type: Financial Risk

Current Rating = A+

Flash Impact = On Watch

Impacted Risk Type: Operational Risk

Current Rating = A+

Flash Impact = On Watch

HELEX's intention to support (on a qualified basis) further development and use the T2S platform may have a risk impact in both Financial and Operational Risk areas, although it is too early to determine exactly how.

Any CSDs joining T2S that plan to decommission their settlement services will need to restructure their businesses to rely on non-settlement revenue, while the project to link the depository to T2S is potentially open to operational disruption. The end model based on fragmentation of settlement from other CSD services may have an operational risk impact.

Malta CSD (Malta)

Impacted Risk Type: Financial Risk

Current Rating = A+

Flash Impact = On Watch

Impacted Risk Type: Operational Risk

Current Rating = A-

Flash Impact = On Watch

The Malta CSD's intention to support (on a qualified basis) further development and use the T2S platform may have a risk impact in both Financial and Operational Risk areas, although it is too early to determine exactly how.

Any CSDs joining T2S that plan to decommission their settlement services will need to restructure their businesses to rely on non-settlement revenue, while the project to link the depository to T2S is potentially open to operational disruption. The end model based on fragmentation of settlement from other CSD services may have an operational risk impact.

Cyprus - CDCR (Cyprus)

Impacted Risk Type: Financial Risk

Current Rating = BB

Flash Impact = On Watch

Impacted Risk Type: Operational Risk

Current Rating = A-

Flash Impact = On Watch

CDCR's intention to support (on a qualified basis) further development and use the T2S platform may have a risk impact in both Financial and Operational Risk areas, although it is too early to determine exactly how.

Any CSDs joining T2S that plan to decommission their settlement services will need to restructure their businesses to rely on non-settlement revenue, while the project to link the depository to T2S is potentially open to operational disruption. The end model based on fragmentation of settlement from other CSD services may have an operational risk impact

Euroclear France (France)

Impacted Risk Type: Financial Risk

Current Rating = AA

Flash Impact = On Watch

Impacted Risk Type: Operational Risk

Current Rating = AA

Flash Impact = On Watch

Euroclear's intention to support (on a qualified basis) further development and use the T2S platform as an optional settlement route alongside its Single Platform may have a risk impact in both Financial and Operational Risk areas, although it is too early to determine exactly how. Most CSDs joining T2S may decommission their settlement services and need to restructure their businesses to rely on non-settlement revenue, but Euroclear's strategy will allow them to effectively compete with T2S while offering their clients a free choice of settlement system. As such, Euroclear may not suffer as much of a threat to their business model as other CSDs. However, should their clients substantially opt to settle in T2S rather than the single platform, Euroclear will have to look at other ways to recoup the massive development costs of the ESES/SP projects. For Operational Risk, the project to link the depository to T2S is potentially open to operational disruption, and the end model based on fragmentation of settlement from other CSD services, may have an operational risk impact.

Interbolsa (Portugal)

Impacted Risk Type: Financial Risk

Current Rating = AA

Flash Impact = On Watch

Impacted Risk Type: Operational Risk

Current Rating = A+

Flash Impact = On Watch

Interbolsa's intention to support (on a qualified basis) further development and use the T2S platform may have a risk impact in both Financial and Operational Risk areas, although it is too early to determine exactly how.

Any CSDs joining T2S that plan to decommission their settlement services will need to restructure their businesses to rely on non-settlement revenue, while the project to link the depository to T2S is potentially open to operational disruption. The end model based on fragmentation of settlement from other CSD services may have an operational risk impact.

Monte Titoli (Italy)

Impacted Risk Type: Financial Risk

Current Rating = AA

Flash Impact = On Watch

Impacted Risk Type: Operational Risk

Current Rating = AA-

Flash Impact = On Watch

Monte Titoli's intention to support (on a qualified basis) further development and use the T2S platform may have a risk impact in both Financial and Operational Risk areas, although it is too early to determine exactly how.

Any CSDs joining T2S that plan to decommission their settlement services will need to restructure their businesses to rely on non-settlement revenue, while the project to link the depository to T2S is potentially open to operational disruption. The end model based on fragmentation of settlement from other CSD services may have an operational risk impact.

Euroclear Nederland (Netherlands)

Impacted Risk Type: Financial Risk

Current Rating = AA

Flash Impact = On Watch

Impacted Risk Type: Operational Risk

Current Rating = A+

Flash Impact = On Watch

Euroclear's intention to support (on a qualified basis) further development and use the T2S platform as an optional settlement route alongside its Single Platform may have a risk impact in both Financial and Operational Risk areas, although it is too early to determine exactly how. Most CSDs joining T2S may decommission their settlement services and need to restructure their businesses to rely on non-settlement

revenue, but Euroclear's strategy will allow them to effectively compete with T2S while offering their clients a free choice of settlement system. As such, Euroclear may not suffer as much of a threat to their business model as other CSDs. However, should their clients substantially opt to settle in T2S rather than the single platform, Euroclear will have to look at other ways to recoup the massive development costs of the ESES/SP projects. For Operational Risk, the project to link the depository to T2S is potentially open to operational disruption, and the end model based on fragmentation of settlement from other CSD services, may have an operational risk impact.

Iberclear (Spain)

Impacted Risk Type: Financial Risk

Current Rating = AA

Flash Impact = On Watch

Impacted Risk Type: Operational Risk

Current Rating = AA-

Flash Impact = On Watch

IBERCLEAR's intention to support (on a qualified basis) further development and use the T2S platform may have a risk impact in both Financial and Operational Risk areas, although it is too early to determine exactly how.

Any CSDs joining T2S that plan to decommission their settlement services will need to restructure their businesses to rely on non-settlement revenue, while the project to link the depository to T2S is potentially open to operational disruption. The end model based on fragmentation of settlement from other CSD services may have an operational risk impact.

SIS (Switzerland)

Impacted Risk Type: Financial Risk

Current Rating = AA

Flash Impact = On Watch

Impacted Risk Type: Operational Risk

Current Rating = AA

Flash Impact = On Watch

SIS's intention to support further development and use the T2S platform for euro settlement (at least) may have a risk impact in both Financial and Operational Risk areas, although it is too early to determine exactly how.

Any CSDs joining T2S that plan to decommission their settlement services will need to restructure their businesses to rely on non-settlement revenue, while the project to link the depository to T2S is potentially open to operational disruption. The end model based on fragmentation of settlement from other CSD services may have an operational risk impact.

VP (Denmark)

Impacted Risk Type: Financial Risk

Current Rating = AA

Flash Impact = On Watch

Impacted Risk Type: Operational Risk

Current Rating = AA

Flash Impact = On Watch

VP's intention to support further development and use the T2S platform may have a risk impact in both Financial and Operational Risk areas, although it is too early to determine exactly how. Any CSDs joining T2S that plan to decommission their settlement services will need to restructure their businesses to rely on non-settlement revenue, while the project to link the depository to T2S is potentially open to operational disruption. The end model based on fragmentation of settlement from other CSD services may have an operational risk impact.

VPC (Sweden)

Impacted Risk Type: Financial Risk

Current Rating = AA+

Flash Impact = On Watch

Impacted Risk Type: Operational Risk

Current Rating = AA

Flash Impact = On Watch

VPC's intention to support (on a qualified basis) further development and use the T2S platform as an optional settlement route alongside its Single Platform may have a risk impact in both Financial and Operational Risk areas, although it is too early to determine exactly how. Most CSDs joining T2S may decommission their settlement services and need to restructure their businesses to rely on non-settlement revenue, but VPC's (as part of Euroclear in the future) strategy will allow them to effectively compete with T2S while offering their clients a free choice of settlement system. As such, VPC may not suffer as much of a threat to their business model as other CSDs. However, should their clients substantially opt to settle in T2S rather than the single platform, VPC/Euroclear will have to look at other ways to recoup the massive development costs of the ESES/SP projects. For Operational Risk, the project to link the depository to T2S is potentially open to operational disruption, and the end model based on fragmentation of settlement from other CSD services, may have an operational risk impact.

Market Information Impact

Belgium

This information affects the data contained in the Local Market Administrative Organisations sections of the Securities Market Information Service.

Cyprus

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Denmark

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Finland

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France

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Germany

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Greece

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Ireland

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Italy

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Luxembourg

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Malta

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Netherlands

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Portugal

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Spain

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Sweden

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Switzerland

This information affects the data contained in the Local Market Administrative Organisations sections of the Securities Market Information Service.

UK

This information affects the data contained in the Local Market Administrative Organisations sections of the Securities Market Information Service.

Infrastructure Risk Ratings Impact

Belgium

Market Rating: A+

Market Flash Impact: On Watch

Impacted Risk Type: Financial Risk

Current Rating = AA

Flash Impact = On Watch

Impacted Risk Type: Operational Risk

Current Rating = A

Flash Impact = On Watch

Clearstream's commitment to help develop and use the T2S platform for both its Clearstream Banking Frankfurt (CBF) and Clearstream Banking Luxembourg (CBL) platforms may have a risk impact in both Financial and Operational Risk areas, although it is too early to determine exactly how. Any CSDs joining T2S that plan to decommission their settlement services will need to restructure their businesses to rely on non-settlement revenue, while the project to link the depository to T2S is potentially open to operational disruption, the end model based on fragmentation of settlement from other CSD services, may have an operational risk impact.

Cyprus

Market Rating: BBB

Market Flash Impact: On Watch

Impacted Risk Type: Financial Risk

Current Rating = BB

Flash Impact = On Watch

Impacted Risk Type: Operational Risk

Current Rating = A-
Flash Impact = On Watch

CDCR's intention to support (on a qualified basis) further development and use the T2S platform may have a risk impact in both Financial and Operational Risk areas, although it is too early to determine exactly how.

Any CSDs joining T2S that plan to decommission their settlement services will need to restructure their businesses to rely on non-settlement revenue, while the project to link the depository to T2S is potentially open to operational disruption. The end model based on fragmentation of settlement from other CSD services may have an operational risk impact

Denmark

Market Rating: AA-
Market Flash Impact: On Watch

Impacted Risk Type: Financial Risk
Current Rating = AA
Flash Impact = On Watch

Impacted Risk Type: Operational Risk
Current Rating = AA
Flash Impact = On Watch

VP's intention to support further development and use the T2S platform may have a risk impact in both Financial and Operational Risk areas, although it is too early to determine exactly how. Any CSDs joining T2S that plan to decommission their settlement services will need to restructure their businesses to rely on non-settlement revenue, while the project to link the depository to T2S is potentially open to operational disruption. The end model based on fragmentation of settlement from other CSD services may have an operational risk impact.

Finland

Market Rating: A+
Market Flash Impact: On Watch

Impacted Risk Type: Financial Risk
Current Rating = AA-
Flash Impact = On Watch

Impacted Risk Type: Operational Risk
Current Rating = A+
Flash Impact = On Watch

APK's intention to support (on a qualified basis) further development and use the T2S platform as an optional settlement route alongside its Single Platform may have a risk impact in both Financial and Operational Risk areas, although its is too early to determine exactly how. Most CSDs joining T2S may decommission their settlement services and need to restructure their businesses to rely on non-settlement revenue, but APK's (as part of Euroclear in the future) strategy will allow them to effectively compete with T2S while offering their clients a free choice of settlement system. As such, VPC may not suffer as much of a threat to their business model as other CSDs. However, should their clients substantially opt to settle in T2S rather than the single platform, APK/Euroclear will have to look at other ways to recoup the massive development costs of the ESES/SP projects. For Operational Risk, the project to link the depository to T2S is potentially open to operational disruption, and the end model based on fragmentation of settlement from other CSD services, may have an operational risk impact.

France

Market Rating: AA-
Market Flash Impact: On Watch

Impacted Risk Type: Financial Risk
Current Rating = AA
Flash Impact = On Watch

Impacted Risk Type: Operational Risk
Current Rating = AA

Flash Impact = On Watch

Euroclear's intention to support (on a qualified basis) further development and use the T2S platform as an optional settlement route alongside its Single Platform may have a risk impact in both Financial and Operational Risk areas, although it is too early to determine exactly how. Most CSDs joining T2S may decommission their settlement services and need to restructure their businesses to rely on non-settlement revenue, but Euroclear's strategy will allow them to effectively compete with T2S while offering their clients a free choice of settlement system. As such, Euroclear may not suffer as much of a threat to their business model as other CSDs. However, should their clients substantially opt to settle in T2S rather than the single platform, Euroclear will have to look at other ways to recoup the massive development costs of the ESES/SP projects. For Operational Risk, the project to link the depository to T2S is potentially open to operational disruption, and the end model based on fragmentation of settlement from other CSD services, may have an operational risk impact.

Germany

Market Rating: AA-

Market Flash Impact: On Watch

Impacted Risk Type: Financial Risk

Current Rating = AA

Flash Impact = On Watch

Impacted Risk Type: Operational Risk

Current Rating = A+

Flash Impact = On Watch

Clearstream's commitment to help develop and use the T2S platform for both its Clearstream Banking Frankfurt (CBF) and Clearstream Banking Luxembourg (CBL) platforms may have a risk impact in both Financial and Operational Risk areas, although it is too early to determine exactly how. Any CSDs joining T2S that plan to decommission their settlement services will need to restructure their businesses to rely on non-settlement revenue, while the project to link the depository to T2S is potentially open to operational disruption, the end model based on fragmentation of settlement from other CSD services, may have an operational risk impact.

Greece

Market Rating: A+

Market Flash Impact: On Watch

Impacted Risk Type: Financial Risk

Current Rating = A+

Flash Impact = On Watch

Impacted Risk Type: Operational Risk

Current Rating = A+

Flash Impact = On Watch

HELEX's intention to support (on a qualified basis) further development and use the T2S platform may have a risk impact in both Financial and Operational Risk areas, although it is too early to determine exactly how.

Any CSDs joining T2S that plan to decommission their settlement services will need to restructure their businesses to rely on non-settlement revenue, while the project to link the depository to T2S is potentially open to operational disruption. The end model based on fragmentation of settlement from other CSD services may have an operational risk impact.

Ireland

Market Rating: AA-

Market Flash Impact: On Watch

Impacted Risk Type: Financial Risk

Current Rating = AA

Flash Impact = On Watch

Impacted Risk Type: Operational Risk

Current Rating = AA-

Flash Impact = On Watch

Euroclear's intention to support (on a qualified basis) further development and use the T2S platform as an optional settlement route alongside its Single Platform may have a risk impact in both Financial and Operational Risk areas, although it is too early to determine exactly how. Most CSDs joining T2S may decommission their settlement services and need to restructure their businesses to rely on non-settlement revenue, but Euroclear's strategy will allow them to effectively compete with T2S while offering their clients a free choice of settlement system. As such, Euroclear may not suffer as much of a threat to their business model as other CSDs. However, should their clients substantially opt to settle in T2S rather than the single platform, Euroclear will have to look at other ways to recoup the massive development costs of the ESES/SP projects. For Operational Risk, the project to link the depository to T2S is potentially open to operational disruption, and the end model based on fragmentation of settlement from other CSD services, may have an operational risk impact.

Italy

Market Rating: AA-

Market Flash Impact: On Watch

Impacted Risk Type: Financial Risk

Current Rating = AA-

Flash Impact = On Watch

Impacted Risk Type: Operational Risk

Current Rating = AA-

Flash Impact = On Watch

Monte Titoli's intention to support (on a qualified basis) further development and use the T2S platform may have a risk impact in both Financial and Operational Risk areas, although it is too early to determine exactly how.

Any CSDs joining T2S that plan to decommission their settlement services will need to restructure their businesses to rely on non-settlement revenue, while the project to link the depository to T2S is potentially open to operational disruption. The end model based on fragmentation of settlement from other CSD services may have an operational risk impact.

Netherlands

Market Rating: AA-

Market Flash Impact: On Watch

Impacted Risk Type: Financial Risk

Current Rating = AA

Flash Impact = On Watch

Impacted Risk Type: Operational Risk

Current Rating = A+

Flash Impact = On Watch

Euroclear's intention to support (on a qualified basis) further development and use the T2S platform as an optional settlement route alongside its Single Platform may have a risk impact in both Financial and Operational Risk areas, although it is too early to determine exactly how. Most CSDs joining T2S may decommission their settlement services and need to restructure their businesses to rely on non-settlement revenue, but Euroclear's strategy will allow them to effectively compete with T2S while offering their clients a free choice of settlement system. As such, Euroclear may not suffer as much of a threat to their business model as other CSDs. However, should their clients substantially opt to settle in T2S rather than the single platform, Euroclear will have to look at other ways to recoup the massive development costs of the ESES/SP projects. For Operational Risk, the project to link the depository to T2S is potentially open to operational disruption, and the end model based on fragmentation of settlement from other CSD services, may have an operational risk impact.

Portugal

Market Rating: A+

Market Flash Impact: On Watch

Impacted Risk Type: Financial Risk

Current Rating = AA-

Flash Impact = On Watch

Impacted Risk Type: Operational Risk
Current Rating = A+
Flash Impact = On Watch

Interbolsa's intention to support (on a qualified basis) further development and use the T2S platform may have a risk impact in both Financial and Operational Risk areas, although it is too early to determine exactly how.

Any CSDs joining T2S that plan to decommission their settlement services will need to restructure their businesses to rely on non-settlement revenue, while the project to link the depository to T2S is potentially open to operational disruption. The end model based on fragmentation of settlement from other CSD services may have an operational risk impact.

Spain

Market Rating: A+
Market Flash Impact: On Watch

Impacted Risk Type: Financial Risk
Current Rating = AA
Flash Impact = On Watch

Impacted Risk Type: Operational Risk
Current Rating = A+
Flash Impact = On Watch

IBERCLEAR's intention to support (on a qualified basis) further development and use the T2S platform may have a risk impact in both Financial and Operational Risk areas, although it is too early to determine exactly how.

Any CSDs joining T2S that plan to decommission their settlement services will need to restructure their businesses to rely on non-settlement revenue, while the project to link the depository to T2S is potentially open to operational disruption. The end model based on fragmentation of settlement from other CSD services may have an operational risk impact.

Sweden

Market Rating: AA
Market Flash Impact: On Watch

Impacted Risk Type: Financial Risk
Current Rating = AA+
Flash Impact = On Watch

Impacted Risk Type: Operational Risk
Current Rating = AA
Flash Impact = On Watch

VPC's intention to support (on a qualified basis) further development and use the T2S platform as an optional settlement route alongside its Single Platform may have a risk impact in both Financial and Operational Risk areas, although it is too early to determine exactly how. Most CSDs joining T2S may decommission their settlement services and need to restructure their businesses to rely on non-settlement revenue, but VPC's (as part of Euroclear in the future) strategy will allow them to effectively compete with T2S while offering their clients a free choice of settlement system. As such, VPC may not suffer as much of a threat to their business model as other CSDs. However, should their clients substantially opt to settle in T2S rather than the single platform, VPC/Euroclear will have to look at other ways to recoup the massive development costs of the ESES/SP projects. For Operational Risk, the project to link the depository to T2S is potentially open to operational disruption, and the end model based on fragmentation of settlement from other CSD services, may have an operational risk impact.

Switzerland

Market Rating: AA
Market Flash Impact: On Watch

Impacted Risk Type: Financial Risk
Current Rating = AA
Flash Impact = On Watch

Impacted Risk Type: Operational Risk

Current Rating = AA-

Flash Impact = On Watch

SIS's intention to support further development and use the T2S platform for euro settlement (at least) may have a risk impact in both Financial and Operational Risk areas, although it is too early to determine exactly how.

Any CSDs joining T2S that plan to decommission their settlement services will need to restructure their businesses to rely on non-settlement revenue, while the project to link the depository to T2S is potentially open to operational disruption. The end model based on fragmentation of settlement from other CSD services may have an operational risk impact.

UK

Market Rating: AA-

Market Flash Impact: On Watch

Impacted Risk Type: Financial Risk

Current Rating = AA

Flash Impact = On Watch

Impacted Risk Type: Operational Risk

Current Rating = AA-

Flash Impact = On Watch

Euroclear's intention to support (on a qualified basis) further development and use the T2S platform as an optional settlement route alongside its Single Platform may have a risk impact in both Financial and Operational Risk areas, although its is too early to determine exactly how. Most CSDs joining T2S may decommission their settlement services and need to restructure their businesses to rely on non-settlement revenue, but Euroclear's strategy will allow them to effectively compete with T2S while offering their clients a free choice of settlement system. As such, Euroclear may not suffer as much of a threat to their business model as other CSDs. However, should their clients substantially opt to settle in T2S rather than the single platform, Euroclear will have to look at other ways to recoup the massive development costs of the ESES/SP projects. For Operational Risk, the project to link the depository to T2S is potentially open to operational disruption, and the end model based on fragmentation of settlement from other CSD services, may have an operational risk impact.

Related Flash: [Launch of the TARGET2-Securities Project, 20/07/2008 \(click to view\)](#)

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