

CSDs: Global (Global)

Date: 05 Jul 2011

SMI Markets: Global

Summary of T2S Progress

Further to our previous newsflashes, during the recent TARGET2-Securities Advisory Group (T2S AG) meeting, an update on the T2S project was presented. The salient points of the meeting are as follows:

Framework agreement

As the negotiations with the CSDs in many countries are still ongoing and many issues are under discussions, the T2S AG has expressed that the delivery of the framework agreement to the Governing Council in July 2011 could not be met. Currently users are invited to provide their comments on the framework agreement by 20 August 2011.

Functional scope of T2S

It is believed that changes to the functional scope of the project (which has a very limited margin for implementing new functionalities) may lead to a delay of the T2S go-live date. Moreover, having received more than 900 comments on the UDFS public consultation, the 4CB confirmed that their objective is to address all the comments and publish an updated UDFS version 1.2, by 31 October 2011.

Review of the general principles of T2S

Following discussions on the settlement finality in T2S, the ECB published a document on 20 June 2011, clarifying that technical finality will take place in T2S while legal finality in the respective CSD (with no time difference). The T2S team is expected to present a draft proposal for a consultation paper in July, to have it finalised by the next AG meeting in September 2011.

Finalisation of T2S price list

A finalised price list was presented with the actual prices (calculated in EUR) that will be required in order to achieve the target of 25% of T2S revenues. The calculation was based on the expected use of the various chargeable information service and relative IT processing capacity.

CSD Reshaping

The depositories agree that the cost of settlement may initially rise due to the adaptation to T2S. Users explained that they still expect savings to be realised by CSDs, decommissioning their legacy systems, the timing of which may depend on their investment cycles. Moreover, competition between CSDs is also seen as a driver for cost reduction. In addition, users believe that CSDs should not shift margin/revenue generation from transaction pricing to charges for asset servicing. Finally, it is emphasised that the depositories should put a lot of effort towards reshaping their businesses before T2S goes live.

Connectivity

The Programme Board advised that they are considering two options for the connectivity:

- A network concentrator with line providers connected to it and chosen by direct connected parties;
- ESCB internal network (currently used) providing end to end connectivity, under Eurosystem's responsibility.

One of the two options is expected to be chosen by September 2011.

The agenda of the meeting with the respective documents can be found here: [T2S Advisory group – 14th meeting](#).

CSD Risk Impact

Global (Global)

CSD Rating: -

CSD Flash Impact:

This newsflash is for information only.

Market Information Impact

Global

This newsflash is for information only.

Related Flash: [Consultation on T2S UDFS Launched, 28/03/2011 \(click to view\)](#)

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