



EUROPEAN CENTRAL BANK

EUROSYSTEM



T2S OnLine
QUARTERLY REVIEW
No 6, Autumn 2010

EDITORIAL

T2S PROJECT UPDATE

INSIGHT

BAYLE'S VIEW

INTRODUCING THE
NEW PB MEMBERS

T2S IS OnLine FOR YOU



Jean-Michel Godeffroy

EDITORIAL

The Governing Council has just confirmed the pricing proposal that emerged from the T2S Programme Board's discussions with the market. Until the end of 2018, T2S will guarantee a price of 15 cent for the settlement of a delivery-versus-payment (DvP) instruction on the conditions outlined in the article prepared by Markus Mayers for this issue of T2S OnLine. In the longer-term, we are confident that prices will decrease further as a result of, first, the increase in trading volumes due to the dynamic effects of a harmonised and competitive post-trading market in Europe and, second, the additional participation in T2S of new markets that might join after the first wave of migration.

We are, of course, aware that the 15 cent that T2S will charge is just one component of the total end-to-end cost of settlement. Now that the uncertainty about the T2S price has been removed, attention is shifting towards the other components, in particular the costs that market infrastructures will have to incur in order to adapt to T2S and how these adaptation costs will be passed on to market participants.

The baseline settlement price of 15 cent already provides a great deal of scope for central securities depositories (CSDs) to offer their domestic clients an end-price that is equal to, or even less than, the current price. To achieve this, CSDs and their market participants need to start working together in defining their adaptation strategy. [Long-term planning is essential if we are to achieve the highest level of cost-efficiency and maximise the benefits that T2S will bring.](#)

In any event, the fact that T2S will open the settlement market up to competition between different providers – including new and potentially low-cost entrants – means there will be a degree of pressure to keep prices for domestic clients as low as possible. As regards cross-border business, it was clear from the beginning that very significant price reductions could be achieved (up to 90% in most cases).

[A further crucial way by which to ensure that settlement costs are kept as low as possible is to seek out greater economies of scale; these can be achieved, principally, by maximising the participation of non-euro area countries with their national currency in T2S.](#) We therefore remain firmly committed to continuing our dialogue with all non-euro stakeholders, especially central banks, in order to reach an agreement.

In this respect, excellent progress has been made by the Task Force on the Currency Participation Agreement. This task force – which is composed of representatives from both euro area and non-euro area central banks and chaired by my colleague from the T2S Programme Board, Jochen Metzger – has been working on the contractual arrangements for the non-euro area central banks that are considering making their currency available in T2S. In particular, it has been discussing the governance arrangements, which are of critical importance.

[It should be emphasised that T2S was, from the beginning, conceived as a veritable multi-currency system – on a technical, operational and political level.](#) In terms of both day-to-day operational control and strategic decision-making, non-euro area central banks will have the same level of influence within T2S as the Eurosystem central banks. We have

EDITORIAL

put in place some key safeguards to make certain that future decisions regarding T2S do not go against the interests of the non-euro area central banks. Ensuring that each currency has the same degree of influence is the only way in which such a multi-currency system can succeed; the system must carry such a guarantee if it is to be accepted by the independent central banks.

Last month I visited several non-euro area central banks and markets in order to explain and discuss our proposal on a bilateral basis. These meetings proved very helpful in building support for T2S. [I therefore remain confident that we can reach an agreement on the Currency Participation Agreement with a large number of the central banks.](#)

What surprised me during my recent trips was the importance that many banks assigned to harmonisation. [Some of them went as far as to say that the savings to be made via T2S in the area of information systems were rather small in comparison with the economies they could make if T2S were to be accompanied by the right harmonisation measures.](#) This echoes what was said at the meeting of the T2S Advisory Group in September. We are definitely willing to help in this field, albeit within the limits of our resources and while ensuring that we neither duplicate the efforts made by other groups nor lose sight of our main objective: keeping T2S on track for delivery on time. T2S offers both a deadline (September 2014) and a forum (the T2S Advisory Group). It goes without saying that our efforts will be co-ordinated with the European Commission. In this issue of T2S OnLine, Marc Bayle provides more information on the harmonisation activities scheduled for the coming weeks and months.

I would now like to draw your attention to the other articles in this issue of T2S OnLine that I have not yet mentioned. As usual, you will find a project update by Helmut Wacket. In addition, you will have the pleasure of reading exclusive interviews with Iwona Sroka and Adriana Tanasoiu (the CEOs from the CSDs of Poland and Romania respectively), in which they explain their strategies for T2S. This edition of the T2S OnLine closes with the introduction of the two new alternates on the T2S Programme Board.

I hope you enjoy this issue.

Jean-Michel Godeffroy
Chairman of the T2S Programme Board

29 November 2010

T2S PROJECT UPDATE

Pricing

After discussing heavily the pricing structure for T2S with the market, we are happy to announce that the Governing Council has now committed to a maximum unit price of 15 cent per DvP instruction during the period from September 2014 to December 2018. The offer is subject to the following conditions: (i) non-euro currencies will add at least 20% to the euro settlement volume; (ii) the securities settlement volume in the EU will not be more than 10% lower than the T2S Programme Office's projected volumes, which in turn are based on market advice; and (iii) tax authorities will confirm that the Eurosystem will not be charged VAT for T2S services. Further information on this matter is provided in an article by Markus Mayers in the "Insight" section of this issue of T2S Online.

Network provision

T2S participants will need to interact with the T2S platform by sending and receiving messages via a network. This service will be offered by a maximum of three external network providers. These network providers will be selected on the basis of demanding criteria relating to security, reliability, efficiency and disaster recovery. If more than three providers satisfy the criteria, the final selection will favour those offering the best value for T2S users. In the last few months, much progress has been made in preparing the legal documentation for the tender. Moreover, roles and responsibilities have been defined: the T2S Programme Board will designate the members of the selection panel, while the Banca d'Italia will be mandated by the Eurosystem to conduct the procedure. The selection process will be launched at the beginning of 2011 with the intention of reaching a decision on the three network providers by September 2011 at the latest. For further information, please refer to the ECB presentation given during the technical dialogue on T2S user connectivity, organised by De Nederlandsche Bank and KAS BANK N.V., on 26 October 2010 <http://www.ecb.europa.eu/paym/t2s/html/dialogue.en.html>.

Framework Agreement

In July this year, the draft Framework Agreement was submitted to securities regulators with a view to obtaining their preliminary feedback. In its formal response, the Committee of European Securities Regulators (CESR) expressed its strong support for T2S and provided very valuable feedback on questions currently under discussion. In the light of the CESR's comments, the T2S Programme Board will continue to negotiate with the CSDs in order to finalise the Framework Agreement, including its technical annexes. To allow full transparency and seek the market's input, the T2S Programme Board envisages making the Framework Agreement available to the Advisory Group in early 2011. Hereafter, the Eurosystem intends to finalise the agreement and sign it with participating CSDs in 2011 after the summer.

User Detailed Functional Specifications

The User Detailed Functional Specifications (UDFS) is a critical technical document of about 10,000 pages which aims to provide information to CSDs, NCBs and other T2S directly connected parties, allowing them to design and build the information systems interface required by T2S. To facilitate interaction with the relevant stakeholders and obtain their input, dedicated workshops have been, and will continue to be, held on the draft deliveries of the UDFS. Based on the outcome of these workshops, an official market consultation on the UDFS will be launched in March 2011.



Helmut Wackett, Head of the External Stakeholders Management Section in the T2S Programme Office

INSIGHT

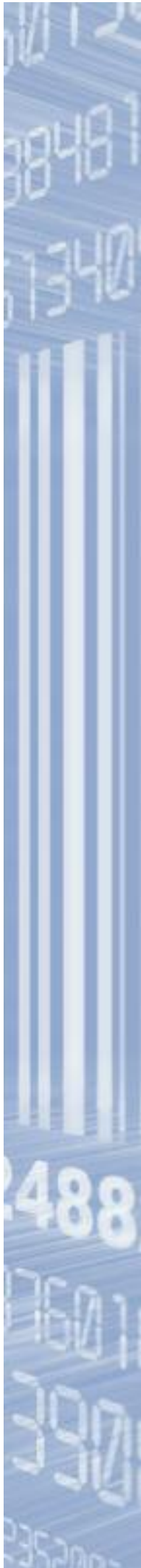
15 CENT FOR A DvP INSTRUCTION IN T2S: ROCKET SCIENCE, MAGIC OR SIMPLE ARITHMETIC?

When the T2S Economic Impact Assessment by the ECB was published in June 2008, stating that T2S would reach full cost-recovery and would aim to lower prices for the processing of a DvP instruction in T2S to as little as 15 cent, it did not seem to be too optimistic an economic objective. The market had seen consistently high settlement volumes in the previous years and, therefore, it was not unreasonable to expect high settlement volumes in T2S from the day it went live. However, the T2S stakeholders, including the Eurosystem, did not have the full picture at the time, as some of the variables were still unknown. The Eurosystem has never lost sight of its objective, despite the numerous imponderables that it has been up against since 2008, in particular as a result of the financial crisis. **Today, we are certain that the T2S price list, applicable as from September 2014, will indeed give a price for a DvP instruction that will not exceed 15 cent.** One may legitimately ask how this is possible in an environment of declining market volumes (-15% per annum since 2008), structural changes (e.g. central counterparty clearing has been introduced in several European markets such as Denmark, Finland, Sweden and Norway), uncertainty regarding T2S currency coverage, and imprecise settlement data reported by some CSDs, which reduce the volumes reported? Is this Eurosystem rocket science, magic or simple arithmetic?

Looking at the financial equilibrium of T2S, we see that, on the T2S cost side, development and running costs have become more concrete, even though they have increased compared with 2008. Of the calculated T2S costs that the Eurosystem will have to charge to the CSDs for using the T2S services (see Figure 1), roughly 75%, including interest for financing, are attributable to the four central banks (the Deutsche Bundesbank, the Banca d'Italia, the Banque de France and the Banco de España) involved in the development and operation of the settlement platform; 20%, including interest for financing, are initially borne by the ECB, which is responsible for coordinating activities and supporting the T2S Programme Board, and 5% are accounted for by a financial buffer established to cover currently unforeseeable and/or unquantifiable T2S costs. Applicable fixed fees that RTGS system operators (e.g. TARGET2) are likely to charge T2S for the interaction between the relevant RTGS systems and T2S are currently estimated to be in the region of €0.6 million; these costs are already included in the T2S development and running costs.

Figure 1: T2S costs that will translate into T2S settlement and settlement-related fees, based on a cost-recovery period of seven years of full T2S operation plus one year of migration

	Total for development phase (Jan. 2008 - Sep. 2014)	Annual average for migration and operational phase (Sep. 2014 - Sep. 2022)
T2S development and running costs	€346.5 million	€60.2 million
Capital costs	€22.8 million	€8.3 million
Contingency reserve	None	€5.1 million



On the T2S revenue side, the fact that T2S stakeholders have agreed on a lean T2S pricing structure, with 75% of the T2S fees expected to come from T2S settlement and account management services and 25% from an efficient and effective use of T2S information services, has proven to be very helpful.

Nevertheless, in order to be able to solve the T2S equation, three important factors still needed to be determined in view of calculating the benchmark price for a DvP instruction and translating the T2S costs into T2S fees that are tangible for the market: the T2S settlement volume at the start of T2S, the future volume growth and the duration of the cost-recovery period.

As regards the T2S settlement volume at the start, one of the lessons the T2S Team has learnt from the financial crisis is that the best volume estimate remains an estimate by its very nature. Projecting accurately the number of securities transactions that will ultimately be settled in T2S is extremely difficult since we can neither expect miracles, nor do we have a crystal ball that tells us what the settlement volumes will be up to 2022. Therefore, we asked the T2S Advisory Group (AG) for advice and took their estimates as the basis for our assumptions. Even though we have full confidence in the AG, central bankers nevertheless tend to be cautious. Therefore, committing to a benchmark DvP price in T2S was only possible under three conditions: first, the Eurosystem would not be charged value added tax; second, transactions of non-euro currencies should add at least 20% to the euro settlement volume – a level that the Eurosystem can reasonably expect to materialise; and third, EU settlement volumes develop within a 10% volume corridor. Within this 10% volume corridor, the Eurosystem has agreed to bear the financial risk throughout the whole T2S operational phase, but it would be unreasonable to expect the Eurosystem to bear the risk of market developments in addition to this. Under these conditions, the Eurosystem will guarantee a settlement fee of as low as 15 cent per DvP instruction from the start of T2S operations until the end of 2018. The Eurosystem is confident that, on account of its conservative assumptions, it will be able to lower transaction fees further after 2019. Nevertheless, in order to facilitate market participants' future planning, it has committed itself, even in the most unfavourable of circumstances, not to increase fees by more than 10% per annum until the end of the cost-recovery period.

As regards establishing a period of time for T2S cost-recovery, competition elements have played a pertinent role. The market and the relevant authorities have accepted that T2S will become the single settlement engine for virtually all securities in Europe. By its very nature, T2S will move competition up the value chain. Furthermore, it is noted that T2S will be an IT infrastructure involving comparably low IT hardware costs. Having considered these elements, the Eurosystem suggests a T2S cost-recovery period of seven years of full operation plus one year of migration.

So, here we are! The combination of cost consciousness, market insight and foresight as well as entrepreneurial prudence has enabled the Eurosystem to propose a price of 15 cent for the settlement of a DvP instruction in T2S until the end of 2018. The T2S Programme Office believes that owing to its conservative assumptions, T2S fees could even be further reduced, as it expects increasing traffic on account of the existing low

T2S settlement prices, as well as additional efficiency gains resulting from a single market for settlement in central bank money. The positive market feedback on the T2S pricing proposal, presented to the market on the occasion of the October 2010 SIBOS conference, clearly shows that, after all, determining a reasonable and acceptable price for T2S instructions does not require the application of rocket science but of simple arithmetic paired with prudence and vision.



Markus Mayers, T2S Programme Office



Iwona Sroka,
President and CEO of
Krajowy Depozyt Papierów
Wartościowych (KDPW),
the Polish National Depository
for Securities



Adriana Tanasoiu,
CEO of Depozitarul Central S.A.,
the Romanian Central
Securities Depository

INSIGHT

INTERVIEW WITH ADRIANA TANASOIU AND IWONA SROKA

Ms Tanasoiu, Depozitarul Central S.A. was one of the first CSDs outside the euro area to show an interest in T2S. Why did you decide to join T2S so early on?

Adriana Tanasoiu:

Depozitarul Central S.A. was among the first CSDs outside the euro area to realise that the T2S initiative could not be ignored and that it was important to understand at an early stage how to benefit from it. Europe is approaching a key period in the delivery of a single integrated European capital market. T2S is just one element of a complex strategy designed to achieve efficiency and reduce risk in European clearing and settlement. Other elements include the Markets in Financial Instruments Directive, the European Code of Conduct for Clearing and Settlement, and other harmonisation initiatives aimed at removing the so-called “Giovannini barriers”. Things are changing rapidly in the post-trading world. As a leading institution in the market, we have a duty to deliver services for the long-term benefit of our clients – both domestic and international – by continuously enhancing efficiency and reducing the costs and risks for the market we serve, thus facilitating greater liquidity.

T2S will definitely change today’s business models in the post-trade environment, and, despite the threats that many perceive, we believe that it will bring opportunities and we are determined to capitalise on these.

Ms Sroka, KDPW was initially reluctant to join T2S. What has convinced you to sign the Memorandum of Understanding?

Iwona Sroka:

The reason for the initial reluctance on our part was a degree of caution in the face of a fundamental change to the securities settlement business and concerns that this change would lead to the marginalisation of small and medium-sized depositories, such as KDPW, within Europe. At the beginning it was difficult to assess the likely impact of the project and we spent some time observing its progress. **What actually convinced us to sign the Memorandum of Understanding was the sheer number of CSDs taking part in the T2S initiative, as well as the guarantee of a level playing field in T2S;** we were assured that the same settlement fee would stand for all CSDs in T2S (with no volume discount) and that the composition of fees with the share of fixed fees would not be detrimental to small and medium-sized CSDs. Taking into account our strategy of openness towards European integration (a priority of the new KDPW Management Board) it would not be appropriate to stand on the sidelines of a Europe-wide initiative engaging all other CSDs, just as it would be ill-advised to isolate the Polish market from international capital flows.

What are the strategic objectives of your institution? What part does T2S play in this respect?

Adriana Tanasoiu:

Depozitarul Central S.A. has the capability and the desire to be a pioneer in the T2S



INSIGHT

process and to offer early advantages to our present and future clients, whether domestic or international. We have the adaptability and results necessary to increase post-trade market efficiency across asset classes for both domestic and international activities. **We strongly believe that the ones who will reap the greatest benefits from T2S are those who are able to adapt at an early stage and offer a one-stop shop and value-added services to their domestic and international clients.**

We are supporters of the various regulatory initiatives within the European Union intended to improve market efficiency and financial stability. In T2S, we see a unique opportunity for the public and private sector to shape together the future of our industry. We are in constant dialogue with the financial community via the Romanian National User Group, chaired by Depozitarul Central S.A.; this ensures that all possible concerns are flagged and addressed at an early stage.

Iwona Sroka:

The new KDPW strategy has been formulated on the basis of the existing advantages of the Polish capital market, which is the biggest market in central and eastern Europe as regards GDP, market capitalisation and turnover. Given the fact that the Polish economy was the only one in Europe to withstand the last economic crisis, and given the current developments in the Polish market, as supported by the privatisation process (i.e. the initial public offering of big and sound companies, such as PZU, the insurance company; Tauron, the electrical power company; or the Warsaw Stock Exchange itself), the market has become more attractive to foreign investors as regards the depth of the capital market and the economy. Our objective is to use these advantages for the building of a regional financial centre in Warsaw and in order to become one of the principal depository institutions in central and eastern Europe. **We believe that T2S, by reducing costs and lowering the operational barriers to the cross-border settlement of securities transactions and corporate action processing, will encourage foreign investors to explore our market, providing Polish issuers with access to capital and strengthening the position of KDPW by providing interoperability with other CSDs.**

Where do you see the greatest benefits of T2S for your institution?

Adriana Tanasoiu:

T2S will create a single, borderless pool of pan-European securities, as well as providing a core, state-of-the-art settlement process. Those that gain will be those who adjust very quickly to this new opportunity and are able to transmit the benefits to their customers. Depozitarul Central S.A. will have the possibility to offer settlement in T2S to its customers, opening up new business opportunities for them.

We expect to see increased volumes of cross-border activity, generated by more clients, who invest both domestically and internationally. Because we are building value-added services, we intend to provide our domestic and international clients with a one-stop shop, offering a complete range of easy-to-access post-trade services.

The savings in the settlement costs are expected to be passed on to end-investors, who will, in addition, be able to benefit from more diverse portfolios. Meanwhile, issuers will benefit by building a more diverse investor base. **As a result of T2S, the European capital market will achieve a level of efficiency that today can only be found in domestic markets.**



INSIGHT

Essentially, T2S will facilitate the evolution of the European capital market into a “domestic” market.

We expect to be a major point of entry into T2S, servicing all asset classes settled in T2S for our entire extended client base. And, with this in mind, we intend to focus on all collateral management-related products and services, for both equities and fixed-income securities, further to international asset servicing and additional issuer services.

Iwona Sroka:

As I said before, the greatest benefit for KDPW will be the possibility of offering access to cheaper cross-border settlement, as this would not only attract foreign investors to the Polish market but also give local investors access to attractive markets abroad, as well as improving the access of issuers to international capital. It is important for us to join this international initiative, which promises to increase the technical interoperability of KDPW with other CSDs and to help to introduce common European standards to our market, as well as to those markets with which we cooperate. These are very important features for us and we have initiated some changes to the Polish regulations that will enable us to sign the Framework Agreement. However, there are still some legal barriers, including regulations relating to omnibus accounts, outsourcing, professional secrecy and the examination of T2S Services, which may not be removed until the signing of the Framework Agreement. We are discussing these problems with the T2S Team and I hope we will find a solution soon.

Recently, the Eurosystem has presented the T2S pricing proposal of 15 cent per instruction for a DvP transaction. What is your assessment of this proposal?

Adriana Tanasoiu:

As I mentioned earlier, one of the major objectives of T2S is to facilitate the evolution of the European capital market into a “domestic” market.

In every business, investment is necessary if this business is to reap greater benefits. I view T2S in exactly the same manner. In order to create a seamless pan-European market, we need to invest. One of the expected benefits of T2S is the lower cost of cross-border settlement. As a result of the reduced cross-border settlement costs, increased competition and greater harmonisation, T2S is expected to produce incremental volumes and have a positive impact on European economic growth in general. As the settlement price in T2S will not have any discounts, having different connectivity prices will lead to different total costs per instruction among CSDs for their clients. To ensure the achievements and maintenance of an authentic level playing field between CSDs in T2S, we support the proposal, put forth at the Vienna AG meeting, to have equal costs for connectivity to T2S for all CSDs, irrespective of volumes and geography. Only once all the cost elements (including adaptation costs) are known, will we be able to make an assessment of the pricing proposal.

Iwona Sroka:

T2S pricing is a crucial question for all the CSDs taking part in the project. [The pricing proposal of 15 cent would sound attractive to us if it were the complete settlement fee.](#) But we have to remember that the fee does not cover information services, communication through a network provider, maintenance fees or the inventory of other T2S service charges, the costs of which are not yet established. After the addition of all



INSIGHT

those elements, the cost of settlement will increase, but by how much remains to be seen and this gives us cause for concern. Moreover, KDPW, as well as other CSDs, has to bear the adaptation costs of our settlement system. The new highly automated IT system, with low requirements for human intervention, which was installed by KDPW in September 2009, was probably another reason for our reluctance to join the T2S project. With our system, the settlement costs for domestic trades are relatively low. Therefore, the added value of T2S is mainly in the area of cross-CSD settlement. Owing to the high rate of domestic trades currently conducted in Poland, low T2S settlement fees are very important for us from a business perspective.

We understand the difficulty for the Eurosystem in presenting a firm and complete pricing proposal at this point in time, taking into account the cost-recovery principle, the long-term horizon of the project and uncertainty regarding settlement volumes. Without a doubt, it must be a real challenge to manage a project as complex as the T2S project, in which all parties involved have many diverse interests. We are really impressed by the T2S Team's ability to deal with such complexity. Taking all of this into account, it seems that one of the ways to establish a lower settlement fee is to have more markets from outside the euro area signing the Framework Agreement to join T2S with their currencies. We also believe that in the long run, once the cost-recovery period has ended, the settlement fee will be significantly cheaper than that currently proposed.

How do you assess the possibility of participation of your local currency in T2S?

Adriana Tanasoiu:

The T2S Romanian National User Group will analyse the possibility of making the Romanian leu available in T2S. Any future participation of Romanian leu in T2S is subject to approval by the Banca Națională a României, but first, the financial community must be confident of the benefits. We are going to discuss this issue at one of the next meetings of the Romanian National User Group, and a final position on the issue will be taken once the analysis is complete and all implications have been clarified.

Iwona Sroka:

Participation of the Polish zloty in T2S is currently the subject of debate in the Polish National User Group. We started to talk to our participants in September as regards this issue. One has to remember that, unlike the Scandinavian countries, which have already declared their interest in settling securities transactions in their local currencies, Poland plans to join the euro area in the foreseeable future, although no firm date has yet been declared and accession will probably happen no sooner than in 2016-17. Declaration of participation of the Polish currency in T2S would, therefore, cause Narodowy Bank Polski to bear the cost of developing an interface that would be used for Polish zloty settlements for a rather limited period of time only. From this perspective, this solution does not seem to be optimal for the Polish market. [We will continue discussions with our participants regarding the ultimate consequences of participating in the T2S platform with the Polish zloty, but currently, the preference is to join T2S only with euro-denominated financial instruments.](#) However, there is still hope that Poland will join the euro area in the year 2016.



BAYLE'S VIEW

T2S AND HARMONISATION

Harmonisation is the Holy Grail of the post-trade industry. Everybody speaks of it, but it remains evasive, at least at the European level.

From day one of the T2S project, the pursuit of harmonisation in securities settlement across T2S-relevant markets has been central to our activities. Harmonisation counts because the European Commission and the Governing Council of the ECB share the same political agenda in support of the development of a single financial market in Europe. Harmonisation counts because market participants in the post-trade industry recognise that their involvement in the T2S vision is constrained by national differences. In their words, “complexity cannot be automated” and the benefits of a European settlement engine are liable to be sub-optimal in the absence of harmonisation.

Harmonisation counts for one additional and functional reason, which is that certain aspects of post-trade harmonisation are indispensable to the successful launch and operation of the T2S engine. This is a core asset in the T2S harmonisation efforts. Among other things, the [single timetable](#) for all connected markets, the [single settlement process](#) for all assets and the adoption of a single, state-of-the-art [communication protocol](#) are all taken for granted in T2S. Still, these same areas today provide friction and are considered fundamental barriers to CSD interoperability and market integration.

The T2S specification documents (the User Requirements Document (URD) and the General Functional Specifications (GFS)) already include these harmonisation elements, and these will, in fact, be applicable to all T2S-relevant CSDs, as well as having an indirect bearing on their respective markets, once T2S goes live. Admittedly, the delivered T2S harmonisation will be more relevant for the markets joining T2S rather than those who do not.

Is the current T2S harmonisation activity sufficient?

In addition to these core harmonisation elements currently under implementation in the T2S development phase, the T2S Advisory Group (AG) institutions and the ECB T2S Team are investing considerable resources in a number of more specialised harmonisation activities. A non-exhaustive list includes the work on the T2S ISO messages and matching fields, the corporate action standards on settlement flows, the technical national barriers to smooth cross-CSD settlement and the seminal work in agreeing on a single settlement finality rule to be reflected in the CSDs' regulations. The T2S community has already agreed, or is in the process of defining, standards that the post-trade stakeholders have been discussing for years. Of course, a sound starting point at T2S harmonisation forums is always the expertise of the market participants and infrastructures which are active in the European and global markets.

As we progress further with the development of the T2S project, market participants and infrastructures are setting out their T2S adaptation plans in greater detail. This has prompted discussions in the AG regarding the optimal usage of the T2S project as an important catalyst for further post-trade harmonisation in Europe.

BAYLE'S VIEW

In its last meeting (7-8 September 2010) the AG was updated on the status of all current T2S harmonisation activities, forums and deliverables (see Table I for an overview). In the open discussion that followed, various opinions were expressed as regards the best way to enhance and potentially increase the current harmonisation efforts in the T2S project.

Table I: Overview of current T2S harmonisation activities:

- T2S Messages
- T2S Schedule clarifications
- Process Efficiency (cross-CSD settlement barriers etc)
- Corporate Actions (on flows)
- Legal (T2S settlement finality etc)
- Monitoring List C tool (wider harmonisation efforts)
- EU Commission bodies (EGMI etc)
- Shareholders Transparency Task Force
- Investment Funds dialogue

The ECB T2S Team is currently considering these views, in coordination with the relevant stakeholders. It will present to the next AG meeting (6-7 December 2010) a proposal aiming at structuring any potential further T2S harmonisation activities along clear priority lines, agreeing on implementation deadlines and identifying responsible actors. In parallel, the ECB T2S Team is participating as a full member in the intensive work currently under way in the Expert Group on Market Infrastructures (EGMI), which is the main harmonisation forum in Europe and the successor to the CESAME2. The Team's aim in doing so is twofold. First, we want to ensure that the T2S perspective is taken into account when the authorities and industry representatives discuss the future of the European post-trade environment, and second, we want to facilitate communication between the AG's T2S community and the harmonisation policy authorities. The current Commission initiative on market infrastructures legislation is a typical example of this work. For further developments on the T2S harmonisation efforts, please visit our web pages dedicated to harmonisation at <http://www.ecb.int/paym/t2s/harmonisation/html/index.en.html>.

2011 will be a busy year for the T2S project, especially for its T2S harmonisation efforts, as it will be the year in which a clear framework is defined, setting out the path to the Holy Grail.



Marc Bayle, T2S Programme Manager and Head of the T2S Programme Office

INTRODUCING THE NEW T2S PROGRAMME BOARD MEMBERS

We are happy to welcome the first two women to the T2S Programme Board: Martina Glaser and Cristina Mastropasqua have been appointed as alternates by the Governing Council of the ECB. In joining the T2S Programme Board, Ms Mastropasqua replaced Franco Passacantando and Ms Glaser took over a seat which had so far remained unfilled. The overall number of members on the T2S Programme Board thus increased to eight members and five alternates. The new composition of the Board became effective as of 1 November 2010.



Martina Glaser is currently Head of the Banking Operation Analysis Department at the Swiss National Bank. She has previously acted as a member of the T2S Advisory Group.



Cristina Mastropasqua is currently a Director in the Payment System Department at the Banca d'Italia, where she has held a number of management positions and worked in the areas of research, foreign exchange and portfolio management. She has already been heavily involved in various aspects of the T2S project since 2008.

Farewell to Franco Passacantando

We are sorry for the departure of Franco Passacantando from the T2S Programme Board, of which he has been a dedicated member since the Board was established in 2009. As Mr Passacantando will remain the Managing Director of the Central Banking, Markets and Payment Systems Area at the Banca d'Italia, we will say *arrivederci* rather than goodbye.

The T2S Programme Board

The T2S Programme Board is the body in charge of the day-to-day management of the T2S project, acting on the mandate of the Governing Council of the ECB. Its objective is to ensure that the T2S Programme is developed in accordance with market expectations, as reflected in the User Requirements Document, and implemented on schedule and within the budget set by the Governing Council of the ECB.

http://www.ecb.europa.eu/paym/t2s/governance/prog_board/html/index.en.html

T2S IS ONLINE FOR YOU

What is T2S OnLine?

T2S OnLine is a quarterly review that will provide you with first hand information about the T2S programme. It will give you project updates, insights into T2S and details on the current outlook, but one should not forget that behind any project there are people. Therefore, in each issue, T2S OnLine will take you closer to the people of the T2S community. We hope you will find T2S OnLine to be an enjoyable tool for obtaining up-to-date information about T2S.

Where can you find T2S OnLine?

T2S OnLine can, of course, be found online, with the option to print if you would still like to have a hard copy.

How can you use T2S OnLine?

The best way is to read it from top to bottom in order to absorb all of the information on T2S. However, T2S OnLine is designed to allow for a quick read – by simply hovering with the cursor, for example, relevant information will pop up automatically (visit the webpage to see how this works, www.t2s.eu). For those requiring more specialised information, the Insight section will offer two articles on subjects of particular interest.

How can you contribute?

As with the project itself, we would also welcome your views on T2S OnLine. If you have any comments or if you would like to propose a subject for the Insight section, we would be very happy to hear from you. You can contact us by e-mail at t2-s@ecb.europa.eu



Elin Amundsen, Stefania Secola and Anna Nuzzolo, T2S Programme Office

© European Central Bank, November 2010

Address
European Central Bank
Kaiserstrasse 29
60311 Frankfurt am Main, Germany

Postal Address
Postfach 16 03 19
60066 Frankfurt am Main, Germany

Website
<http://www.ecb.europa.eu>