



EUROPEAN CENTRAL BANK

EUROSYSTEM



# T2S OnLine

QUARTERLY REVIEW  
No 10, Autumn 2011

EDITORIAL

T2S PROJECT UPDATE

INSIGHT

BAYLE'S VIEW

INTRODUCING THE NEW  
T2S PB MEMBER

T2S IS OnLine FOR YOU



Jean-Michel Godeffroy

## EDITORIAL

### T2S Framework Agreement

The T2S project achieved a major milestone in November. After more than two years of negotiations, *the Framework Agreement – which is a comprehensive contract between the Eurosystem and the CSDs that will participate in T2S – has been approved by the Governing Council of the ECB*. The Framework Agreement is an extremely detailed 700-page legal document which covers all aspects of the project, including the parties' rights and obligations, the governance structure, testing and migration, liability and termination, service levels and the project plan. The European Securities and Markets Authority is currently carrying out a final review of the whole package of documentation to ensure that there are no regulatory obstacles to CSDs signing the agreement. The boards of CSDs have been invited to sign the agreement by April 2012. Those that need more time to complete their feasibility studies have until June 2012. In the usual spirit of transparency within the T2S project, the agreement will be published on the ECB's website.

In order to encourage CSDs to sign the Framework Agreement in a timely way and to migrate as early as possible to T2S, the Governing Council has also decided to offer an "early bird" incentive package. This is justified on a number of grounds. Those who migrate early will encounter the "teething problems" that new infrastructures always experience at the beginning of their life. They will also need to support the testing activities of CSDs that migrate later. For more details, please see the T2S project update.

I am happy to report that great strides have also been made on the connectivity front. You probably remember that we had to refocus our strategy in this area about a year ago, and this explains, in part, why we had to delay the start date of T2S (for further information, see Spotlight dated 26 October 2011). I have been informed that the selection panel has almost completed its task and that the winners of the tender for the value-added networks are likely to be announced shortly, and I am pleased to inform you that the Governing Council of the ECB has taken the final decision concerning the dedicated links (please see the T2S project update).

In the last few months the Bank of England and the Swiss National Bank have informed the Eurosystem that they will not participate in T2S with their national currencies – at least at the beginning. We, of course, will keep the door open to them. But there has been some speculation that this will leave T2S unable to keep its commitment to the price of 15 cent per DvP instruction. I want to quash such speculation. The pricing model has been calibrated on the basis of conservative assumptions. *The 15 cent commitment only requires 20% of volumes to be made up of non-euro currencies, which can still be achieved without the participation of the Swiss franc and the pound sterling*. With the participation of these two currencies, we would have been able to charge close to 10 cent to market participants.

I would also like to emphasise the fact that even if a currency does not participate in T2S, CSDs can still participate and cash settlement will take place either in euro in T2S or in a different currency outside of T2S. Furthermore, as I explained in a recent speech (Please see [www.t2s.eu](http://www.t2s.eu) NeMa Asian Conference 16 November 2011) even if a CSD and a currency do not participate in T2S, it does not mean that the markets will be protected from competition. T2S, together with the new legislative proposals from the European Commission, will foster the integration of the European securities markets, even if some CSDs and/or some central banks decide not to participate. In particular, European legislation

## EDITORIAL

and market pressure will make it possible to settle all European blue-chip securities transactions on a single platform, namely T2S, in any currency participating in T2S, because market liquidity will concentrate there. I accept that this vision might not be shared by everyone and I encourage both those who agree and those who disagree to share their views with us; such discussions will be useful for CSDs when they come to consider signing the Framework Agreement.

You probably understand why there is little appetite to review the 15 cent fee, even if we were able to do so in accordance with the pricing conditions attached to the Framework Agreement. We are convinced that T2S will have the potential to attract more than just the business transferred by the CSDs and central banks that choose to participate.

Lastly, I would like to take this opportunity to mention the very successful conference “Securities settlement in 2020: T2S and beyond” which took place in Frankfurt on 4-5 October. There were some extremely interesting speeches and panel discussions about the impact of T2S on the post-trade environment in Europe and about the evolution of the securities settlement business elsewhere in the world. The conversations between participants attending the conference were equally interesting.

During the conference there was clear recognition that T2S is no longer just a proposal for discussion, but that it is a reality. Vítor Constâncio, the ECB’s Vice President, and, Peter Praet, a member of the Executive Board, both confirmed that the Governing Council is firmly committed to T2S. *T2S is seen as a key component of the Single Market project – and the furthering of the Single Market is crucial for the competitiveness of the euro area and its resilience to shocks.*

The new competitive environment for CSDs was widely discussed at the conference. Parallels were drawn between the impact of T2S on settlement and the impact of MiFID I on trading. MiFID broke up the monopoly of national stock exchanges, leading to the establishment of new trading venues. Likewise, T2S will change the securities settlement landscape. *The CEO of a major European CSD remarked that “The issue is not whether we like T2S or not. The issue is that there is no future for a euro area CSD outside of T2S”.*

You can find more information on the conference proceedings on the T2S website multimedia room.

I will now introduce the special features in this issue. Besides the regular status update, we have an article on the future T2S governance arrangements by T2S team member Stephan Sauer. We also have an article by Alberto Giovannini about the impact of the crisis and EU regulation on market infrastructures. T2S Programme Manager Marc Bayle then provides a comprehensive overview of where we stand with the project. Lastly, we introduce a new member of the T2S Programme Board, Kristian Kjeldsen from Danmarks Nationalbank.

I hope you enjoy this issue.

Jean-Michel Godeffroy  
Chairman of the T2S Programme Board

## T2S PROJECT UPDATE

### Framework Agreement

On 17 November 2011 the Governing Council endorsed the Framework Agreement and the related schedules. The Framework Agreement was offered to CSDs, which will be invited to sign the contract by April 2012 or in case they need more time to complete their feasibility studies by June 2012. For more information see Editorial. The signature of the Framework Agreement is of the utmost importance for the success of the project. For this reason, in the T2S Advisory Group meeting at the end of November, the Contractual Framework will be given a “Red” risk assessment by the T2S Programme Office. This has been done not because there is a high probability that CSDs will not sign. On the contrary, the Programme Office is very confident that the CSDs and their markets have understood the benefits of the project and that they need to participate. In this respect, CSDs that decide to sign the contract early will benefit from reduced T2S prices, see below.

### Financial incentive package

On 17 November 2011 the Governing Council decided to offer a financial incentive package to CSDs that sign the Framework Agreement with the Eurosystem promptly. The “early bird” package gives the following benefits:

- 1) The waiver of the one-off entry fee (the fee is calculated as a quarter of the fees paid by a CSD to T2S during the first year after migration, i.e. a non-negligible amount).
- 2) No fees for the first three months following the go-live date, i.e. all T2S services will be provided for free for the period July to September 2015; and
- 3) After September 2015, there will be a fee reduction by one third for the whole price list until the end of the last regular migration wave.

The extent to which a CSD can benefit from the financial package depends on when it signs the Framework Agreement and which migration wave it will be part of. All CSDs which sign by the June 2012 deadline will benefit from the waiver of the one-off entry fee. If a CSD signs already by April 2012, it will also be able to benefit from three-month free-of charge- period (if it is in the first wave) and the fee reductions by a third during the rest of the migration phase. Thus, the earlier that a CSD migrates, the longer it can benefit from the reduced prices.

If a CSD signs after June 2012, it will have to pay the one-off entry fee which is set at the rate of a quarter of the fees paid by the relevant CSD to T2S during the first year after migration. It will also not be able to benefit from the fee reductions.

The table below summarises the offer.

|  | Signature by April 2012 | Signature by June 2012 | Signature after June 2012 |
|--|-------------------------|------------------------|---------------------------|
| No fees for the first three months following the go-live date                                | ✓                       | –                      | –                         |
| A 1/3 reduction across the whole price list until the end of the last regular migration wave | ✓                       | –                      | –                         |
| Waiver of the entry fee  | ✓                       | ✓                      | –                         |

## T2S PROJECT UPDATE

### **Currency Participation Agreement**

The Eurosystem is also finalising the negotiations with non-euro area central banks that have shown continuous interest in making their national currency available for securities settlement in T2S. The aim is to offer the Currency Participation Agreement to non-euro area central banks in early 2012.

### **T2S General Principles**

The Eurosystem has reviewed the T2S General Principles in order to place stronger emphasis on the multi-currency character of T2S and to provide assurance that all currencies in T2S will be treated on an equal basis. In line with its consensus-driven approach, the Eurosystem consulted closely with the market on this review prior to the decision by the Governing Council of 17 November 2011 on the update of the T2S General Principles.

### **URD, UDFS and BPD**

Version 5.01 of the User Requirements Document (URD) has been recently published on the ECB's website. The document now incorporates all the change requests approved by the Advisory Group (see List of approved/rejected change requests) since the publication of URD v5.0 on 18 February 2010.

Version 1.2 of the T2S User Detailed Functional Specifications (UDFS) has been finalised and published on the ECB's website. The UDFS illustrate features of T2S from a business perspective, and its timely publication is a major milestone in the T2S programme plan. CSDs and national central banks can consider this version as a stable basis for their feasibility assessments for adapting to T2S. In addition, it can be used by other actors that are directly connected to T2S to design and build the interface of their information systems with T2S.

The Business Process Description (BPD) v1.0 has also been published on the T2S website. It describes and illustrates the generic business processes involving CSDs, national central banks and other technically directly connected parties and their interaction with T2S. The BPD can be used for feasibility studies and adaptation analyses by CSDs, national central banks and other market participants considering becoming directly connected parties for the analyses and adaptation of their processes and systems. As it is written from a business perspective and includes multiple links to the T2S specification documents it provides the reader with an easy access to other T2S documentation such as the UDFS.

### **T2S user connectivity**

#### **Dedicated Links Connectivity**

On 17 November 2011, the Governing Council of the ECB decided that the Eurosystem will provide end-to-end connectivity services directly via CoreNet, the Eurosystem's existing communication network, which has access points distributed all over Europe. The T2S Programme Board has shared the first version of the Dedicated Links Connectivity Specifications with the market. This version contains information about the technical protocol for communication with T2S using dedicated links. Please see Dedicated Links Connectivity Specifications.

## T2S PROJECT UPDATE

### **VAN (value-added network) selection**

The bidding period for the selection of the VANs was closed on 30 September 2011. The bids are currently being evaluated by a selection panel chaired by the Banca d'Italia, which manages the selection process on behalf of the Eurosystem. Under current plans, the successful bidders will be announced early in 2012, and contracts should be signed by 1 February 2012.



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



## INSIGHT

Alberto Giovannini

### IMPACT OF THE CRISIS AND EU REGULATION ON THE MARKET INFRASTRUCTURE

Two basic features of a financial system are asymmetric information and liquidity transformation. Information is not fully shared between lenders and borrowers, nor is information between issuers and investors, nor information known to different participants in securities markets. Liquidity transformation is performed by traditional banks, whose assets cannot normally be readily liquidated to meet a very large liquidation of their liabilities, and by securities markets, which pool diverse investors with (normally) uncorrelated liquidity needs to provide resources to issuers, who (normally) have much longer economic horizons.

Whenever asymmetric information and liquidity transformation are present, the market is vulnerable to failures – states when liquidity transformation breaks down because of coordinated behaviour by market participants, perhaps triggered by an exogenous event that induces fears about the solvency of counterparties or the values of the assets being traded. *A breakdown of liquidity transformation is what a financial crisis is all about, and it has a very serious economic impact because it stops long-term investment plans, both by the users of funds and by those who fear contagion in the rest of the economy.* Hence the need for governments to correct such market failures.

Today's financial markets are based largely on securities and derivatives transactions. As I argued above, these markets are also subject to liquidity seizures. In addition, securities markets are characterised by a very large amount of trading, and therefore a very large number of participants, or counterparties. As a result, whenever a crisis occurs (generally producing very large swings in financial asset prices), the event spreads around the financial system through counterparty risk: large movements in asset prices can, in principle, have a large impact on the solvency of market participants.

*The crisis increased the authorities' awareness of these mechanisms, and of course it induced a number of initiatives to help attack perceived fragilities in the financial system.* Such initiatives, coordinated by the G20, led the European Commission to undertake its own work aimed at strengthening the financial system. The European Market Infrastructure Regulation (EMIR) is designed to provide a way to minimise counterparty risk in the system, through a quasi-universal recourse to central counterparties. The MiFID Review, among other things, aims at recognising the shaping of a new market architecture, which foresees a much more central role for organised market places in OTC arrangements. Finally, the Commission intends to eliminate artificial inefficiencies in the markets arising from fragmentation in the settlement architecture (through new CSD legislation) and disparities between Member States' securities laws (through a planned Securities Law Directive).

Electronic records are now kept of all financial transactions. Such records contain information that is essential to describe, in the aggregate and at every point in time, the state of the financial system. In recent years ignorance regarding the state of the financial system and the distribution of debits and credits led to highly elastic responses to shocks and to exceedingly fast contagion through counterparty risk. Infrastructures like T2S that make financial transactions possible will then take a new, crucial role: that of helping

## INSIGHT

authorities and market participants determine the state of the financial system, and in particular the extent to which risks in the system are concentrated.

*One of the lessons of the 2008 crisis was the alarming degree of ignorance among the authorities about what was going on in the financial system.* This is a paradox, given that authorities were then, as they are now, supposed to perform the function of systemic risk managers.

Since then, attitudes have changed. Now it is considered essential that authorities have access to all information relating to the functioning of the financial system. Trade repositories are the first initiative aimed at collecting that information. The Office of Financial Research in the United States has the power to subpoena financial market participants. Data will be used with the objective of aggregating risk positions, across products and across actors. Data will also be used to check consistency with other information sources, such as risk surveys conducted with financial intermediaries (exercises that are, in principle, not very different from the banks' stress tests).

These are gigantic tasks requiring that a number of different questions be addressed, including operational, legal and conceptual questions. For example, on the operational side, the current structure of trade repositories is such that they collect only transactions data, but do not collect risk data. This prevents the direct construction of a global risk map from the bottom up. The list of open legal issues is also quite formidable. Intuitively, the construction of systemic risk maps requires the use of data that, by its very nature, is owned by private parties. They are naturally concerned about preserving the commercial value of this information. In addition, full and unobstructed access by authorities to the universe of financial transactions raises the problem of providing appropriate safeguards to private market participants. How can we make sure that authorities do not use this information to exercise undue moral suasion-type pressure on private agents to further market outcomes that authorities regard, in their view, desirable? Another legal issue which overlaps with operational problems is the issue of legal entity identifiers (LEIs), which is currently being addressed by regulators.

*The (ideal) result will be a system where authorities will be able to identify, in time, the sources of risk in the system and risk concentrations.* They will be able to warn market participants as to those risk concentrations. The final effect of all this will be that counterparty risk will be managed much more effectively. Therefore traders' reactions to shocks will not need to be as drastic as they are currently.

*Infrastructures like T2S can and should be central actors in this process of construction of the new financial system.* Once more, however, they need to see very clearly what the overall direction is, what the market needs, and they need to use their ingenuity to innovate in a way that helps people address and solve the issues that make the current financial system fragile.



Stephan Sauer

## INSIGHT

### THE FUTURE T2S GOVERNANCE – BACKBONE OF THE CONTRACTUAL AGREEMENTS

Effective, balanced and transparent governance is instrumental in providing safe and efficient post-trading services, and T2S is no exception. Following extensive discussions with all of the relevant stakeholders, consensus has been reached on how T2S should be governed for the rest of the development phase and once it is in operation. *The future T2S governance forms the backbone of the contractual agreements with CSDs.* These Framework Agreements represent a major milestone in the history of T2S, as highlighted in the Editorial of this issue of T2S OnLine. The key principles for steering T2S in the future are set out in dedicated parts of the Framework Agreements, while the underlying philosophy pervades the Agreements. The rules on governance will apply equally to contracts with non-euro area central banks willing to participate in T2S (Currency Participation Agreements).

It is no secret that finding a solution for T2S governance has been difficult at times. The political and business interests of the stakeholders, as well as their legal and regulatory constraints, always culminate in the issue of governance. T2S has four strong stakeholder groups (the Eurosystem, non-euro area central banks, CSDs and their users), which all have well-justified interests and objectives. The negotiations have not been made easier by the diverging interests that can exist even within a single T2S stakeholder group.

Of course, T2S has benefited from a clear governance structure based on transparency, market involvement and consensus as key pillars since its early days. This governance structure has ensured the steady progress of the project and was initially established by the Eurosystem. However, the signing of the Framework Agreements and the Currency Participation Agreements requires a more formal and codified involvement of the Eurosystem's contractual partners and the new governance arrangement has therefore been a key subject of negotiation for long. With the conclusion of the negotiations with CSDs and non-euro area central banks, and the recent decision by the Governing Council, the future T2S governance has now been agreed. Here we take a brief look at how T2S governance has evolved, before highlighting recent achievements.

#### **The journey towards the new T2S governance**

When the idea of T2S was born in 2006, the Eurosystem initiated tri-party meetings with CSDs and the user community. These informal meetings were soon superseded by the T2S Advisory Group (AG), which was established in 2007. The AG and its technical sub-groups were instrumental in (but certainly not limited to) the development of the T2S User Requirements Document and the decision by the ECB's Governing Council to launch the T2S project in 2008. In April 2009, keeping the AG as an advisory body, the Governing Council established the T2S Programme Board as a streamlined Eurosystem management body for T2S, which includes independent members and non-euro area central bankers. Since then, *30 European CSDs have signed the Memorandum of Understanding, which was the basis for the contractual negotiations on the Framework Agreement with the Eurosystem in a dedicated body called the CSD Contact Group.* In parallel, several non-euro area central banks expressed their interest in outsourcing their currency

to T2S and – in a dedicated task force together with the Eurosystem – have completed preparations for the Currency Participation Agreement. These discussions, as well as the advice of the AG, have led to the future T2S governance framework.

Since 2006 the degree of market involvement and transparency has been without precedent for a Eurosystem project as well as for the post-trade industry as a whole. This has been essential for market acceptance and the progress made on T2S. Throughout the negotiation process, *the Eurosystem has emphasised market involvement, transparency and consensus as the key pillars underlying any possible future T2S governance to ensure that T2S will continue to meet the evolving needs of the market.* Although immovable on these key pillars, the Eurosystem has shown a lot more flexibility in other areas. For example, in early 2009 several market participants in the AG asked a task force to explore the possibility of establishing a separate legal entity for T2S. Even if ultimately there was only limited support for this option in the market, the task force discussions fostered a better understanding of the concerns of the various stakeholders. Jean-Michel Godeffroy summarised the main concerns of the three main non-Eurosystem stakeholder groups in his T2S OnLine Editorial in July 2010. Together the Eurosystem and the stakeholders have successfully found solutions to the concerns that were raised at that time.

#### **Key elements of the new T2S governance**

Each T2S stakeholder will have the level of control necessary to pursue its commercial and policy objectives and to comply with legal and regulatory requirements. Final decisions on changes to T2S and other relevant matters will follow a transparent and consensus-driven process, in which all stakeholder groups will have a say. Should consensus between the different groups not be reached initially, a reconciliation process will start: the matter will be reassessed at the technical level and then reconsidered at the steering level. This may be a repetitive process and external advice may be sought, until the ECB's Governing Council takes a final decision. The entire decision-making process will continue to be transparent and relevant decisions will be explained publicly. The overall management of T2S will be performed by the T2S Board as the successor body of the T2S Programme Board. The shortening of the name reflects that the Board's responsibilities now not only include the delivery of the T2S Programme, but also the smooth operation of T2S after its go-live. Thus, the Board's role as the key management body for T2S will remain basically unchanged.

CSDs will have full control over the operation of the securities accounts. As contractual partners of the Eurosystem, they will be strongly involved in the decision-making process via the CSD Steering Group (CSG), which will be chaired by a CSD member (until now the Chairman of the Programme Board has also chaired the CSD Contact Group). CSDs are expected to continue to contribute to the success of T2S in an even more prominent role in the T2S governance than in the past.

Users will keep their role in the AG, which will continue to be chaired by the Chairman of the T2S Board, and will be able to participate as observers in the CSG and relevant technical groups. They will be involved in the relevant T2S decisions to ensure that T2S meets the needs of the market.

The new T2S governance also underlines explicitly the multi-currency character of T2S through the principle that all currencies in T2S are handled on an equal basis: for example, all central banks, Eurosystem and non-euro area central banks will have full and exclusive authority to operate the cash accounts in their currency; non-euro area central banks will be granted fair representation in the successor to the T2S Programme Board – the T2S Board; and a new body, the Governors' Forum, will allow non-euro area central bank governors to meet their Eurosystem peers at an equal level and in equal number to find a consensual solution in the very unlikely event that a controversial issue related to T2S could not be solved at a lower level.

*The future governance framework for T2S represents a fair balance between the diverging interests of the relevant stakeholders, and is built on the pillars of transparency, market involvement and consensus.* Given that T2S is a multilateral arrangement, all stakeholders needed to make concessions compared with the situation if they were on their own. However, such concessions have been finely balanced and they have been made for the benefit of market participants in Europe and for the European integration of capital markets.



## BAYLE'S VIEW

### THE "T2S BUILDING" IS BECOMING INCREASINGLY VISIBLE

Building a skyscraper is always a challenge, especially when the architect implements advanced features. At first, when the excavators dig into the earth to create strong foundations for the new tower in town, the building site looks very uncanny. After some time, though, the building starts to take shape, and people start speculating even from distance about the new construction – its material, colour, future shape – and how it will fit in with the surroundings. By then, most of the space has already been allotted to companies that are going to set up their new offices in it to expand their business.

We have had a similar experience in setting up T2S. When the project was launched in 2008, to many people, the "T2S building site" looked a bit intimidating, but as soon as the construction became more visible, stakeholders have started to think about how this new building will fit in with the surroundings and many of them are now deciding whether and how to take up "office space" in it.

*The "T2S building" is becoming increasingly visible: although the actual IT platform cannot be visited as such, its building blocks are now solid and stable.* One of the key building blocks is the T2S General Principles, which form the foundations of the building. These were first established in 2007 and have been fine-tuned recently to ensure that all parties share a common understanding of every statement.

Many of these principles have been incorporated in the User Requirement Documentation (URD), which in its frozen version (v 5.0.1) constitutes the general plan of the T2S building. The general plan has been further fleshed out, with the General Functional Specifications (GFS v 4.0) as scale model, and the User Detailed Functional Specifications (UDFS v 1.2) as floor plan, while the guide to the floor facilities are detailed in the Business Process Description (BPD v 1.0).

In addition the T2S Framework Agreement (FA) which sets out the contractual rights and obligations of the Eurosystem and each contracting CSD is now finalised. The FA regulates the scope of the controlling powers of the CSDs relating to the outsourcing of their IT functions to the Eurosystem, as well as issues such as liability, protection of intellectual property rights and confidentiality. The T2S FA comprises the main document that contains all of the contractual provisions (the "core FA") and the more technical and operational schedules that are annexed to the agreement and form an integral part of it. The schedules cover, inter alia, the T2S Programme Plan, User Testing, User Migration, Service Level Agreement, Governance, Change Management, Pricing and Exit Management. Each CSD will enter into a separate but identical FA with the Eurosystem, which will be represented by the national central bank that is relevant for its seat, or by the ECB (in the case of non euro area CSDs). *On 22 November 2011 the FA was transmitted to all interested CSDs along with a letter from the ECB's President, Mario Draghi. It will become effective from the moment of signature by the parties to the agreement.*

The signing of FAs is expected to take place in two rounds in April and June 2012. The Governing Council has approved a set of financial incentives for the benefit of early

## BAYLE'S VIEW

signatories. As summarised in the box [see T2S Project update], those CSDs that are in the first wave and sign the FA by April 2012 will pay no entry fee and will benefit from remarkable savings throughout the duration of the migration period, namely they will receive the first three month period free-of-charge, as well as a two-thirds reduction on the whole fee list for the remaining period until the end of the last regular migration wave. CSDs in subsequent migration waves will enjoy similar benefits if they sign up by April 2012, with the exception of the initial free-of-charge period of three months.

*Of course, CSDs that are willing to enter the T2S building have to sign a contract, but they must also comply with the eligibility criteria for CSDs to access the T2S services.* These are now set out in a Decision by the ECB (see Governing Council decisions 18/11/2011), thus ensuring improved transparency and legal certainty.

CSDs, central banks and directly connected participants will be able to access the T2S building via two communication channels, i.e. either through the value-added connection (the railway) or through a dedicated link (the motorway). The value-added connection could be seen as being like a railway service, because it is offered with a given path and services, while connection via the dedicated link is more like using a motorway, as it requires ownership of a car, the filling of the vehicle's tank and, most importantly, a driving licence. Both solutions will soon be available for scrutiny. For more information, please see the T2S project update.

As mentioned previously, the T2S building is becoming more and more visible, even from a distance. The 4CBs have already developed about 50% of the T2S software. According to the T2S Plan, the Eurosystem is required to deliver all the building blocks of T2S by December 2011 in order to meet the first Synchronisation Point (SP1). The SPs are milestones in the T2S Plan, whereby a number of activities have to be completed within a certain period in order to keep the construction plan on track. SP1 will be met in December, thus enabling the CSDs to draw up detailed feasibility studies by June 2012. At that time, the Eurosystem will have a few weeks to fine-tune the process so that the second SP can be met in August 2012. This is essential for composing the T2S migration waves and testing groups.

*Precisely testing is the next challenge ahead of us in terms of complexity, size of the systems and interdependencies within the system landscape.* Of course, during the testing phase we will be checking that T2S is ready to go live, but this process involves several levels of checks. First, the completion of the Eurosystem Acceptance Test will enable the User Testing phase to be launched. In parallel, connectivity testing will be performed and, upon completion of these two testing activities, the interoperability testing can be performed at both the bilateral and multilateral levels. The final community testing phase will ensure the acceptance of the system by CSDs and NCBs that will operate in T2S.



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

## INTRODUCING THE NEW T2S PROGRAMME BOARD MEMBER

We are happy to welcome Kristian Kjeldsen as a new member of the T2S Programme Board. He was appointed as an alternate by the Governing Council of the ECB on 22 September 2011. In joining the T2S Programme Board, he takes over a seat which has been unfilled since the departure of Ms Glaser. The T2S Programme Board is thus back to its full composition of eight members and five alternates.



Kristian Kjeldsen holds a PhD in Finance and is Head of Payment Systems at Danmarks Nationalbank. He has been member of the Payments and Securities Settlement Committee and is the responsible senior officer for Denmark in the oversight of CLS. He has been working for Danmarks Nationalbank since 1997 and has held positions in several different departments. Before becoming Head of Payment Systems, he was deputy head of the IT department. He has worked for the IMF within the technical assistance programme for Zimbabwe on payment and settlement issues. Before joining Danmarks Nationalbank, he worked for the European Investment Bank, the long-term financing institution of the European Union.

### **The T2S Programme Board**

The T2S Programme Board is the body in charge of the day-to-day management of the T2S project, acting under 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.

## 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](http://www.t2s.eu)). For those requiring more specialised information, the Insight section will offer 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](mailto:t2-s@ecb.europa.eu)



Elin Amundsen and Stefania Secola, T2S Programme Office

### © European Central Bank, November 2011

#### 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>