

REMARKS ON T2S - SIGNING CEREMONY

- Mr President, Ladies and gentlemen;
- It is often said that T2S will result in a reduction in the supply of CSD services in Europe. But in Luxembourg, T2S has prompted us to found a new CSD, LuxCSD. Why is that?
- Luxembourg is arguably the most open of the world's capital markets. Over EUR 2 Trillion of investment funds and nearly EUR 2 Trillion of other international securities are issued there bringing together issuers and investors in operations that are unrelated to the domestic economy.
- Yet until now, Luxembourg has not needed a central bank money settlement facility. This is because central bank money settlement has been overwhelmingly a series of national facilities, bringing together issuers and investors active within a given national market. The only appropriate solution when investors and issuers are global is commercial bank money settlement. Now, there will always be a place for commercial bank money settlement, but with T2S, central bank money settlement on a pan-European basis will become a meaningful feature of the international securities markets.
- It strikes me as a little ironic therefore that we are proceeding through this Signing ceremony in country order. T2S will be a pan-European infrastructure and will not, in our view, be distributed by the CSDs on

national lines but will be distributed on competitive lines. The competitive distribution model of T2S should not be underestimated; it is not the European equivalent of DTCC. It brings the advantages of a single infrastructure but in having competitive distribution through the CSDs, it avoids the downsides of a single infrastructure; high cost and a lack of innovation.

- My team and I believe that T2S demands not just a tactical approach, one of transitioning our current service set into the new infrastructure. It demands a strategic approach. So, in addition to forming LuxCSD and having both Clearstream Banking Frankfurt and LuxCSD join T2S, we at Clearstream have also decided to reshape the delivery of our services and our network to ensure that T2S can be leveraged to the full. Our aim is to make it both easier and more attractive for the market to consolidate securities holdings and collateral operations within Clearstream.
- T2S is designed to remove barriers to settling cross market. Today, our clients are often prevented from consolidating holdings and collateral with us because of the cost and frictions of delivering to counterparties in local domestic markets. So we are reshaping the delivery of our services so clients of all types can take advantage of T2S.
- The ease of access to T2S is just one dimension that we need to address. We will continue to invest in the attractiveness of our collateral products. We will ensure that securities – held as collateral

or for other purposes – can be delivered as cheaply and efficiently as possible to T2S and ICSD counterparties. T2S does not include an asset servicing function, so we are organising ourselves to ensure that we can service, and service well all T2S-eligible securities using local expertise in the relevant markets.

- The sheer scale of the German market which will represent close to 40% of all T2S volume will make us a very natural choice for anyone seeking to perform central bank money settlement through one single channel. We have the cross border experience of our ICSD business and a well-established leadership in collateral management services under Stefan Lepp. Our challenge is to bring each of these elements together into a compelling set of services which will address the needs of all of our clients and those who will join us in our journey into the post-T2S world.
- I should end on a note of caution. We are here, singing the praises of T2S as if it were a live system. It is not. An enormous amount of work and investment must be undertaken to get us to the goal of launching T2S and materialising the strategic vision that underpins it. I was once told that T2S cannot “do a Taurus”, because Taurus was a private sector initiative. But any large infrastructure projects can only succeed with excellent project management dynamics and a continual commitment of those charged with making it happen. So this is a start of a journey, not the end of one.

- I would like to thank Jean-Michel and his team for getting us to this milestone. I should also like to thank Karla Amend who, in addition to leading the Clearstream project has done so much to ensure that the expertise of the CSD community is leveraged by the project.