T2S ADVISORY GROUP

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FINAL

T2S HARMONISATION

SECOND PROGRESS REPORT

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1. Executive Summary

The ECB Governing Council has supported post-trade harmonisation since its decision on 17 July 2008 to launch T2S. Harmonisation is considered by market participants as a necessary drive for EU financial market integration, for post-trade system interoperability and for the maximisation of T2S’ added value to their business models. Harmonisation is also important in fostering the so called “lean T2S” operational framework, i.e. the avoidance of replicating current national specificities into the system’s operational blueprint.

This second Progress Report on T2S harmonisation is a semi-annual task of the T2S Harmonisation Steering Group (HSG) as described in its mandate. The report includes a detailed presentation of the status of each T2S harmonisation activity together with proposals to the T2S Advisory Group (AG) for further action.

In summary and since the first progress report presented to the AG in June 2011, there is rather good progress in the definition process although further work is needed in the context of formal endorsement by relevant bodies (AG, CSDs, and the EC Commission where necessary). On the other hand, the work on the monitoring and implementation processes is at the moment less advanced. However, these processes are only relevant once the definition process is complete.

Following an AG decision, the AG chairman sent in July 2011 a letter to the European Commission on those elements of the proposed CSD regulation (CSDR) that could have a material impact on CSDs’ legal and operational framework of interaction with T2S. The letter included the issues of settlement periods, settlement discipline regime, outsourcing of IT services, settlement finality, location of securities accounts and free choice of issuance. There are good grounds to expect that all these elements will be part of the forthcoming CSD regulation (CSDR), planned for publication by the European Commission by end 2011.

In the meantime, two new high priority activities have been added in the T2S harmonisation list following the completion of the work of the Smooth cross-CSD settlement task force: omnibus accounts availability and registration processes impact on T2S efficiency. One activity has been substantially updated (Cross-CSD settlement) following the establishment of the new task force on adaptation to cross-CSD settlement (T-FAX). Two new activities have also been added as low priority activities: CSD ancillary services and Securities Amount Data.

In terms of progress in monitoring markets’ implementation of the relevant standards/agreements, this second report includes precise information on where markets and infrastructures stand in their implementation process. A first risk assessment is also presented. The T2S harmonisation activities for which such monitoring is currently possible were: the T2S Corporate Actions (CA) standards, the market

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1 http://www.ecb.int/paym/t2s/governance/ag/html/hsg/index.en.html#mandate
CA standards, Settlement Finality II (irrevocability of transfer orders), omnibus accounts and securities amount data.

Furthermore, progress in the definition and endorsement process for a number of important activities relies on public authorities’ regulatory actions, especially the forthcoming CSDR and the Securities Law Directive (SLD). These initiatives may take time before EU Council endorsement and level 2 legislation is decided (e.g. technical standards by regulators to support EU legal acts provisions). This process may incorporate considerable risks in terms of timely conclusion prior to T2S launch.

The HSG has also agreed that further work is planned for 2012 in improving the methodology for compiling the T2S harmonisation list (see Annex 2) and in particular the framework of monitoring CSDs’ compliance with T2S harmonisation standards. This work should be considered in conjunction with monitoring CSDs adaptation and migration plans to T2S.

Finally, there is AG agreement in planning interaction with European issuer associations in order to improve common understanding of the role the issuer community can play in the resolution of some T2S harmonisation barriers.
2. **Introduction**

The T2S harmonisation list (Annex 2) remains the key HSG harmonisation reference tool as well as a deliverable to all AG meetings. The list is accompanied by a Dashboard presentational tool on the progress of all T2S harmonisation activities. In addition and in line with its mandate, the HSG delivers a T2S harmonisation progress report to the AG on a semi-annual base. The current document is the second progress report to be presented to the AG on 30 November 2011 AG. The T2S Programme Board (PB) may consider presenting the harmonisation progress report (or parts of it) to the ECB Governing Council.

The second progress report includes an update on each T2S harmonisation activity. For each activity, the background info together with the status and the potential risks for the T2S project are provided. In each topic and where relevant, the HSG provides the AG with a proposal on a follow up action (also summarised in the Executive Summary).

Section 3 provides the updated information on high priority harmonisation activities.

Section 4 provides the updated information on low priority activities.

Annex 1 includes the methodology used for compiling the T2S harmonisation list and the dashboard.

Annex 2 includes version 1.3 of the T2S harmonisation list.

Annex 3 includes detailed information on the T2S CA standards implementation analysis.

### 2.1 T2S harmonisation list

The following activities in the T2S harmonisation list are currently monitored by the PO under the guidance of the HSG. They are based on the AG decisions, HSG proposals, the AG substructures’ work and the PO’s own analysis. Each activity may include more than one sub-activities and individual issues. For example, the AG has identified three distinct issues on settlement finality rules (I, II and III).

**High priority activities**

These are activities which are necessary for a successful T2S launch. HSG and T2S PO should prioritise their focus, as appropriate, on these activities.

1. T2S messages;
   1.1 T2S ISO 20022 messages;
   1.2 T2S matching fields;
2. T2S settlement day;
3. Cross-CSD settlement;
4. T2S Corporate Actions standards;
5 Legal harmonisation;
5.1 settlement finality I (moment of entry);
5.2 settlement finality II (irrevocability of transfer order);
5.3 settlement finality III (irrevocability of securities transfer);
5.4 Location of accounts
5.5 IT outsourcing;
6 Settlement discipline regime;
7 Settlement cycles;
8 Omnibus Accounts;
9 Registration procedures;

**Low priority activities**

These are important harmonisation activities which are beneficial for the competition and efficiency environment of T2S but not necessary for the T2S launch. HSG/PO and AG should only monitor progress in these activities.

The fact that an activity is of low priority does not mean that the HSG/ PO or the AG can not maintain a regular contact with the relevant actors since the potential benefits to the T2S operations could be substantial (e.g. tax procedures, investment fund shares settlement)

10 Corporate actions market standards
11 Place of issuance;
12 Tax procedures;
12.1 Withholding tax;
12.2 Transaction tax;
13 Shareholder transparency;
14 Investment funds shares settlement;
15 Market access and interoperability;
16 CSD ancillary services;
17 Securities amount data.
3. T2S Harmonisation Activities – High Priority

3.1 T2S Messages

3.1.1 T2S ISO 20022 messages

Issue description
The core objective of this activity is to develop the ISO 20022 T2S related messages. The AG (via the T2S Subgroup on Message Standardisation - SGMS) and the 4CB are the main actors in this activity.

Developments/Status
The HSG does not see the need for the establishment of a T2S ISO messages monitoring process. T2S ISO messages are part of the technical specifications/requirements of the T2S actors’ interaction with the T2S services. T2S actors not complying with the T2S ISO messages will not be able to participate in the T2S testing phase.

The SGMS reviewed the schema files of the T2S messages prepared by the 4CBs in view of their insertion in UDFS v1.2. Out of the 127 messages that are currently expected to compose the T2S message catalogue, the UDFS v1.2 already contains 123 messages (96%). The remaining four messages are expected to be included in UDFS v1.2.1.

The AG has agreed in June 2011 that no monitoring is required for CSDs’ adoption of the T2S ISO 20022 messages.

Risks
Provided that the definition process progresses well (remaining T2S ISO messages in UDFS v1.2.1) no risks were identified by the HSG.
3.1.2 T2S matching fields

Issue description

The target of the activity is to ensure a single list of T2S matching fields and their compliance with the ESF-ECSDA matching standards.2

Developments/status

The AG encouraged further work on the definition of a single T2S market practice on the use of the securities account as an optional matching field. However, the same requirement is relevant for the usage of all optional matching fields. This work, as well as the one on the “CSD of the counterpart” (or “location of settlement”) as mandatory matching field, should be initiated by the PO at a later stage; i.e. when harmonisation in other cross-CSD areas has progressed well and CSD adaptation plans to T2S are stabilised.

AG has decided in June 2011 that the T2S matching fields monitoring process should be assigned to the T2S National User Groups (NUGs) as soon as the definition process is complete.

As with all T2S ISO messages, implementation of the T2S matching fields is planned for SP8.

Risks

The HSG identified no risks in terms of standard definition and implementation

Follow up action:

- Further work on the usage of T2S matching fields, to be resumed by the AG and its substructures, in January 2013 (following progress in the task force for the adaptation to the T2S cross-CSD settlement (T-FAX), CSD adaptation plans and wider T2S harmonisation efforts).

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2 ESF-ECSDA matching standards, 5 October 2006.
3.2 T2S Schedule of the settlement day

Issue description

The URD finalisation includes some key harmonisation agreements. One example is the use of a single schedule of the T2S settlement day. However after the URD and UDFS publication, market participants have raised a number of issues that required further clarification (e.g. start of the night time settlement (NTS) processes, timing of the night time sequences and their connection to the CA standards).

Developments/status

A workshop on the Schedule of the T2S settlement day was organised by the PO on 13 May 2011 with the 4CB, CSDs and market participants. The key outcome of this workshop was that the current T2S Schedule and its indicative timing as proposed in the draft UDFS should not be changed at this stage and should be reviewed in line with the expected T2S settlement volumes.

Regarding the key question raised by the CSDs and Corporate Actions Subgroup (CASG) members on the time available between end of day and start of day settlement, the workshop agreed that there are adequate tools in T2S for CSDs to manage their CA if they are delayed (i.e. the blocking of affected balances) as described in the T2S Business Process Description (BPD) document.3

The AG agreed in June 2011 that once the T2S Schedule is final (UDFS finalisation), T2S NUGs should be involved in monitoring CSDs’ compliance. The issue of monitoring should be assessed in connection with the overall CSDs adaptation and migration plans to T2S.

SP8 is also applicable for this activity in terms of implementation date.

Risks

None identified

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3 http://www.ecb.int/paym/t2s/about/keydocs/html/index.en.html
3.3 Cross-CSD settlement

Issue description

Following the finalisation of the work of the Smooth Cross-CSD settlement task force (the task force); the AG mandated a new subgroup (T-FAX or task force for the adaptation to the T2S cross-CSD settlement). The key aim of T-FAX is to make proposals to the HSG and the AG on standard T2S processes and/or messaging fields to increase the efficiency of Cross-CSD Settlement for the CSDs and their participants on a non-discriminatory basis. The proposed solutions will mainly cover the interaction of T2S actors with T2S on eight clearly identified issues:

1. CSD ancillary services;
2. regulatory and legal reporting requirements;
3. tax requirements;
4. registration processes;
5. non-fungible securities;
6. issuance practices;
7. Stock Exchange and CCP instructions;
8. Securities Amount Data.

The status of these issues will be monitored by the HSG as “sub-activities” in the T2S harmonisation list.

Developments/Status

T-FAX will work on these eight issues during the next 13 months with the aim of presenting its proposals to HSG and AG by end 2012.

During its 7 November 2011 meeting, the HSG agreed that at least two of the new sub-activities covered by the T-FAX (registration and securities amount data) are identical with the work undertaken elsewhere in the T2S List: activities 9 and 17. It was agreed that, at least for the time being, the T-FAX will work further on registration (impact on T2S settlement and not on finality) whereas HSG has already initiated the work with the NUGs on the Securities Amount Data. In due time and following progress on these items, the matter will be re-assessed, in particular due to the possible need to initiate further escalation via the HSG and the AG on these issues.

T-FAX is planning to contact the NUGs on potential solutions on the first four issues within Q1 2012.

Risks

T-FAX may not be able to achieve consensus on a standard process or messaging fields usage for the above issues prior to end 2012 with the consequence of less efficient cross-CSD settlement in T2S.

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4 http://www.ecb.int/paym/t2s/governance/ag/html/subadapt/index.en.html#mandate
(depending on the issue). In such case, the HSG/AG escalation to public authorities will be the only action left for progress and resolution.

There is also a dependency of this work on the CSDs’ adaptation plans which are not yet finalized today. On the other hand, the T-FAX proposals for technical solutions could be used as a guideline to progress in the CSDs’ adaptation to T2S.
3.4 T2S Corporate Actions standards

Issue description

The AG decided already in 2008 that work was required in establishing T2S standards on CA on flows (pending transactions). The T2S Corporate Actions Subgroup (CAGS) formulated the detailed T2S standards based on the high level CA market standards (as defined by the Commission sponsored Corporate Actions Joint Working Group – CAJWG). The AG approved the standards in September 2009 and an updated version in March 2011.

Developments/Status

Work has progressed well in the drafting of the CA section of the T2S Business Process Description (BPD) document. BPD v1.0 was published on 18 November 2011, including the CA section.

As shown in the attached Annex 3, the 2011 gap analysis for CSDs’ compliance with the T2S CA standards has been completed by the CASG. Responses from almost all markets/CSDs have been received. Where no response was received in 2011, CASG has kept the implementation status of 2010.

Compared with 2010, the results show that the low rate of CSDs/markets’ compliance has changed only marginally. Nevertheless, it is a positive sign that the level of understanding of the standards has increased significantly. This is shown in the much higher level of detail in the responses provided. In a number of cases, the markets are also in the process of developing concrete implementation plans which will be activated when the T2S Framework Agreement (FA) is signed.

A complete report on CA compliance is published in parallel by the AG.

Risks

As part of its 2011 analysis, CASG has provided a “risk assessment” for each market (HIGH, MEDIUM, HOW) regarding its current expectation that the T2S standards will be implemented in full, with the appropriate quality, and in time for the launch of T2S. The risk assessment took into account not only the current level of compliance with the standards, but also the severity of the barriers to implementation and the perception of the national market’s commitment to implement the standards. Particular weight was given to cases in which legal amendments were necessary, or where changes in taxation policy were required. See Annex 3 for further details.
3.5 Legal Harmonisation

3.5.1 Settlement Finality I (moment of entry)

Issue Description

_Moment of entry of transfer order into the system (Art. 3 of the Settlement Finality Directive – SFD)_

The issue is also covered in Art. 21 (par. 4) of the draft FA.

The aim of this activity is the elimination of uneven protection of CSD participants against the risk of insolvency of participants in other CSDs (interoperable systems in T2S) in accordance with the SFD. The moment of entry of transfer orders into the system is determined in the rules of all CSDs (as required by the SFD); however, this rule is not yet harmonised across the EU. To ensure a fully efficient finality in T2S as well as for reasons of level playing field, the definition of a single moment of entry of transfer order would need to be agreed and implemented for all T2S CSDs.

Developments/status

The FA (Art. 21/par.4) recognises the need for establishing a harmonised CSD rule for the moment of entry of transfer orders into the system (the need but not the rule is also covered in Art. 3 of the Settlement Finality Directive - SFD). The AG agreed in June 2011, that the new CSD Steering Group (CSG), the successor to the CCG, should further work on establishing such rule in coordination with the T2S PO legal experts. In addition, the CSDs’ compliance with the harmonised rules should be assessed against the obligation of compliance on an ongoing basis with the CSD eligibility criteria. One possible proposal would be to make the rule of SF I and SF II (see next section) identical. The PO will start the preparatory work on SF I prior to the FA signature, in order to better prepare the work of the CSG.

The issue was part of the AG letter to the DG-Market. The CSDR may include provisions on SF I.

Risks

There is a risk that there is a lack of consensus/agreement among CSDs on a single rule for defining the moment of entry and therefore uneven protection of CSD participants against the risk of insolvency of participants in other CSDs (interoperable systems in T2S).

3.5.2 Settlement Finality II (transfer order irrevocability)

Issue Description

_Irrevocability of transfer order (SFD, Article 5)_

The aim of this activity is the elimination of the risk of transfer order revocation in a cross-border environment

Developments/status
The irrevocability of transfer orders in T2S is protected through the rule prohibiting the unilateral cancellation of instructions after T2S matching (URD v5.0). The current drafting of the T2S Framework Agreement (FA, article 21/par. 4) is proposing that the T2S contracting CSDs shall make all necessary arrangement at harmonising definitions of the irrevocability of transfer orders.

The definition process is finalised via the completion of the URD (no unilateral cancellation in T2S after matching). Regarding the monitoring process, the smooth cross-CSD settlement task force made a survey in 2011 which identified the following issues:

Some markets do not comply with the SF II rule but they are considered as low risk for the T2S project due to their willingness to fully adapt to the T2S URD rule: BE (NBB-SSS), DE, DK, LT, NO, SK

One market is assessed as high risk at the moment since we have no further information on its plans to fully comply with the T2S URD rule: CH.

For LU, PT (NCB CSD), MT we are missing information.

The CSDR may include provisions on SF II.

Risks

CSDs should by default comply with the T2S URD irrevocability of transfer order (i.e. no unilateral cancellation in T2S) since there is no T2S functionality for unilateral cancellation after matching. However, there is a need to ensure that their regulatory environments are updated accordingly.

Follow up actions:

- Further clarifications with the relevant NUGs may be required.

3.5.3 Settlement Finality III (securities transfers irrevocability)

Issue Description

Irrevocability of securities transfers.

In order to facilitate legally sound, seamless cross-border DVP settlement, T2S participating CSDs have to recognise account entries in T2S as unconditional, irrevocable and enforceable.

Developments/status

ESMA is aware of the issue and it has also raised it to the Commission.

Irrevocability of securities transfers is addressed in Article 21/par.4 of the draft T2S Framework Agreement and is explicitly stated in the ESCB/CESR recommendation (Recommendation 8, irrevocability and enforceability of settlement). According to the current FA drafting the T2S contracting CSD shall make all necessary arrangement with regard to its operational processes to achieve the
unconditionality, irrevocability and enforceability of the settlement processed in T2S. This is particularly relevant in the case where the accounts representing legal ownership rights are maintained by the CSD in its local legacy IT-system, i.e. outside T2S. In these cases and independently of the holding model followed by each market, harmonisation of settlement finality rules would ensure that bookings in T2S maintained accounts are irrevocable, unconditional and enforceable.

This is a key critical issue for T2S and it needs to be ensured that relevant CSD legislation is adopted and implemented by the time T2S starts operations.

The AG decided in June 2011 that following the signature of the T2S Framework Agreement (FA), the T2S PO should undertake the task of monitoring the CSDs’ compliance with the established harmonised finality rule (T2S SF III rule).

The issue was part of the AG letter to DG-Markt. The CSDR may include provisions on SF III.

Risks

There may be regulatory or legal barriers for CSDs to adapt their rules in line with Art. 21

As with other legal harmonisation issues there is the question as to the timing of issue resolution prior to T2S.

3.5.4 Location of securities accounts

Issue description

The issue of the location of accounts refers to the law applicable to the creation of rights and transfers of securities.

Clarity on the applicability of the national law of the SSS notified to the EC and operated by the CSD is important for T2S in two regards: (1) securities accounts in T2S remain legally attributed to the CSD, regardless of the physical location of the IT infrastructure and (2) all securities held on accounts in T2S are subject to the law applicable to the SSS operated by the CSD legally maintaining the respective accounts, regardless of the country of issuance (i.e. where the issuer CSD is located).

A harmonised rule for the location of securities accounts must be clearly determined and compatible with the set up of T2S so as to mitigate legal risk for CSD links in T2S. The lack of this harmonised rule would undermine the establishment and usage of CSD links in the context of T2S.

Developments/status

Securities Law Directive (SLD) and (possibly) also the proposed CSDR might provide such a harmonised rule. The ECB has commented on the consultations for the SLD and the CSDR in support of the establishment of a harmonised rule.

The issue was part of the AG letter to DG-Markt. The Commission is expected to publish the CSDR proposal by end 2011 and the SLD by Q1 2012.
Risks

There is a risk that the harmonised rule might not be established in one or the other European legislation acts. In particular, the SLD adoption process in the national jurisdictions may not be complete by the time of the T2S launch.

Follow up action:
- We should re-assess the issue once SLD/CSDR texts are made public by the Commission (Q1 2012);

3.5.5 IT outsourcing (settlement services)

Issue Description

The outsourcing of settlement services to T2S requires approval by the relevant regulator, subject to the applicable national laws and regulations. Some national legislation/regulations either prohibit or hamper outsourcing of settlement services.

Developments/status

The matter has been highlighted by ESMA and is also addressed in the proposal of the EU Commission on the CSDR. The ECB sent comments on the CSDR consultation regarding the exception of the outsourcing to a public entity from any future potential CSD regulation.

The FA will recognise that participation in T2S requires regulatory approval. This will be accomplished by providing CSDs with a specific right to terminate the FA if such regulatory approval is finally refused. This is a key issue for T2S and it needs to be ensured that relevant CSD legislation is adopted and implemented by the time T2S starts operations.

The issue was part of the AG letter to DG-Markt. It is expected that the topic is included in the CSDR proposal planned for publication by end 2011.

Risks

As with other legal harmonisation issues, there is a concern that the issue may not be resolved prior to T2S launch date.

Follow up action:
- We should re-assess the issue once the CSDR text is made public by the Commission (end 2011);
3.6 Settlement Discipline Regime

Issue description

There is a need in the EU for a harmonised settlement discipline regime. This ensures a level playing field and avoids the risk of the so called regulatory arbitrage, i.e. volumes shifting to the softer sanctions regimes. In addition, weak settlement discipline regimes would have an impact on fails and potentially on financial stability.

Developments/status

The initiatives of ECSDA and the AG have flagged the need for a level-playing-field with regard to settlement discipline and have put the issue on the EU agenda of post trade harmonisation. The ECB has commented in support of its inclusion in the forthcoming CSDR.

Assuming that the general principle for an EU wide settlement discipline regime is adopted in the CSDR, ESMA and ESCB would be the right actors for defining the technical standards for the consistent application of such framework.

The issue was part of the July 2011 AG letter to DG-Markt.

Risks

Relevant measures might not be implemented by the time T2S goes live. Depending on the progress of the CSDR and the potential involvement of ESMA, in coordination with ESCB, in establishing a regime for EU, any possible delays in view of the T2S launch have to be further assessed and reported to the AG.
3.7 Settlement cycles

Issue description

The existence of differing settlement cycles in T2S has no impact on the core settlement process since T2S is settlement cycle neutral.

However, the establishment of a single settlement cycle in the EU will facilitate for T2S participants’ technical infrastructures both the rationalisation of the back-office activities and the management of their cross border CAs (since the timelines of the CA standards are based on the settlement cycle rules). This is due to the fact that the Commission sponsored Corporate Actions Joint Working Group (CAJWG) standards are based on a single settlement cycle timeline.

Developments:

Work has been completed in the EU Commission’s working group on settlement cycles harmonisation. In the context of the CSDR consultation, the group has recommended for a T+2 settlement cycle rule in the EU.

France has already endorsed on a T+2 rule but national implementation is postponed in view of the establishment of an EU wide rule.

The issue was part of the July 2011 AG letter to DG-Markt and is expected to be part of the CSDR.

Risks

Depending on the follow up actions by the Commission (e.g. CSD legislation) any possible delays in view of the T2S launch have to be further assessed and reported to the AG.
3.8 Omnibus accounts

Issue description

The non availability of omnibus accounts (including the appropriate omnibus account services attached to these accounts) by the issuer CSD, does not support the concept of CSD interoperability and cross-border settlement in (or even out of) T2S.

Developments:

The AG agreed in September 2011 to add the topic as high priority activity in the T2S Harmonisation List. The agreed objective of the activity is for the issuer CSDs to offer in addition to omnibus accounts, the appropriate service required by their participants (e.g. withholding tax and proxy voting). These omnibus accounts should also include holdings of domicile and non-domicile investors.

Based on the information available to the PO the [still draft] status of the markets with specificities on omnibus account availability is the following:

Nine markets were identified in the context of the task force survey as potentially experiencing barriers in offering a full omnibus account service to foreign participants. However, there seems to be considerable improvement of the status initially reported to the task force.

From the nine markets presented below only two do not offer any omnibus accounts service at all: GR (for equities), and IS. For these markets, and depending on their final adaptation plans to T2S, cross-CSD settlement via investor CSD accounts (omnibus and connected mirror accounts) may not be possible, or if possible may become burdensome for foreign participants.

Three markets seem to provide omnibus accounts to foreign participants (FI, CY, SI). However, the holdings in these accounts usually exclude investors domiciled in the issuer CSD country and restrict the exercise of certain rights of the shareholder. CY can only provide omnibus accounts to Investor CSDs (and not to other intermediaries).

In NO regulation allows for omnibus accounts however further clarification is required on the restrictions attached to their usage.

One market (PL) has already removed all restrictions to omnibus accounts services that existed in its market until recently via the introduction of the relevant legislation in September 2011.

In PT further information received from the Portuguese Securities Market Commission (CMVM) clarified that there are no restrictions in the omnibus accounts service provided by the Portuguese CSD (Interbolsa) to its foreign participants.

In SK, the restriction on omnibus accounts service refer only to when the Slovakian CSD acts as Investor CSD. This may be under review in view of T2S adaptation.
The topic is not covered in the current draft version of the CSDR proposals but it may be covered in the Securities Law Directive (SLD).

The Association of Financial Markets in Europe (AFME) has set up a task force on CSD account structures. Its aim is to produce a paper which elaborates on the rationale of CSD account structures (omnibus and segregated accounts). This is an important recurring subject on post-trade harmonisation and there are not so many studies on the topic. An internal AFME draft is planned for end 2011. Publication could be expected by the start of 2012. Further escalation by the HSG/AG, if needed, should be coordinated with the AFME initiative in early 2012.

**Risks**

For high risk markets, adaptation may depend on legal change which is difficult to implement and time consuming.

**Follow up actions;**

- HSG to assess the CSDR and SLD provisions on omnibus accounts
- Any further escalation to relevant public authorities, if needed, to take into account the AFME initiative on the matter.
3.9 Registration procedures

Issue description

Local registration procedures may have an impact on T2S finality and efficiency (putting instructions on hold).

Developments

The AG agreed in September 2011 that

a) the issue of the registration and settlement finality dependencies should be covered under the T2S harmonisation sub-activity “Finality III”;

b) the remaining registration issue (putting on hold securities prior to settlement) should become a high priority T2S Harmonisation List activity;

c) the HSG proposes to write a letter to the NUGs in order to take full stock of the matter. After relevant analysis and involvement of the NUGs, the matter could also be brought to the attention of the national regulators.

Regarding c), the T-FAX has already started to work on the issue. Its aim is to identify whether there is a possibility to establish a standardised way of interaction with T2S services or make use of specific fields in T2S messages in order to avoid the settlement inefficiencies associated with local registration procedures. The T-FAX will contact the NUGs on the matter within Q1 2012.

Following the outcome of the T-FAX work, the HSG/AG may need to consider escalation to relevant authorities.

Risks

There is no risk for the launch of T2S in case harmonisation is not achieved on time, but settlement processes in some T2S markets may be inefficient and costly especially for cross-CSD settlement business.
4. T2S Harmonisation Activities - Low priority

4.1 Corporate Actions market standards

Issue description
The market standards on corporate actions on stocks (settled balances) were finalised in October 2009 by the Commission sponsored Corporate Actions Joint Working Group (CAJWG). The standards were subsequently endorsed by the relevant forums and industry associations (CESAME2, EBF, Issuers etc). These market standards are the base of the T2S CA standards. Although T2S is not involved in maintaining or monitoring the CA market standards, the HSG would like to keep the issue in its radar for information purposes.

Developments/status

E-MIG: Overall good progress and in most cases action plans and timelines defined to resolve open issues. On average 70-90% of the distributions and reorganisations (the CA standards monitored by E-MIG) are met or are in the process of being met by the countries participating in the exercise. However, a high number of countries have not responded in the E-MIG survey.

Following the 2011 CA market standards implementation, the following status applies (as of 10 November 2011):

12 systems have not participated in the E-MIG survey so far: BE (NBB-SSS), GR (BOGS), HU, IS, LT, LU, MT, PT (SITEME, Interbolsa), RO, SI, SK. E-MIG has informed the PO that improvement is to be expected soon.

In Germany and Austria the implementation of record date and payment date for cash distributions requires legislative action. Both markets have launched discussions between issuers and intermediaries for a possible proposal to their national authorities on the establishment of record date.

Buyer Protection Standards 1 to 4 and related key dates have to be implemented also in markets that choose not to automate the process. CAJWG is requested to develop more detailed processing rules.

The final timeline for comprehensive implementation of the standards in 2013 has been confirmed.

The HSG agreed that progress on the CA market standards is a pre-requisite for implementation if T2S CA standards, since the latter are based on the former. The PO and the CASG should escalate to E-MIG and the Broad Stakeholders Group (BSG) if required.

Risks:
A large number of countries either do not respond to the E-MIG survey. This could have an impact on T2S CA standards implementation since the two sets of standards are interconnected.
4.2 Place of issuance

Issue Description

*Freedom of importability/exportability of issuance of securities.*

There are restrictions (in national law or market rules) on the place of issuance of securities and consequently on the choice of infrastructures/service providers for issuers. This barrier has no impact or operation/legal risks for T2S but has an influence on market competition conditions for issuer CSD services.

Developments/status

The location of issuance can be connected to various comments sent to the PO in the context of task force work completed in June 2011 (section on access and interoperability). Provisions in the direction of removing barriers in choosing the place of issuance are contemplated in the context of the forthcoming CSDR.

The issue was included in the June 2011 AG letter to the Commission and the ECB response to the CSDR consultation. HSG agreed that the issue should be re-assessed once the CSDR is made public (end 2011).

Risks

No substantial risks identified for T2S launch but no resolution may have impact for settlement efficiency in some markets.
4.3 Tax procedures

Two of the Giovannini barriers (11 and 12) relate to fiscal compliance procedures. The Commission sponsored FISCO Group explored issues linked to these barriers further and proposed solutions on how to dismantle them.

4.3.1 Withholding tax procedures

Issue description

Barrier 11 relates to domestic withholding tax regulations, i.e. that foreign intermediaries cannot sufficiently offer withholding tax relief at source or only under the condition that they have a local fiscal agent. Withholding tax procedures in the T2S relevant CSDs and markets should comply with the Commission’s October 2009 Recommendation.

Developments/status

Following the FISCO report, the EU Commission in October 2009 adopted a Recommendation on withholding tax relief procedures that outlines how EU Member States could make it easier for investors resident in one Member State to claim entitlements to relief from withholding tax on securities income (mainly dividends and interest) received from another Member State. The Recommendation also suggests measures to eliminate tax barriers for the securities investment activities of financial institutions. This is important because a study by the Commission services shows that at present the costs related to the present reclaim procedures are estimated to a value of € 1.09 billion annually whereas the amount of foregone tax relief is estimated at € 5.47 billion annually.

The Recommendation – the first one in the tax area since approximately nine years – was an important step forward in trying to solve fiscal barriers in the post-trading environment.

The Tax Barriers Business Advisory Group (T-BAG) considered the follow-up to the Commission recommendation from a business perspective and worked on the identification of any other remaining fiscal barriers affecting the post-trading environment.

T-BAG is expected to issue its final report to the Commission, including recommendation for further action, by early 2012.

PO has shared with the European Commission services, all available information gathered in 2011 by the TF on smooth cross-CSD settlement.

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5 Giovannini Group, Second report on EU clearing and settlement arrangements, Brussels, April 2003 page 11. The findings regarding obstacles resulting from tax procedures of this Giovannini report are reflected within the Commission communication on “Clearing and settlement in the EU – The way forward”, COM(2004) 312 final, under heading “3.2. Taxation issues”.

The T-FAX has included in its work on standardised T2S interaction regarding any remaining local tax procedures that may affect settlement instructions in T2S.

Risks

No substantial risks identified for T2S launch but no resolution may have impact for settlement efficiency in the affected markets.

4.3.2 Transaction tax procedures

Issue description
Barrier 12 deals with national provisions requiring that taxes on securities transactions be collected via local systems. According to the Giovannini report any provisions requiring that taxes on securities transactions are collected via local systems should be removed in order to ensure a level playing-field between domestic and foreign investors.

Developments/status
According to the Commission services, the urgent problems related to Giovannini barrier 12 and transaction tax procedures appears now, in general, to be successfully solved. The first FISCO Report – the Fact Finding Study- identified 2006 no less than 11 jurisdictions in the European Union with more or less problematic transaction tax procedures in the perspective of the Giovannini barriers and the internal market. However, in general, those problems appear now to be successfully solved by the Member States.

The work of T-BAG, as before mentioned will also cover some of the issues raised for Barrier 12. T-BAG is expected to issue its final report to the Commission (Q1 2012), including possibly recommendation for further action.

PO has shared with Commission, all available information gathered in 2011-11 by the TF on smooth cross-CSD settlement.

The T-FAX has included in its work on standardised T2S interaction regarding any remaining local tax procedures that may affect settlement instructions in T2S.

Risks

No substantial risks identified for T2S launch but no resolution may have impact for settlement efficiency in the affected markets.
4.4 Cross-border shareholders transparency

Issue description

In most EU countries there are efficient models for identifying domestic shareholders. There is no European model for enabling issuers to identify their owners in a cross-border (and T2S) holding.

Developments/status

This is a low priority activity for T2S harmonisation.

The Task force on Shareholder Transparency presented its final report to the AG in March 2011. It includes proposals:

- on market practices for exchanging shareholders’ disclosure requests and responses (including an arrangement for cooperation between CSDs);
- to the ISO community for a disclosure request/response message standard;
- a description of decentralised and centralised technical models for exchanging shareholder information on a cross-border basis;
- to amend the Transparency Directive to facilitate exchange of shareholder information on a cross-border basis.

The conclusions of the TF were supported by the vast majority of the AG.

Since March 2011, the following developments took place on the issue:

- The ISO Maintenance Committee discussed the request for the disclosure standard in August 2011. It was agreed that these messages should not be part of the CA ISO messages but there is a need to establish a new message as part of the ISO 20022. SWIFT is working on this and input will be required from those institutions that worked under the auspice of the TF.

- It was mentioned by the Commission services during the HSG meeting that the legal amendments proposed by the T2S Taskforce may be considered by the Commission in the context of the Securities Law Directive rather than the Transparency Directive.

- Regarding the market standards for sharing shareholder data, ECSDA clarified in the HSG that further work on these proposals is not a priority for the association’s agenda.

Risks

No risks identified for T2S settlement efficiency and launch.
4.5 Investment Funds settlement

Issue description

There is no need for special T2S functionalities for fund shares settlement in T2S. However, the introduction of fund share settlement in CSD accounts (not the case in all EU markets today) could have an impact on T2S settlement volumes and prices (although statistics on funds settlement volumes are not readily available).

Developments

In view of the introduction of T2S, the European funds industry considers the standardisation of its cross-border distribution models in the EU. The European Fund Industry Association (EFAMA) has created a T2S working group to further elaborate on the relevant models.

Based on the input provided by EFAMA to the T2S PO in January 2011, a third T2S and Funds workshop took place on 10 March 2011 at the ECB. The T2S PO provided clarifications from a T2S perspective to the EFAMA concerns related to cross-CSD settlement in T2S.

The PO released the draft T2S Business Process Description (BPD) for a commenting procedure in summer 2011. Prior to the draft T2S BPD publication, the PO has provided the fund workshop participants with the draft BPD chapter on fund share settlement in T2S for informal comments.

This is a low priority activity for T2S harmonisation. It is sufficient to support the funds industry on an ad-hoc basis by means of dedicated workshops.

However, the potential high volumes of fund shares settlement (currently outside CSD accounts settlement) could have an impact on T2S prices.

EFAMA and ECSDA are currently in talks with the aim of clarifying to the fund industry how CSDs would or could offer fund shares settlement services in T2S. The issue is more relevant for those markets which currently settle fund shares outside the CSD (issuer or transfer agent settlement) rather than those which already operate in a CSD fund shares settlement environment. It was also confirmed by the PO that T2S should not face any capacity issue in case current transfer agent settlement volumes would potentially migrate to CSDs and eventually to the T2S environment.

Risks

No risks for T2S settlement efficiency and launch.
4.6 Market access and interoperability

Issue description

The activity covers market practices or legislation that obligate (or restrict) the settlement of (Stock Exchange and/or CCP cleared) transactions in a specific Issuer CSD. The consequence for foreign investors, custodians and/or investor CSDs in such [issuer] markets is that access to settlement flows is restricted due to the unfair competitive advantages established in those issuer markets. The restriction implies that entities wishing to offer settlement services on these securities need to become participants in the issuer CSD or CCP.

Specific examples are:
- Rules and regulations obligating CCP clearing members to connect to a specific issuer CSD, thus excluding service provision via investor CSD links;
- Restrictions with regards to the accounts on which stock exchange transactions (CCP netted or not) can settle;

T2S relevance

The issue has no impact on T2S settlement processes but it may be important for competition and CSD access conditions in T2S relevant markets.

Developments

The AG had a long discussion on the matter and especially whether this is a low or high priority for the list. Some AG members argued that this issue is not crucial for T2S launch and only relevant for market competition reasons. Others argued that this topic (together with location of issuance) were the two key issues for post-trade harmonisation in the EU. These are the two elements that despite MiFID and Code of Conduct, are still the main barriers to true competition at the settlement layer.

At the moment, the only initiative in this area is coming from the CSDR which covers the market access and interoperability topic.

Risks

Should restrictions on market access remain by the time of T2S launch, this will result in limited competition and choice for market participants and infrastructures in the T2S framework.

Follow up action:
- to keep this market access (and the activity of issuance location) as a low priority and re-assess the issue once the CSDR proposal is officially published
4.7 CSD ancillary services

Issue description

This activity covers specific CSD services which go beyond the so called “core CSD services” (i.e. notary, settlement and safekeeping). These are sometimes referred to as CSD “ancillary services” (e.g. repo, securities lending, 'buy-sell back' processing, and transfer of portfolio). Ancillary services are outside the current scope of T2S and are (and will continue to be) offered by the CSDs directly to their participants.

These services are usually mandatory services that parties active in that market are obliged to use, either directly (as an issuer CSD participant) or indirectly (as a client of a provider of settlement and custody services in the issuer CSD market).

According to the Smooth Cross-CSD settlement task force analysis, the fundamental requirement from a T2S cross-CSD settlement perspective would be that these services should not be mandatory but voluntary and at the same time be available to all issuer CSD participants on a non-discriminatory basis. The reason being that mandatory participation to these ancillary services does not facilitate issuer CSD participation by non-domicile institutions.

At the same time, it is important to take note that some of these requirements may be based on CSD oversight concerns (securities lending, buying-ins) and can not easily become optional. The work on the EU harmonised settlement discipline regime could affect harmonisation in some of these issues.

Developments

The AG agreed in September 2011, that settlement discipline services offered by the CSDs should be treated separately from other CSD ancillary services.

The AG also agreed to add the topic as a low priority activity in the T2S list, with the objective of making ancillary services voluntarily available to CSD participants (in line with the TF proposal).

TFAX is already working on how to harmonise processing and messaging of ancillary services in T2S (see T-FAX issues above)

The HSG agreed to postpone any discussion or escalation at this stage and wait for the CSDR publication, where the CSD ancillary services definition is expected to be included. As agreed in the November HSG meeting, the work on T2S best practices (e.g. codes in messages), is currently under the scope of the T-FAX (see T2S harmonisation list, activity 5)

Risks

No resolution prior to T2S launch since a lot of these ancillary services seem to be based on regulatory national requirements and as a result change and adaptation of markets may be delayed.

Follow up action:

- reassess the issue after the publication of the CSDR
4.8 Securities Amount Data

Issue description

This activity covers the need for special post trade processes due to the lack of a standardised usage in the definition of securities amount data (face value vs. quantity) in the trading, clearing and settlement chain.

One issue is the differences in the usage of the securities amount data throughout the transaction chain. It seems to be the case that in some markets debt instruments may be instructed in nominal value and then converted to quantity (units) prior to matching at the CSD level. In one market both amount and quantity may be used for the same instrument.

Another issue is the possibility for the three diverting markets to harmonise their practices according to what seems to be regarded as the standard market practice in EU: nominal value for debt instruments and units for non-debt instruments.

T2S relevance

The non-standardisation of securities quantity data has no impact on T2S settlement as long as for each ISIN in T2S only one rule is used (either amount or quantity). However the current practices in some markets may create difficulties to foreign entities (Investor CSDs, custodians) who wish to offer services on these securities. However, there do not seem to be many exceptions in the EU to the standard market practices (debt instruments in face value and equities in units).

Developments

The AG agreed in September 2011, to add the issue in the list, support a harmonised practice for T2S markets and escalate the issue to the NUGs and if required to national regulators.

The relevant three NUGs (FI, PL, PT) have already been contacted by the HSG on their plans for possible adaptation to the EU market practice. In December 2011, the Slovakian CSD informed the T2S PO, that it only uses units for the settlement of debt instrument. A fourth market, France, has already migrated to the EU market practice in the course of October 2011.

FI and PL are considering adapting their practice to T2S requirement (i.e. usage of either units or face value). However, FI has not clarified whether it will follow the European market practice (i.e. face value for debt instruments and units for all other asset classes).

PT and SK have currently no plans for adaptation.

The HSG agreed that further interaction with the four NUGs may be required in order to better document the business case, e.g. whether the issue is only relevant for a negligible percentage of ISINs.

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7 For each T2S settlement instruction, T2S will verify whether the type of settlement amount in the settlement instruction (face amount or number of units) matches the type of amount as defined for the given ISIN in the T2S static data. This would make it impossible for a T2S Actor to instruct T2S both in nominal amount (FAMT) and units (UNIT) for the same ISIN. Only one of these settlement amount types has to be pre-selected in advance for each ISIN.
In case of no progress, the HSG should escalate the issue to the AG and/or national regulators. The T-FAX may have to discuss how these three markets will interact with T2S if adaptation is not achieved.

Risks

No resolution prior to T2S launch may result in failed T2S validation of the settlement instructions of the three markets and/or the securities concerned.

Follow up action:

- HSG and PO to monitor the issue with the four relevant NUGs;
5. **Annex 1: Methodology**

The following methodology is used for compiling the deliverables of the HSG to the AG (Progress Report, T2S Harmonisation List and Status Update Dashboard)

**Harmonisation Activities**

Each activity may include sub-activities and issues

Example

*Activity*: Settlement Process Efficiency

*Sub activity*: Smooth cross-CSD settlement

*Issues*: to be proposed by the cross-CSD TF (e.g. CSD omnibus accounts availability)

**Prioritisation of activities**

According to the AG discussions so far, two prioritisation levels are used in the list:

**High Priority**: Activities necessary for successful T2S launch. HSG and T2S PO focus their resources in these activities.

The fact that an activity is of high priority for T2S does not mean that the HSG will be the key definition or monitoring actor (e.g. T2S ISO messages, legal harmonisation)

**Low Priority**: Activities beneficial for the market but not necessary for T2S launch. HSG and AG only monitor progress in these activities.

The fact that an activity is of low priority does not mean that the T2S PO or the AG can not maintain a regular contact with the relevant actors since the potential benefits to the T2S operations could be substantial (e.g. fund shares settlement model)

**Harmonisation processes**

There are three harmonisation processes/phases for each activity/issue in the T2S Harmonisation List in Annex 2: Definition, Monitoring and Implementation. Each phase corresponds to a different aim/question:

**Definition**: What are the standards and who is responsible for defining them?

**Monitoring**: What is the process and who are the actors responsible for monitoring that T2S Actors are complying with the standards/rules?

**Implementation**: What is the process and who ultimately needs to implement changes and adapt to the harmonisation standards/rules?

**Responsible Actors**
For each process/phase clear responsible actors and concrete deadlines are proposed:

- **Definition Actors**: entities responsible for defining the standard (e.g. AG supported by CASG in the T2S CA standards)

- **Monitoring Actors**: entities responsible for monitoring that T2S Actors are complying with the standard (e.g. AG supported by CASG in the T2S CA standards)

- **Implementation Actors**: entities responsible for ultimately implementing changes and adapt to the standard (e.g. CSDs, their participants and perhaps regulators in the T2S CA standards)

**Dates**

Ideally and for each phase, a deadline for completion is inserted (i.e. a Synchronisation Point for most technical standards or T2S launch date for legal harmonisation)

**Status for T2S Dashboard (Presentational Tool)**

**Colour/symbol scheme**: A specific colour, based on a three colours scheme, is displayed in the status update dashboard to reflect the progress in each process (Definition, Monitoring and Implementation).

<table>
<thead>
<tr>
<th>Colour</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Green</td>
<td>Harmonisation Activity/Deliverable is within the required scope and quality and is on time (NOTE: not necessarily completed)</td>
</tr>
<tr>
<td>Yellow</td>
<td>Harmonisation Activity/Deliverable will not have the required scope, will be/is delayed and/or not of the required quality if no corrective measures are taken</td>
</tr>
<tr>
<td>Red</td>
<td>Corrective measures have not delivered the expected effect or no corrective measures are possible. Deliverable/Activity will be delayed to achieve the required quality or scope if no extraordinary action is taken and requires escalation</td>
</tr>
</tbody>
</table>

**Symbols**

- **X** process not started yet
- **N/A** process not applicable
- **?** lack of information
- ➔ unchanged status from previous report
- ➤ status improves from previous report
- ➥ status deteriorates from previous report
### 6. Annex 2: T2S Harmonisation List v 1.3.1

<table>
<thead>
<tr>
<th>Activity</th>
<th>Objective</th>
<th>Definition</th>
<th>Monitoring</th>
<th>Implementation</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>HIGH PRIORITY</strong></td>
<td></td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>T2S Messages</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>1.1</strong></td>
<td>T2S ISO 20022 messages</td>
<td>To define and implement the T2S ISO 20022 messages</td>
<td>Actor: AG (SGMS) and 4CB  &lt;br&gt; <strong>Delivery Date:</strong> October 2011 (UDFS v1.2).  &lt;br&gt; <strong>Status:</strong> 96% are already included in UDFS version 1.2. The remaining 3% (altogether 4 messages) are expected to be in UDFS v.1.2.1</td>
<td>Actor: N/A  &lt;br&gt; <strong>Status:</strong> N/A</td>
<td>Actor: CSDs  &lt;br&gt; <strong>Target Date:</strong> SP88: Ready for interoperability Testing (01/10/2014)</td>
</tr>
<tr>
<td><strong>1.2</strong></td>
<td>T2S matching fields</td>
<td>To agree on a single list of T2S matching fields</td>
<td>Actor: AG (T2S PO/T-FAX)  &lt;br&gt; <strong>Status:</strong> in line with UDFS finalisation  &lt;br&gt; Further work on usage to be initiated in January 2013</td>
<td>Actor: NUGs  &lt;br&gt; <strong>Status:</strong> not initiated yet</td>
<td>Actor: CSDs, 4CB  &lt;br&gt; <strong>Target Date:</strong> SP8: Ready for interoperability (01/10/2014)</td>
</tr>
</tbody>
</table>

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8 SP stands for T2S Planning Synchronisation Point: milestones that seeks to ensure the alignment of the readiness status of a CSD with the T2S Programme at key stages of the project by determining whether the stakeholders deliver what they expect from each other at specific points in time.
<table>
<thead>
<tr>
<th>Activity</th>
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<th>Implementation</th>
<th>Comments</th>
</tr>
</thead>
</table>
| 2 | **T2S schedule of settlement day**  
Single T2S Schedule is part of the URD | To clarify the details of the T2S Schedule of the settlement day | **Actor:** AG (T2S schedule workshop)  
**Status:** 13 May 2011 workshop concluded that the current T2S schedule as proposed in draft UDFS should not be changed at the current stage | **Actor:** NUGs  
**Status:** not initiated yet | **Actor:** CSDs  
**Target Date:** SP8: Ready for interoperability Testing (01/10/2014) | work on the mandatory matching field: “CSD of the counterparty” or “location of settlement” (January 2013) |
| 3 | **Cross-CSD settlement**  
Despite the removal of important cross-border barriers in T2S there is still a number of local market practices which, if remain in the context of T2S, will undermine the concept of CSD interoperability and eventually cross-CSD settlement efficiency. | Task Force on adaptation to cross-CSD settlement (T-FAX) to propose to HSG and AG standard processes for interaction with T2S services. | | | |
| 3.1 | **T2S interaction for CSD ancillary services**  
Definition of a standard process and standard use of messaging fields for interaction with T2S for CSD ancillary services (repo, lending and borrowing, collateral management, portfolio transfers etc) | | **Actor:** AG/HSG (T-FAX)  
**Delivery Date:** End 2012  
**Status:** T-FAX is working on a proposal to the AG/HSG | **Actor:** NUGs/HSG/AG  
**Status:** not initiated yet | **Actors:** T2S Actors  
**Target Date:** SP8: Ready for interoperability Testing (01/10/2014) | Also covered under activity 16 below. |
<table>
<thead>
<tr>
<th>Activity</th>
<th>Objective</th>
<th>Definition</th>
<th>Monitoring</th>
<th>Implementation</th>
<th>Comments</th>
</tr>
</thead>
</table>
| 3.2 | T2S interaction due to regulatory and legal reporting requirements | Definition of a standard process and standard use of messaging fields for interaction with T2S due to regulatory and legal reporting requirements | Actor: AG/HSG (T-FAX)  
Delivery Date: End 2012  
Status: T-FAX is working on a proposal to the AG/HSG | Actor: NUGs/HSG/AG  
Status: not initiated yet | Actors: T2S Actors  
Target Date: SP8: Ready for interoperability Testing (01/10/2014) |
| 3.3 | T2S interaction due to tax requirements | Definition of a standard process and standard use of messaging fields for interaction with T2S due to tax requirements | Actor: AG/HSG (T-FAX)  
Delivery Date: End 2012  
Status: T-FAX is working on a proposal to the AG/HSG | Actor: NUGs/HSG/AG  
Status: not initiated yet | Actors: T2S Actors  
Target Date: SP8: Ready for interoperability Testing (01/10/2014) |
| 3.4 | T2S interaction due to local registration processes | Definition of a standard process and standard use of messaging fields for interaction with T2S due to local registration processes | Actor: AG/HSG (T-FAX)  
Delivery Date: End 2012  
Status: T-FAX is working on a proposal to the AG/HSG | Actor: NUGs/HSG/AG  
Status: not initiated yet | Actors: T2S Actors  
Target Date: SP8: Ready for interoperability Testing (01/10/2014) |
| 3.5 | T2S interaction due to non fungible securities | Definition of a standard process and standard use of messaging fields for interaction with T2S due to non fungible securities | Actor: AG/HSG (T-FAX)  
Delivery Date: End 2012  
Status: T-FAX is working on a proposal to the AG/HSG | Actor: NUGs/HSG/AG  
Status: not initiated yet | Actors: T2S Actors  
Target Date: SP8: Ready for interoperability Testing (01/10/2014) |
| 3.6 | T2S interaction due to issuance practices | Definition of a standard process and standard use of | Actor: AG/HSG (T-FAX)  
Delivery Date: End 2012  
Status: not initiated yet | Actor: NUGs/HSG/AG  
Status: not initiated yet | Actors: T2S Actors |
<table>
<thead>
<tr>
<th>Activity</th>
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<th>Definition</th>
<th>Monitoring</th>
<th>Implementation</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>3.7</strong> T2S interaction due to specificities on Stock Exchange/CCPs settlement instructions</td>
<td>Definition of a standard process and standard use of messaging fields for interaction with T2S due to specificities on Stock Exchange/CCPs settlement instructions</td>
<td><strong>Actor:</strong> AG/HSG (T-FAX)  <strong>Delivery Date:</strong> End 2012  <strong>Status:</strong> T-FAX is working on a proposal to the AG/HSG</td>
<td><strong>Actor:</strong> NUGs/HSG/AG  <strong>Status:</strong> not initiated yet</td>
<td><strong>Target Date:</strong> SP8: Ready for interoperability Testing (01/10/2014)</td>
<td><strong>Actors:</strong> T2S Actors  <strong>Target Date:</strong> SP8: Ready for interoperability Testing (01/10/2014)</td>
</tr>
<tr>
<td><strong>4</strong> T2S CA standards</td>
<td>To define and implement standards for CSDs’ interaction with T2S on settlement of Corporate Actions (CAs) on flows.</td>
<td><strong>Actor:</strong> AG (CASG)  <strong>Status:</strong> definition completed and approved by AG (2009 and updated in March 2011))</td>
<td><strong>Actor:</strong> AG (CASG)  <strong>Status:</strong>  There is low CSDs compliance with the T2S CA standards (2011 survey).</td>
<td><strong>Actors:</strong> CSDs  <strong>Target Date:</strong> SP8: CSDs ready for T2S interoperability testing (01/10/2014)</td>
<td><strong>2011 survey results:</strong> The number of markets which replied as well as level of detail in the responses was much higher than in 2010. Overall compliance levels are still low, but it is promising that CSDs and markets show a better understanding of the T2S CA standards and a willingness to implement them.</td>
</tr>
<tr>
<td><strong>5</strong> Legal Harmonisation</td>
<td></td>
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</tr>
<tr>
<td><strong>5.1</strong> Settlement Finality I: moment of transfer order entry into the system  Elimination of risk of insolvency of participants in interoperable</td>
<td>To agree on a common rule applicable in all T2S connected CSDs</td>
<td><strong>Actor:</strong> HSG/CSG  <strong>Delivery Date:</strong> 2012  <strong>Status:</strong> in progress</td>
<td><strong>Actor:</strong> T2S Programme Office  <strong>Status:</strong> not initiated yet</td>
<td><strong>Actor:</strong> National legislators, regulators and CSDs  <strong>Target Date:</strong> June 2015</td>
<td><strong>Even if the obligation is stated in the FA, the rule is still missing. Work to start after the</strong></td>
</tr>
<tr>
<td>Activity</td>
<td>Objective</td>
<td>Definition</td>
<td>Monitoring</td>
<td>Implementation</td>
<td>Comments</td>
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</table>
| systems in accordance with the SFD (art. 3) | To monitor CSDs’ compliance with the irrevocability rule of the URD (in T2S only bilateral cancellation possible after matching) | Actor: AG/HSG (PO/NUGs)  
Status: finalised in T2s URD. Also covered in Art. 21/par.4 of the T2S Framework Agreement | Actor: PO/NUGs  
Status: T2S relevant  
Market status as of 2011 to be presented to Nov 2011 AG. | Actor: CSDs, regulators  
Target Date: June 2015 | FA signature. |
| **5.2** Settlement Finality II: irrevocability and enforceability of transfer orders  
Elimination of the risk of transfer order revocation (SFD art 5) | To agree on a common rule applicable in all T2S relevant CSDs | Actor: CSG/HSG/PO  
**Definition Delivery Date:** 2011  
**Status:** in progress. Article 21(par. 4) of the T2S Framework Agreement | Actor: T2S Programme Office  
**Status:** not initiated yet | Actor: National legislators, regulators and CSDs  
**Target Date:** June 2015 | Most CSDs either in line with SFII or with clear intentions to adapt to T2S rule. |
| **5.3** Settlement Finality III: irrevocability of securities transfers.  
In order to facilitate legally sound, seamless cross-border DVP settlement, T2S participating CSDs have to recognise account entries in T2S as unconditional, irrevocable and enforceable (ECSB-CESR recommendation 8). | A harmonised rule for the location of securities accounts must be clearly determined and compatible with the setup of T2S so as to mitigate legal risk for CSD links in T2S. | Actor: EU Commission  
**Delivery Date:** Q1 2012  
The ECB provided comments to the EU Commission consultation on SLD (Securities Law Directive). It may also be part of the Commission’s proposed CSD regulation.  
**Status:** in progress | Actor: EU Commission  
**Status:** no decision | Actor: National legislators, regulators and CSDs  
**Target Date:** June 2015 | AG agreed that monitoring is initiated after the FA signature. |
| **5.4** Location of securities accounts  
The issue refers to the law applicable to the creation of rights and transfers of securities | There might be the need to clarify and | Actor: EU Commission | Actor: N/Z | Actor: National legislators, ESMA | |
<p>| <strong>5.5</strong> Outsourcing IT (settlement services) | | | | | |</p>
<table>
<thead>
<tr>
<th>Activity</th>
<th>Objective</th>
<th>Definition</th>
<th>Monitoring</th>
<th>Implementation</th>
<th>Comments</th>
</tr>
</thead>
</table>
| The outsourcing of settlement services to T2S requires approval by the relevant regulator, subject to the applicable national laws and regulations. Some national legislation/regulation either prohibits or hampers outsourcing of settlement services | harmonize some CSDs’ regulatory rules or legislation on outsourcing. | **Delivery Date:** 2011  
**Status:**  
EU Commission to adopt CSD legislation (end 2011) | **Status:** not initiated yet | regulators and CSDs  
**Target Date:** June 2015 |
| **Settlement Discipline Regime**  
Broadly defined as agreed market standards (or practices) with the aim of achieving timely matching and settlement of securities transactions | To achieve agreement on an EU settlement discipline regime, so as to ensure a level playing field between CSDs and to avoid no regulatory arbitrage. | **Actors:** EU Commission and ESMA/ESCB  
**Delivery Date:** 2012  
**Status:** in progress. The principle for establishing a common framework may be part of the forthcoming CSD legislation (end 2011). ESMA/ESCB may be asked to provide technical standards on this. | **Actor:** EU Commission, ESMA/ESCB  
**Status:** not initiated yet | **Actor:** CSDs and Regulators, ESCB  
**Target Date:** June 2015 |
| **Settlement Cycles**  
Europe is still settling on T+3 and T+2. No impact on domestic transactions (where a single settlement cycle rule applies) BUT in the cross-CSD transaction context the co-existence of different settlement cycles has an impact on aligning record dates and market deadlines when managing and instructing CAs on flows. | The introduction of an EU wide settlement cycle would improve substantially the efficiency of CAs management in the context of T2S. | **Actors:** EU Commission (Sub Group on Harmonisation of Settlement Cycles - HSC)  
**Delivery Date:**2012  
**Status:** in progress  
HSC has issued its final report to the Commission as part of its response to the CSD legislation consultation. The Sub group recommends for an EU T+2 | **Actors:** EU Commission, ESMA  
**Status:** not initiated yet | **Actors:** Regulators (ESMA), organised markets  
**Target Date:** June 2015  
(HSC has proposed to the Commission Q4 2013) |
<table>
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<tr>
<th>Activity</th>
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<th>Definition</th>
<th>Monitoring</th>
<th>Implementation</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>8 Omnibus Accounts</td>
<td>The unavailability of omnibus accounts services by the Issuer CSD does not support the concept of interoperability and market access in or out of T2S.</td>
<td>Issuer CSDs to offer investor CSDs and intermediaries the possibility to open omnibus accounts for cross-CSD settlement (including the appropriate service level on these accounts)</td>
<td>Actor: NUGs/HSG/PO &lt;br&gt;Delivery Date: 2012 &lt;br&gt;Status: Sept AG decision on the need of omnibus services by Issuer CSD.</td>
<td>Actor: T2S Programme Office/NUGs &lt;br&gt;Status: Stock taking exercise with NUGs in progress (Nov 2011). Forthcoming CSDR and SLD may influence the account structure regimes in EU.</td>
<td>Actor: Regulators and CSDs &lt;br&gt;Target Date: June 2015</td>
</tr>
<tr>
<td>9 Registration procedures</td>
<td>To ensure that registration procedures do not interrupt STP in T2S (via e.g. CSD Validation Hold functionality)</td>
<td>Actor: NUGs/HSG/T-FAX &lt;br&gt;Definition Delivery Date: end 2012 &lt;br&gt;Status: Work of T-FAX</td>
<td>Actor: T2S Programme Office/NUGs &lt;br&gt;Status: not initiated yet</td>
<td>Actor: Regulators and CSDs &lt;br&gt;Target Date: June 2015</td>
<td>TFAX is already working on parts of this (see 3.4 above). HSG to be involved if further escalation is required.</td>
</tr>
<tr>
<td>10 CA market standards</td>
<td>Industry agreed and endorsed standards on CA processing</td>
<td>CSDs/markets to implement the CA market standards (CAJWG standards)</td>
<td>Actor: Broad Stakeholders Group (BSG) and European Market Implementation Group (E-MIG) &lt;br&gt;Delivery Date: October 2009 &lt;br&gt;Status: completed</td>
<td>Actor: E-MIG &lt;br&gt;Status: good progress in CAs on stocks during the 2011 Survey (70-90% of the distributions and reorganisations are met). Next biannual E-MIG workshop takes place 8-9 November 2011</td>
<td>Actors: CSDs &lt;br&gt;Target Date: 2013</td>
</tr>
<tr>
<td>Activity</td>
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<td>Definition</td>
<td>Monitoring</td>
<td>Implementation</td>
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</table>
| 11 Place of issuance             | To remove restrictions in EU for place of issuance of securities.         | Actor: EU Commission  
Delivery Date: 2011  
Status: Provisions for the removing of this barrier are contemplated in the proposed CSD regulation (end2011)  
T2S AG June 2011 letter also covered this point | Actor: EU Commission  
Status: not initiated yet | Actor: National legislators, regulators and CSDs  
Target Date: Sept 2014 |                                                                                      |
| 12 Tax procedures                |                                                                          |                                                                                                                                           |                                                                                               |                                                                                               |                                                                                                     |
| 12.1 Withholding tax procedures  | Withholding tax procedures should comply with the Commission’s October 2009 recommendation. | Actors: EU Commission (T-BAG)  
Delivery Date: Oct 2009  
Status: T-BAG plans to publish report in early 2012 | Actors: EU Commission  
Status: not initiated yet | Actors: Member states (national legislators)  
Target Date: June 2015 |                                                                                      |
| 12.2 Transaction tax procedures  | Procedures for collecting transactions taxes should be harmonised in EU. | Actors: EU Commission/ T_BAG  
Delivery Date: FISCO report (Oct 2007) includes proposals for the removal of the barrier  
Status: T-BAG plans to publish report in early 2012 | Actors: EU Commission  
Status: not initiated yet | Actors: Member states (national legislators)  
Target Date: June 2015 |                                                                                      |
| 13 Cross-border Shareholder      | To define a European model for cross-border disclosure of shareholders   | Actors: AG (Shareholder Transparency Task Force-TST)/SWIFT  
Delivery Date: March 2011  
Status: Majority of AG | Actors: European Issuers and other Issuer Associations, ECSDA, ISO community (messages), EU Commission (legal) | Actors: CSDs/EuropeanIssuers and other Issuer Associations  
Target Date: Not relevant for T2S launch | T2S to consider the centralised T2S solution in version 2 of the T2S project.  
ECSDA does not see this work as priority in   |
<table>
<thead>
<tr>
<th>Activity</th>
<th>Objective</th>
<th>Definition</th>
<th>Monitoring</th>
<th>Implementation</th>
<th>Comments</th>
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<tbody>
<tr>
<td>14</td>
<td><strong>Investment Funds Settlements</strong>&lt;br&gt;There is divergence in Investment Fund shares settlement in EU. Most Fund shares are not issued or settled in CSDs</td>
<td>The fund industry aims at standardising CSD settlement processes for fund shares settlement in EU (in view of the introduction of T2S)</td>
<td><strong>Actors:</strong> EFAMA (T2S working group)/ECSDA&lt;br&gt;<strong>Delivery Date:</strong> on going&lt;br&gt;<strong>Status:</strong>&lt;br&gt;The EFAMA T2S WG is working on the issue. The T2S Programme Office provides support and clarifications via regular interactions and workshops. A 4th T2S-EFAMA workshop was organised in March 2011. EFAMA is closely working with ECSDA on a possible CSD settlement model</td>
<td><strong>Actors:</strong> EFAMA&lt;br&gt;<strong>Status:</strong> N/A</td>
<td><strong>Actors:</strong> EFAMA&lt;br&gt;<strong>Target Date:</strong> June 2015&lt;br&gt;The potential high volumes of fund shares settlement could have an impact on T2S volume and price estimations.</td>
</tr>
<tr>
<td>15</td>
<td><strong>Market Access and Interoperability</strong>&lt;br&gt;Despite the adoption of MiFID/Code of Conduct, there are in practice many protective national barriers in place. This prevents access to the various stages of the transaction chain (trading, clearing and settlement)</td>
<td>To establish the conditions for access to the local market in all stages of the transaction chain</td>
<td><strong>Actors:</strong> EU Commission/ESMA&lt;br&gt;<strong>Delivery Date:</strong> on going&lt;br&gt;<strong>Status:</strong>&lt;br&gt;The CSD regulation may cover</td>
<td><strong>Actors:</strong> EU Commission/ESMA/HSG/NUGs&lt;br&gt;<strong>Status:</strong> N/A</td>
<td><strong>Actors:</strong> ESMA&lt;br&gt;<strong>Target Date:</strong> June 2015</td>
</tr>
<tr>
<td>Activity</td>
<td>Objective</td>
<td>Definition</td>
<td>Monitoring</td>
<td>Implementation</td>
<td>Comments</td>
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</tr>
<tr>
<td>transaction chain.</td>
<td></td>
<td>some high level principles on market access. EU Commission to adopt CSD legislation (end 2011) Further work by ESMA may be required</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
| **16 CSD Ancillary Services** | To agree on the voluntary nature of CSD ancillary services (excluding services related to settlement discipline regime) | **Actors:** EU Commission/ESMA/T-FAX  
**Delivery Date:** on going  
**Status:** CSDR will include definition of these services. TFX is already working on how to harmonise processing and messaging of ancillary services in T2S (see 3.1 above) | **Actors:** EU Commission/ESMA/ HSG/ NUGs  
**Status:** N/A | **Actors:** ESMA  
**Target Date:** June 2015 |          |
| **17 Securities Amount Data** | To investigate with relevant markets whether standardisation is possible prior to T2S Testing phase | **Actor:** AG (T2S PO/NUGs)  
**Delivery Date:** on going  
**Status:** Nov 2011 interaction with relevant NUGs. | **Actors:** HSG/NUGs  
**Status:** N/A | **Actors:** National regulators  
**Target Date:** June 2015 | Limited number of markets still have such practices (FI, PT, PL) |
### Annex 3: T2S CA standards – implementation status 2011

<table>
<thead>
<tr>
<th>Market/CSD</th>
<th>Market claims</th>
<th>Transformations</th>
<th>Buyer protection</th>
<th>Risk assessment</th>
<th>Main rationale for risk assessment</th>
</tr>
</thead>
<tbody>
<tr>
<td>AT – Austria</td>
<td>7%</td>
<td>0%</td>
<td>0%</td>
<td>HIGH</td>
<td>Low rate of compliance and few details on implementation plan; legislative changes required for introducing a Record Date.</td>
</tr>
<tr>
<td>BE - Belgium (EoC)</td>
<td>48%</td>
<td>29%</td>
<td>0%</td>
<td>LOW</td>
<td>MIG is active and good progress is being made, in cooperation with other ESES markets; some standards require a major technical change.</td>
</tr>
<tr>
<td>BE – Belgium (NBB)</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>MEDIUM</td>
<td>No standards are met, but corporate action type and volume expected to be limited.</td>
</tr>
<tr>
<td>CH – Switzerland</td>
<td>33%</td>
<td>21%</td>
<td>0%</td>
<td>LOW</td>
<td>Good implementation plan exists; all non-fulfilled standards deemed straightforward to implement; standards are strongly supported by the MIG and NUG.</td>
</tr>
<tr>
<td>CY – Cyprus</td>
<td>15%</td>
<td>0%</td>
<td>0%</td>
<td>HIGH</td>
<td>Level of compliance low; does not consider many of the standards are relevant because of zero fails rate; no implementation plan.</td>
</tr>
<tr>
<td>DE – Germany</td>
<td>81%</td>
<td>64%</td>
<td>0%</td>
<td>MEDIUM</td>
<td>Good rate of compliance, but legislative changes required for introducing a Record Date.</td>
</tr>
<tr>
<td>DK – Denmark</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>MEDIUM</td>
<td>No standards are currently met, and the exact implementation plan has yet to be specified. The process to implement the standards on market claims and buyer protection has been started.</td>
</tr>
<tr>
<td>EE – Estonia</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>HIGH</td>
<td>No standards currently met, and no concrete plans are in place. The market is quite small, which affects the CSD’s ability to implement such a major project.</td>
</tr>
<tr>
<td>ES – Spain</td>
<td>56%</td>
<td>50%</td>
<td>0%</td>
<td>MEDIUM</td>
<td>Legislative changes will be required to implement quite a few of the standards; these legal amendments have already been published in the Official State Bulletin in October 2011.</td>
</tr>
<tr>
<td>FI – Finland</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>MEDIUM</td>
<td>No standards currently met. No concrete implementation plan has been made for market claims and transformations, but the process to implement buyer protection has been started.</td>
</tr>
<tr>
<td>FR – France</td>
<td>48%</td>
<td>21%</td>
<td>0%</td>
<td>LOW</td>
<td>MIG is active and good progress is being made, in cooperation with other ESES markets; some standards require a major technical change.</td>
</tr>
<tr>
<td>GR – Greece (BOGS)</td>
<td>Did not reply</td>
<td>Did not reply</td>
<td>Did not reply</td>
<td>MEDIUM</td>
<td>Did not reply to this year’s gap analysis. Reply to 2010 survey showed that corporate action type and volume are expected to be</td>
</tr>
<tr>
<td>Country</td>
<td>GDP Level</td>
<td>Compliance</td>
<td>Improvement</td>
<td>Notes</td>
<td></td>
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</tr>
<tr>
<td>GR – Greece (HELEX)</td>
<td>15%</td>
<td>0%</td>
<td>0%</td>
<td>HIGH</td>
<td>Level of compliance low; does not consider many of the standards are relevant because of zero fails rate; no implementation plan.</td>
</tr>
<tr>
<td>HU – Hungary</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>MEDIUM</td>
<td>Not standards implemented, but Hungarian NUG is now actively working on corporate actions and shows a high level of commitment.</td>
</tr>
<tr>
<td>IE – Ireland</td>
<td>81%</td>
<td>71%</td>
<td>78%</td>
<td>LOW</td>
<td>Ireland is currently the most compliant market measuring in at 78% compliant. Problem areas detected are not major obstacles to T2S.</td>
</tr>
<tr>
<td>IS – Iceland</td>
<td>Did not reply</td>
<td>Did not reply</td>
<td>Did not reply</td>
<td>HIGH</td>
<td>Did not reply to this year’s gap analysis.</td>
</tr>
<tr>
<td>IT – Italy</td>
<td>52%</td>
<td>57%</td>
<td>0%</td>
<td>LOW/MEDIUM</td>
<td>Italian market’s commitment has increased, with the establishment of a Post-Trade Technical User Group (comprising all major Italian banks under the coordination of Monte Titoli).</td>
</tr>
<tr>
<td>LU – Luxembourg</td>
<td>Did not reply</td>
<td>Did not reply</td>
<td>Did not reply</td>
<td>HIGH</td>
<td>Did not reply to this year’s or last year’s gap analysis.</td>
</tr>
<tr>
<td>LT – Lithuania</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>HIGH</td>
<td>Implementing standards would require major technical, market practice and legislative changes.</td>
</tr>
<tr>
<td>LV – Latvia</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>HIGH</td>
<td>Legal changes seem to be required, and no concrete plans are in place. The market is quite small, which affects the CSD’s ability to implement such a major project but some functionality is already in place.</td>
</tr>
<tr>
<td>MT – Malta</td>
<td>67%</td>
<td>0%</td>
<td>0%</td>
<td>MEDIUM</td>
<td>Some standard may require legal or regulatory changes. A review of the need for such changes is ongoing.</td>
</tr>
<tr>
<td>NL – Netherlands</td>
<td>48%</td>
<td>29%</td>
<td>0%</td>
<td>LOW</td>
<td>MIG is active and good progress is being made, in cooperation with other ESES markets; some standards require a major technical change.</td>
</tr>
<tr>
<td>NO – Norway</td>
<td>4%</td>
<td>0%</td>
<td>0%</td>
<td>MEDIUM</td>
<td>Taxation of market claims may require a regulatory/legal change. No concrete implementation plan has been made for market claims and transformations, but the process to implement buyer protection has been started.</td>
</tr>
<tr>
<td>PL – Poland</td>
<td>15%</td>
<td>29%</td>
<td>0%</td>
<td>MEDIUM</td>
<td>Several standards currently met. Development of market claims and transformations services at CSD level is expected by market participants. No concrete implementation plan has yet been made.</td>
</tr>
<tr>
<td>PT – Portugal (Interbolsa)</td>
<td>85%</td>
<td>43%</td>
<td>0%</td>
<td>LOW</td>
<td>Good level of compliance and implementation plan is ongoing.</td>
</tr>
<tr>
<td>PT – Portugal (SITEME)</td>
<td>Did not reply</td>
<td>Did not reply</td>
<td>Did not reply</td>
<td>MEDIUM</td>
<td>Did not reply to this year’s gap analysis. Reply to 2010 survey showed that corporate action type and volume are expected to be limited.</td>
</tr>
<tr>
<td>Country</td>
<td>Compliance</td>
<td>Implementation</td>
<td>Risk Level</td>
<td></td>
<td></td>
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<td>------------</td>
<td></td>
<td></td>
</tr>
<tr>
<td>RO - Romania</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>MEDIUM</td>
<td></td>
</tr>
<tr>
<td>SI – Slovenia</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>HIGH</td>
<td></td>
</tr>
<tr>
<td>SE – Sweden</td>
<td>7%</td>
<td>0%</td>
<td>0%</td>
<td>MEDIUM</td>
<td></td>
</tr>
<tr>
<td>SK – Slovakia</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>HIGH</td>
<td></td>
</tr>
</tbody>
</table>

No standards are implemented. However, there are plans to implement the respective standards by mid 2013.

No standards are implemented. Legislative changes seem to be required. Major change in market practice.

Only two standards currently met. No concrete implementation plans have been made for market claims and transformations, but the process to implement buyer protection has been started.

No standards are implemented. Legislative changes seem to be required. Major change in market practice.