

## Feedback to consultation paper

<b>Document Title</b>	<b>T2S Consultation Paper: Principles and High Level Proposals</b>
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<b>Proposal Nr.</b>	<b>Statement</b>	<b>Comment</b>	<b>Institution</b>	<b>Confidential</b>
1	I do not agree entirely	<p>1) We support the idea that the account structure and level of segregation refer to different things. 2) Yet, the end-investor holding pattern needs to be taken into account in the account structure. In Finland, the end-investor accounts are directly opened at CSD in the name of the investor and they are operated by an account operator (bank, broker, CSD). An accounts operator is an organisation that has been granted the right to make registrations in the book-entry register. The Finnish account operator does not correspond to the participant as in T2S. Therefore, the CSD is not the only account entity in Finland with the right to make registrations into the register. 3) It is unclear for us, whether CSD accounts will be held in T2S only partially, or whether all of the accounts will be kept in T2S. In case all accounts will be kept in T2S, all end-investor accounts should be on the level of the participant accounts. 4) Based on principle 6, if all account balances will be changed in T2S, it should be capable of making different kinds of registrations, and not just settlement registrations. This will widen the needed types of registrations in T2S exceedingly, and</p>	Ministry of Finance and Ministry of Justice, Finland	No
2	I do not agree entirely	<p>1) The solution to the question in what extent the accounts are held in T2S will affect the issue whether all accounts will have Target2 cash accounts. If all end-investor accounts are in T2S, the account holders include also other parties than settlement participants and indirect participants. The end-investor account does not have a link to a certain Target2 cash account. On the contrary, on competition policy grounds the investors have to be able to change their securities intermediary/clearing party. Therefore, it should be possible to make a payment on the Target2 cash account of the securities intermediary/clearing party of the account holder in question. 2) According to principle 10, T2S shall be capable of settling currencies other than the euro, and this principle needs to be taken into account already from the beginning of the project.</p>	Ministry of Finance and Ministry of Justice, Finland	No

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7	I agree	We fully support the objective of this proposal that the demands of end-investor accounts need to be covered. However, we would like to add that the differentiation has to be conducted with the same efficiency and costs regarding the different account structures. In addition, T2S has to provide also for possibility to make other registrations into the accounts than pure settlement registrations. For example, corporate actions need to taken into account.	Ministry of Finance and Ministry of Justice, Finland	No
8	I do not agree entirely	1) The different roles should be taken into account in detail most urgently in order to develop the functions of T2S, and the rights and responsibilities of different parties. 2) In particular, clarification of the differentiation between direct and indirect participation is needed, and more concretely, what is meant by the principle 11, which provides for T2S to allow its users to have direct technical access to its platform. The direct technical access is very vague and a description of the whole concept is needed, and further, if there are thoughts on how this concept might be evolved in future. It is clear, that all access to T2S is technical, but this fact does not solve the legal implications of this direct access. Especially, as T2S is not a designated system, it is open on which system the direct participant is accessing. In addition, the liability of a CSD in relation to direct participants it has authorised needs to be clear; thus, the relationship of the direct participant and T2S must be elaborated.	Ministry of Finance and Ministry of Justice, Finland	No
11	I do not agree entirely	It is unclear, how the data will be divided into "core settlement business data", which will be held in T2S, and into data that will be held in registries of CSDs. Legal certainty requires that all legally relevant registrations will be made into T2S accounts, in real time. That is the only way to ensure that the registrations in different systems are not inconsistent with each other. In addition, duplication of registries will be inefficient and does not bring any savings to the current level of costs.	Ministry of Finance and Ministry of Justice, Finland	No
12 to 15	I do not agree entirely	Legally, the CSD continues to be responsible for data in T2S regarding account holders and third parties. The liability issues of the relevant CSDs need to be thoroughly considered at an early stage.	Ministry of Finance and Ministry of Justice, Finland	No
27	I do not agree entirely	The registrations into T2S on grounds of settlement will form only part of the needed types of registrations that could be made into T2S. Life cycle management is needed for all types of registrations needed for end-investor accounts, not just for settlement registrations. See the comments on principles 1, 7 and 11.	Ministry of Finance and Ministry of Justice, Finland	No

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30 and 39	I do not agree entirely	Settlement and corporate actions are executed into end-investor accounts in Finland. This is an essential part of the system. From technical point of view, this means a larger number of instructions and registrations, and in addition requires functionality for enrichment. See the comments on principles 1, 7 and 11.	Ministry of Finance and Ministry of Justice, Finland	No
33	I do not agree entirely	Matching is not defined in T2S proposals, and so it is unclear for us, what kind of matching is actually meant by matching in T2S.	Ministry of Finance and Ministry of Justice, Finland	No
35	I agree	We agree on the need for the enrichment functionality in relation to the direct holding structure.	Ministry of Finance and Ministry of Justice, Finland	No
41	I do not agree entirely	In Finland, the collateralisation of the flow is possible for settlement reasons, even though this kind of collateralisation in practice has not been used. We cannot, in particular, support an idea that an auto-collateralisation model that is based on one legal model is provided to the markets.	Ministry of Finance and Ministry of Justice, Finland	No

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42	I do not agree entirely	In the light of the information given so far, we do not fully understand, what technical netting means. What is the difference between technical and legal netting? For which participants in T2S is netting meant - mostly for central counterparties or more widely?	Ministry of Finance and Ministry of Justice, Finland	No
52 to 55	I do not agree entirely	In the light of the information given so far, we do not fully understand, what is meant by interfaces to users. It is also unclear, what is meant by instructions for settlement and who makes such registrations from the legal point of view. How do the registrations made for settlement purpose differ from the other registrations? In Finland, the right of the account operator to make registrations in the book-entry register is of utmost importance, due to the high number of accounts at the CSD. See the comments on principles 1, 7 and 11.	Ministry of Finance and Ministry of Justice, Finland	No
57	I do not agree entirely	The functionality in proposal 57 seems too narrow from the Finnish perspective. In the technical planning it has to be taken into account that also other parties than CSDs make registrations, namely the account operator. See the comments on principles 1, 7 and 11.	Ministry of Finance and Ministry of Justice, Finland	No
60 to 61	I do not agree entirely	The calculations of the capacity of T2S do not take into account sufficiently alternative market developments, but focuses on current figures. In addition, from the Finnish perspective the number of transactions per day includes also other transactions than settlement transactions, for example corporate actions. These transactions need to be taken into account when calculating the transaction volumes and peak capacity. See the comments on principles 1, 7 and 11.	Ministry of Finance and Ministry of Justice, Finland	No
65	I completely disagree	1) If the Finnish CSD, i.e. APK, decides to join T2S, the system most likely shall become a part of the Finnish book-entry system, which is legislated in the Act on the Book-Entry system. According to the Act on the Book-Entry system, the CSD must ensure maintenance of the information in the book-entry register with as little disturbance as possible also in exceptional circumstances. This is done by participating in the preparedness planning of financial markets and by preparing in advance the actions to be taken in exceptional circumstances as well as by other measures. T2S has to be considered from this perspective as well. The security measures for T2S itself should be considered at early stage, including responsibility for mistakes, omissions and malfunctions. 2) Regarding archiving, the traceability of securities is very important and this has to be ensured in T2S.	Ministry of Finance and Ministry of Justice, Finland	No

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66	I do not agree entirely	We support the proposal that migrating should be done on a market-by-market basis and not on an asset class basis. However, this is not enough from the Nordic perspective, which includes also other currencies in the same market (e.g. Finland and Sweden). This has to be taken into account in migration phase.	Ministry of Finance and Ministry of Justice, Finland	No
67	I do not agree entirely	The idea of guiding decisions by the principle of minimising the overall market impact raises our sincere concerns. From the point of view of a small country, it can be read in many ways. T2S should allow, as a core function at no additional cost, all national core services with the same efficiency for all kinds of securities account structures, as stated in the Ecofin Council conclusions. Any duplication of systems would cause additional costs to participants, and in the long run does not bring any savings. Therefore, the determination of core functionalities needs to be conducted market by market and not from the point of view of the central level. Further, the focus of T2S should be set to the efficiency of the markets rather than on minimising the overall market impact. Yet, the efficiency of T2S should not be reached at the expense of well-operating national markets. The evident raising question is who makes these general choices.	Ministry of Finance and Ministry of Justice, Finland	No