

Feedback to consultation paper

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Proposal Nr.	Statement	Comment	Institution	Confidential
1	I do not agree entirely	We agree with the proposal but not with the text under it. Uniform account structure in T2S shall include all the same information as currently held in local book-entry systems and as required for settlement and safekeeping by local legislation. Operational Feasibility study, p. 16, describes that T2S would only contains minimum amount of data used for settlement and excluding e.g. customer data. Specially in end-investor account systems that would lead to a need for running double systems at local CSD for maintaining other information. T2S should provide this feasibility. Storing information in several places increases both risks and costs. This would also lead to different level playing field for markets with end-investor model and markets with omnibus structure, which would be against the statement made by the ECOFIN in its 2787th meeting in 27 February 2007 by saying "the technical specifications should enable both direct and indirect holdings of securities in T2S, with same efficiency and costs". Codifications needs to be clarified in more detail (e.g. investor vs intermediary; individual investor vs nominee investor)	Nordea	No
2	I do not agree entirely	The way we understand the proposal, the participants can choose using either the main account or the sub-account for T2S settlement purposes. We support the freedom of choice, but for major banks with a complex payment structure, the sub-account solution is a "must have". We also consider the high-priority status for ancillary system payments in TARGET2 as an important tool to avoid simple bank-to-bank payments, from banks that use the main account for T2S purposes, being a threat to the securities settlement process.	Nordea	
3	I do not agree entirely	Nordea supports the option for the participants to choose whether or not to segregate cash balances per CSD.	Nordea	No
4	I do not agree entirely	In the TARGET system an Indirect Member will always be a bank. In T2S this definition will be different, since also other kinds of financial institutions act as Indirect Members in SSSs. Definition of terms are an important part also in this project and therefore terms "direct" and "indirect participants" should be defined more clearly.	Nordea	No

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5	I do not agree entirely	Nordea supports the proposal, but requests that in addition there should be also possibility to " earmark" cash to be linked and reserved to some certain transactions. Ex. participants should be able to reserve cash received from client A to be addressed to trade(s) put in the system on behalf of client A.	Nordea	No
6	I agree	Nordea supports the proposal.	Nordea	No
7	I agree	Nordea supports the proposal and reminds that this possibility is essential for the Nordic end-investor account model. However terms investor and intermediary should be defined in more detail.	Nordea	No
8	I do not agree entirely	In addition to the proposal also issuer accounts must be included in T2S account system. Issuer accounts are a core functionality of local book-entry systems. Unless one essential part of the book-entry system can not be outsourced to T2S together with other accounts, it may hinder CSDs to simplify their book-entry system structure, which in turn is required for achieving cost reductions. It should also be more clearly defined what is meant with possibility for indirect participants to use partially the accounts of direct participants.	Nordea	No
9	I agree	Nordea supports the proposal.	Nordea	No
10	I completely disagree	A sentence in the proposal explanation "...should allow all participating CSDs to map each current domestic account to one unified T2S account." is unclear and should be clarified more clearly. If it means that all client accounts could be linked to one account at T2S, it should be noted that it is not acceptable for end-investor accounts.	Nordea	
11	I completely disagree	Please, see our comment to proposal 1. Securities reference data in T2S shall also include issuer related securities reference data at least to the extend such data is required by local legislation to be maintained in the local book-entry systems. T2S must contain also corporate actions related data when these are to be settled as settlement transactions in T2S. The system should also include automatic claims functionality for corporate actions entitlements in case of late settlements.	Nordea	No

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12	I completely disagree	In the Nordic markets part of this information is produced by participants, therefore also direct users of T2S should have access to Authorisation interface (with approval of the CSD). This would enable e.g. users that act also as an issuer agent for a certain corporate actions event to send e.g. subscription data directly to T2S without sending the information first to CSD. There is also a need for an automated real-time interface from each of the national CSDs to avoid any time lag between updates in the different systems. In case the share is held in more than one CSD, only issuer CSD (or issuer agent) should be able to change securities reference data for shares (depository receipts are not seen as same instrument as original share).	Nordea	No
13	I completely disagree	It should be clarified whether in end-investor account systems "participant" refers also to end-investors? If yes, please see our comment to proposal 1.	Nordea	No
14	I completely disagree	In end-investor account systems, does "participant" refer also to end-investors as account holders? If yes, also direct users of T2s should have the possibility to up-date reference data. This is currently the market practice in the Nordics and allows the participant to control the situation. Also the information comes directly from the account operators to the CSD. Interface should also be real-time and automated. It should also be noticed that the nature of participation may be different for a company's membership in different local CSDs.	Nordea	No
15	I completely disagree	User participants of T2S definitely need a possibility to directly (under authorisation from the CSD, i.e. licence of an account operator) open accounts, maintain accounts (information on account and account holder) and add/remove rights and restrictions to the accounts. In end-investor account countries this information is maintained only in the book-entry system and not in the systems of the participant (or they are only mirrored information without any legal relevance). Storing information in partially in T2S and partially with local CSD would increase both risks and costs. This would also require CSDs in end-investor account systems to maintain more complex systems compared to markets with multi-tier accounts, which would also lead to unequal level playing field as stated in our comment to proposal 1.	Nordea	No
16	I do not agree entirely	It is unclear what is meant with "CSD participant categories". This should be clarified in more detail.	Nordea	No
17	I agree	Nordea supports this proposal.	Nordea	No
18	I do not agree entirely	Nordea requires that same harmonised deadlines towards T2S apply for all participants (CSDs, CCPs or users)	Nordea	No

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19	I agree	Nordea supports this proposal for using standardised forms for static data. However Nordea wants to remind that T2S should provide participants with optional ways for messaging providing each participant a possibility to choose most optimal solution.	Nordea	No
20	I agree	However, client level settlement during national bank holidays would in practice require that also the national payment systems are open for settlement. It is a remarkable cost for the participants to keep all operations running on national bank holidays and therefore the business case and feasibility of such a timetable must be carefully considered.	Nordea	No
21	I agree	Nordea supports the proposal.	Nordea	No
22	I do not agree entirely	In some countries implementation of the settlement finality directive covers only assets that are registered to the settlement system during a same day (between hours from 0.00 to 23.59). Therefore in the night time settlement assets may not be covered by legislation in case of insolvency due to change of day during the night time settlement period. Night time settlement should also be described more in detail, now it is really difficult to compare a night time settlement to a day-time settlement because we do not know any details how it would work (ex. cash flow, what transactions could be settled etc.).	Nordea	No
23	I do not agree entirely	It should be clarified what kind of transactions would be settled in the night-time settlement.	Nordea	No
24	I completely disagree	One attempt to settle instructions is definitely not enough if trade is not settled. The core deadlines should be the same for all participating CSD and there should be no difference between local and cross-border deadlines.	Nordea	No
25	I completely disagree	However, the deadlines should be the same for all CSDs and user participants towards T2S. Regardless whether e.g. lending involved. At least the deadlines should not interfere any business.	Nordea	No
26	I do not agree entirely	CSD should aim for having a same schedule for each service or non-settlement business. This is important to make sure that counterparties are able to use them sufficiently and efficiently. The system should support full automation of all services and non-settlement business. It should be also thoroughly investigated how this proposal affects the possibility to handle different corporate actions.	Nordea	
27	I completely disagree	Lifecycle status should also include "cancelled" and "reinstated" status before "validated". Settlement instruction maintenance should be defined more clearly. In case it refers to making amendments to the instructions, Nordea requires that they should be made by cancelling the original instruction and replacing it with by re-instructing. The paths for instructions should be same in every market.	Nordea	No

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28	I completely disagree	Settlement instruction maintenance should be defined more clearly. In case it refers to making amendments to the instructions, all amendments should be made by cancelling existing instruction and replacing it with a new instruction.	Nordea	No
29	I agree	Nordea supports having a single cut-off time for submitting and processing delivery versus payment -settlement instructions. One market practice for all markets must be the goal.	Nordea	No
30	I do not agree entirely	Nordea strongly supports matching functionality in T2S. There should not be too many different options for matching. Practice should be harmonised in all markets. Please, see also Nordea's comment to proposal 32.	Nordea	No
31	I agree	Nordea supports the proposal and ECSDA report should be used as a benchmark.	Nordea	No
32	I do not agree entirely	On-exchange trades could be automatically matched locally in the trading system and then sent as matched to T2S, but otherwise no trades should be matched locally. Nordea requires harmonised rules for matching for all participating CSDs. Please, see also Nordea's comment to proposal 30.	Nordea	No
33	I do not agree entirely	Nordea agrees that matching in T2S should be binding and follow the ECSDA set of rules, but there should be no local matching. Matching should be defined more in detail. Specially it should be separated terms pre-matching, matching and confirmation. Nordea also requires same rules for instructions for all participating CSDs.	Nordea	
34	I completely disagree	Nordea finds this proposal unclear and contradictory with proposal 30 - the participants have to sent the instructions for matching, but they are able to choose how to execute the matching? Definition of term "matching" is unclear and should be defined.	Nordea	
35	I do not agree entirely	Need more clarity on the concept of enrichment before comment can be given.	Nordea	No
36	I do not agree entirely	The definition of alledgment is not clear and the whole proposal is unclear specially on how alledgements would be processed at the participant, or how would they be reported? Alledgements must contain client level information, otherwise they cannot be used for processing at participants end because they can not be linked to specific client instruction.	Nordea	No
37	I agree	Nordea supports the proposal.	Nordea	No
38	I agree	Nordea supports the proposal.	Nordea	No
39	I agree	Nordea supports the proposal.	Nordea	No
40	I agree	Nordea supports the proposal.	Nordea	No

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41	I do not agree entirely	The term auto-collateralisation should be defined more in detail. Collateral directive recognises collateralisation both by pledging and by transfer of ownership, so in that sense the proposal is agreeable. However participants should be able to choose to use collateralisation with only one or many of the said options. Ex. In Finland tax implications related to transfer of ownership are still open and therefore all participants do not want to accept collateral by using transfer of ownership. Also local tax regulation may set specific requirements and/or limitations for the use and form of repo or securities lending transactions and these should be noticed when designing these functionalities.	Nordea	
42	I do not agree entirely	The proposal is unclear and should be clarified. Algorithmic principles used in optimisation should be made public in order to enable market participants to gain a better understanding of future liquidity needs and effects on risk control in the T2S set up.		
43	I agree		Nordea	No
44	I completely disagree	More technical nettings are needed during the daytime.	Nordea	
45	I do not agree entirely	Please see Nordea's comment to proposal 44 above.	Nordea	No
46	I agree	Nordea supports the proposal.	Nordea	No
47	I do not agree entirely	Terms "shaping" and "harmonised thresholds" should be defined. How will the system know which trades belong to each other? Shaping should not be random. Partial deliveries should only be processed after acceptance from both the buyer and the seller.	Nordea	No
48	I agree	It should be an option choosing not to have instructions carried over into the next day's settlement. Schedule should be same for all pending instructions.	Nordea	No
49	I agree	Nordea supports the proposal.	Nordea	No
50	I do not agree entirely	There should be no difference between local and cross-border settlement within T2S.	Nordea	No
51	I agree	Nordea supports further evaluation of this proposal.	Nordea	No

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52	I completely disagree	We need to be sure what is exactly meant by "Users"; both direct (including account operators) and indirect members? Also "Provide settlement reporting" to be defined. We will also like to stress the importance of very soon making sure that definitions used in information and consultation papers are understood in the same way by everybody involved in the work. Ex. in the consultation paper a list of definitions is needed. Also other participants than CSDs (like banks) must have possibility to to update static data. In end-investor account systems this possibility is necessary for account operators to maintain directly the account details (information on account holder, rights and restrictions etc.). Account operators are operating the CSD -system (accounts) under a license granted by the CSD, so in that sense they also have CSDs authorisation to update static data and are under the control of that CSD.	Nordea	No
53	I completely disagree	Please, see Nordea's comment to proposal 52 above on the need for account operators to have direct access to update static data.	Nordea	No
54	I completely disagree	Nordea feels that this proposal is under consideration of management bodies of TARGET 2 (cash) -system and can not be decided by T2S -project.	Nordea	No
55	I completely disagree	CSD participants need access also for static data purposes, please see Nordea's comment to proposal 52.	Nordea	No
56	I do not agree entirely	For corporate actions there needs to be a time point to register record date holdings.	Nordea	No
57	I completely disagree	Activities of this proposal should be also possible for CSD participants ex. for lending and collateral management purposes and for paying or issuing agents to make corporate actions. "Non-settlement business" processing of the CSDs should be defined.	Nordea	
58	I agree	Nordea supports the proposal.	Nordea	No
59	I agree	There must be alternatives to SWIFT Network that participants may choose most cost-effective communication method.	Nordea	No
60	I do not agree entirely	Capacity issues should be reanalysed after user requirements are defined.	Nordea	
61	I agree	Please see Nordea's comment to proposal 60.	Nordea	No
62	I do not agree entirely	Please see Nordea's comment to proposal 60.	Nordea	No
63	I agree	Nordea supports the proposal. Please see also Nordea's comment to proposal 60.	Nordea	No
64	I agree	Banks as direct participants of T2S also need direct support.	Nordea	No
65	I agree	Nordea supports the proposal.	Nordea	No
66	I do not agree entirely	Migration period should be planned to be as short as possible to minimise time, when participants have to operate both T2S and old systems at the same time. However in case problems occur in migration all participants have to be prepared to make changes to the timetable.	Nordea	No

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67	I do not agree entirely	<i>"It would be complex and costly to develop a common platform that contains all local functionalities which may have been developed for specific purposes in different historical backgrounds. "</i> This is true. However, it will be very difficult to judge which features and functionalities are really "must have" and which are not. Reasons may be either regulatory or practical. However, there must be a level playing field for all of the markets and some should not suffer more than others from lack of functionality in T2S. No-one wants to maintain additional local layers on top of T2S in order to cope in the new environment. Please, see also Nordea's comment to proposal 1.	Nordea	No