Feedback to consultation paper

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Proposal Nr.	Statement		Institution	Confidential
1	I agree	Although we agree with the statement that for T2S to offer settlement services efficiently across different markets, it must have a uniform account structure at the central operational level, we have some difficulties with aligning our domestic direct holding account structure with the proposed uniform account structure on the basis of available information. To better present our account structure, in the attached document (Slovenia_account structure) a more detailed description of account structure in the Slovenian CSD (KDD) is provided. In this regard we would find it very helpful if the additional explanation on how this account structure could be translated into the uniform one in a way to completely present one-to-one relationship. At the end of the year 2006 there were 48 KDD participants managing altogether 702.592 different securities accounts in KDD securities register for 664.568 account holders.	KDD and Banka Slovenije	No
2	I agree		KDD and Banka Slovenije	No
3	I agree		KDD and Banka Slovenije	No
4	I agree		KDD and Banka Slovenije	No
5	I agree		KDD and Banka Slovenije	No
6	I agree		KDD and Banka Slovenije	No
7	I agree		KDD and Banka Slovenije	No
8	I agree		KDD and Banka Slovenije	No
9	I agree		KDD and Banka Slovenije	No

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10	I agree	The account structure in T2S should cover all existing varieties of account and balance types, since each CSD's account setup is closely related to their regulatory requirements, which also has to be fulfilled in the T2S environment. For example, legally, two types of burden over securities exist in Slovenia (third party rights and written order - e.g. tax, courts). Pledge is only one among several third party rights and written orders which can legally be recorded in the KDD's securities register over the securities under burden. In the brackets there is the list of all third party rights and written orders legally existing in Slovenia, which should be technically supported in the T2S account structure (Block Inventory, Interim Order, Supervisory Order, Pledge Realization Interim Order, Claim Enforcement, Handover Decree, Tax Execution, Dispose Deny Right, Pledge, Redemption Right, Pre-emptive Right, Usus Fructus). Further description will be provided on request.	KDD and Banka Slovenije	No
11	I do not agree entirely	It is stated that the securities reference data in T2S would cover the data for settlement, auto-collateralisation and also data about end investors. It is also stated that this would require from CSDs to maintain separate securities "reference data" for all securities data. We believe that in order to establish the exact needs of the CSDs from the point of view of required databases in the CSDs this separation of data between the T2S and CSDs databases should be clearly explained. Based on the current functional description there exists the need for additional CSD functionality for merging data from two different databases for reporting and regulatory purposes (since T2S will hold relevant data on securities transactions and securities holdings, but all other data pertaining to a specific functionality will be held in separate securities databases within CSDs) and consequently: - create the risk of mistakes when merging the data, - create the costs for this additional functionalities and the interaction (communication) between the databases, - prolong the time for performing queries in one database, transport and mer	KDD and Banka Slovenije	No

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12	I agree	Due to the nature of the settlement process in KDD, where settlement procedures must be performed in the specific sequence and must also take into account real time changes in the static data (for example: - refresh ISIN - open account - transfer securities on account…), changes/updates to static data must be on-line and must be synchronized with lifecycle management modules and settlement modules in real time. We believe this is crucial to the settlement process which follows the legal requirements.	KDD and Banka Slovenije	No
13	I agree	Due to the nature of the settlement process in KDD, where settlement procedures must be performed in the specific sequence and must also take into account real time changes in the static data (for example: - refresh ISIN - open account - transfer securities on account…), changes/updates to static data must be on-line and must be synchronized with lifecycle management modules and settlement modules in real time. We believe this is crucial to the settlement process which follows the legal requirements.	KDD and Banka Slovenije	No
14	I agree	Due to the nature of the settlement process in KDD, where settlement procedures must be performed in the specific sequence and must also take into account real time changes in the static data (for example: - refresh ISIN - open account - transfer securities on account…), changes/updates to static data must be on-line and must be synchronized with lifecycle management modules and settlement modules in real time. We believe this is crucial to the settlement process which follows the legal requirements.	KDD and Banka Slovenije	No
15	I agree	Due to the nature of the settlement process in KDD, where settlement procedures must be performed in the specific sequence and must also take into account real time changes in the static data (for example: - refresh ISIN - open account - transfer securities on account…), changes/updates to static data must be on-line and must be synchronized with lifecycle management modules and settlement modules in real time. We believe this is crucial to the settlement process which follows the legal requirements.	KDD and Banka Slovenije	No
16	I agree		KDD and Banka Slovenije	No
17	I agree		KDD and Banka Slovenije	No
18	I agree		KDD and Banka Slovenije	No
19	I agree		KDD and Banka Slovenije	No

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20	I agree		KDD and Banka Slovenije	No
21	I agree		KDD and Banka Slovenije	No
22	I do not agree entirely	As the maintenance window is foreseen only for the T2S, we would like to point out that since the CSDs will also have their own technical support to connect to T2S and provide other services besides settlement, they will also have to maintain their systems within the timeframes may be different from those provided for in the T2S schedule, especially in the night time.	KDD and Banka Slovenije	No
23	I agree	It would be favourable to keep the use of night-time settlement as optional since not all CSDs (including KDD) would operate during the proposed night-time period.	KDD and Banka Slovenije	No
24	I agree		KDD and Banka Slovenije	No
25	I agree		KDD and Banka Slovenije	No
26	I agree		KDD and Banka Slovenije	No
27	I agree	In Slovenia KDD has established a very complex validation matrix for the validation purposes that includes all local legal requirements and KDD rules regarding the settlement instructions (an example can be provided on request). The main difficulty arises from the fact the relations between different rules are not always straightforward and require specific rules. Accordingly, the functionalities of the validation module should be explained in great detail. If T2S is to provide the validation, such complex rules should be implemented and used by validation module accordingly since their improper implementation could create the issue of legal responsibility of T2S or the CSD.	KDD and Banka Slovenije	No
28	I agree	As already stated in our comments on proposal 11 to 15, in order for the lifecycle management and instruction maintenance to be real time processes, communication between T2S static data and lifecycle management should be synchronized in real time. This is necessary since settlement procedures proceed according to a specified sequence of activities which must take into account real time changes in static data module (for example: - refresh ISIN - open account - transfer securities on account…). Therefore, real time processing of requests is also needed for change/update of static data.	KDD and Banka Slovenije	No
29	I agree		KDD and Banka Slovenije	No

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30	I agree		KDD and Banka Slovenije	No
31	I agree		KDD and Banka Slovenije	No
32	I agree		KDD and Banka Slovenije	No
33	I agree		KDD and Banka Slovenije	No
34	I agree		KDD and Banka Slovenije	No
35	I agree	Clear definition of enrichment is needed for the purpose of identifying all procedures/activities in direct holding system that are enrichments or closely related to enrichments.	KDD and Banka Slovenije	No
36	I agree		KDD and Banka Slovenije	No
37	I agree		KDD and Banka Slovenije	No
38	I agree		KDD and Banka Slovenije	No
39	I agree	Currently, KDD settles stock exchange transactions in a single batch on T+2 according to BIS DVP 2 model. It would be helpful to provide clarification whether settlement of approximately thousand stock exchange transactions daily could be performed as linked transactions. In connection with our comments to proposals 28 and 53, settlement on end investor accounts in KDD requires that all instructions must be settled in proper order by taking into account possible real time changes/updates regarding new openings/closings of securities account in static data.	KDD and Banka Slovenije	No
40	I agree		KDD and Banka Slovenije	No
41	I agree		KDD and Banka Slovenije	No
42	I agree		KDD and Banka Slovenije	No
43	I agree	As already stated in our comment on proposal 23, the use of night-time settlement would best be left as optional since not all CSDs (including KDD) would operate during the proposed night-time period.	KDD and Banka Slovenije	No
44	I agree		KDD and Banka Slovenije	No
45	I agree		KDD and Banka Slovenije	No

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46	I do not agree entirely	Current risk management, market practice and IT solutions of KDD do not encompass the functionality of recycling of failed instructions. Stock exchange trades are settled on specified time in any case, regardless whether one or more KDD participants do not provide cash or securities for the settlement on time. In this case, several risk management tools (guarantee fund, buy-in) are employed guaranteeing settlement of all trades. Recycling is also not possible in case of any failed OTC trades, since old instructions are rejected and completely new instructions must be submitted to the KDD. T2S operational feasibility study on page 36 explicitly states that linked transactions can only be settled under the condition that both cash and securities are provided on all relevant accounts. Otherwise they are rejected by the settlement engine. Procedures should be determined in case linked instructions (linked stock exchange instructions) could not be settled due to lack of money or securities on one or more relevant accounts. In this	KDD and Banka Slovenije	No
47	I agree	Shaping and partial settlement functionality should be implemented in a way to allow the buying party in securities transactions to accept or refuse shaping and partial settlement of previously already agreed and matched transaction. The rationale for this is the current practice in KDD. When a seller participant only partially fulfils its obligation of delivering agreed quantity of securities, KDD notifies the buyer participant of this fact. In such case, the buyer participant may, in its discretion, accept or refuse the partial quantity. In each case, the buyer participant has the right to the remaining (if partial settlement is accepted) or the whole quantity (if the partial settlement is not accepted) to exercise its right to a buy-in procedure or cancellation right and consequently also contractual penalty for a default.	KDD and Banka Slovenije	No
48	I do not agree entirely	Current risk management, market practice and IT solutions of KDD does not encompass the functionality to carry instructions which did not settle on the settlement day into the next settlement day and reattempt their settlement. T2S should support the option not to carry failed OTC-DVP transactions and failed linked transactions into the next settlement day (Please see also comment on proposal 46).	KDD and Banka Slovenije	No
49	I agree		KDD and Banka Slovenije	No
50	I agree		KDD and Banka Slovenije	No

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51	I agree		KDD and Banka Slovenije	No
52	I do not agree entirely	The scope of cash instructions must in addition to MT202 also cover for MT103+ since this message is required to identify cash account of the final investor in direct holding CSDs and the associated payment deriving from the DVP trades settlement. In addition to our comment on proposal 11, KDD currently provides its participants the functionality to perform queries in KDD's securities central register (on holdings, transactions, historical data,,,) in real time by using internet based browser and the response time is very low. Such solution should also be offered by T2S, mainly due to the large amount of securities accounts in direct holding CSDs. Based on the current description we estimate that T2S would lower the level of service for KDD participants who can now rely on real time and cheap access to all data in connection with their accounts, replacing the need for complex back office support, since KDD is by law obliged to manage all information in securities register. Also, all securities issued in KDD are publicly available through on line share-ledger. T	KDD and Banka Slovenije	No
53	I do not agree entirely	It is stated that only CSDs would be allowed to open/close securities accounts as part of static data through Authorisation interface. This would require several changes in Slovenian legislation which would transfer the whole responsibility for opening/closing accounts to the KDD. The specificity of Slovenia is that each day up to 500 securities accounts openings/closings are required and closely connected - synchronously – with regular settlement processes. Issue and redemption accounts are opened by the KDD but, due to the direct holding nature, clients' accounts are opened, closed and maintained by KDD participants (account operators) only, without any involvement of KDD. All instructions for opening/closing are posted by KDD participants who therefore need authorisation for changing static data. Authorisations for all interfaces must therefore be defined clearly. All changes or updates of static data must also be performed in real time and not in batch cycles, since real time lifecycle management and settlement require real time con	KDD and Banka Slovenije	No
54	I agree		KDD and Banka Slovenije	No
55	I agree		KDD and Banka Slovenije	No

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56	I agree		KDD and Banka Slovenije	No
57	I do not agree entirely	It also has to be taken into account that processing of corporate actions in direct holding CSDs might require several days due to large number of securities accounts. Large corporate action operations and related settlement process in the KDD are predominantly executed during the weekends (i.e. Target non working hours). This will clearly create problems of the definition of the working hours.	KDD and Banka Slovenije	No
58	I agree		KDD and Banka Slovenije	No
59	I agree	T2S will most probably require complete migration to T2S harmonized solutions for those CSDs and their national markets that are using proprietary communication protocols and standards, since the possibility to keep established domestic market practices and introduce "translators" to communicate with T2S is not cost efficient. Harmonization and standardization would greatly affect Slovenian market and the costs would have to be carried by the KDD and KDD users. Detailed description of T2S communication protocol and communication standards (harmonized with the Giovanninni's barrier 1 removal project) is needed in order to allow CSDs to properly evaluate cost of migration for them and their community.	KDD and Banka Slovenije	No
60	I do not agree entirely	We would like to point out the need to also take into account the data on the corporate actions transactions since they also require substantial processing capacities in end investor holding CSDs.	KDD and Banka Slovenije	No
61	I agree		KDD and Banka Slovenije	No
62	I agree		KDD and Banka Slovenije	No
63	I agree		KDD and Banka Slovenije	No
64	I agree		KDD and Banka Slovenije	No
65	I agree	All archiving and related security functionalities have to comply with national regulatory requirements. Long term data storage facilities should be provided to support the archiving requirements.	KDD and Banka Slovenije	No
66	I agree		KDD and Banka Slovenije	No
67	I agree		KDD and Banka Slovenije	No