

## Feedback to consultation paper

<b>Document Title</b>	<b>T2S Consultation Paper: Principles and High Level Proposals</b>
<b>Document Reference</b>	<b>070323_note_ConsultPrincipalsProposals_v0.98.doc</b>
<b>Issued for review</b>	<b>26.04.2007</b>
<b>Deadline for review</b>	<b>27.06.2007</b>

<b>Proposal Nr.</b>	<b>Statement</b>	<b>Comment</b>	<b>Institution</b>	<b>Confidential</b>
1	I do not agree entirely	We think that, in order to avoid the risks of promoting and achieving legislative change in multiple member states, the T2S project should accommodate the needs of national CSDs.	London Investment Banking Association	No
2	I do not agree entirely	It is essential that securities firms should have the option of direct access to T2S. It is clear that the securities settlement system does not exist only for the benefit of banks. This will require sub-accounts for securities firms.	London Investment Banking Association	No
3	I agree		London Investment Banking Association	No
4	I agree		London Investment Banking Association	No
5	I agree		London Investment Banking Association	No
6	I do not agree entirely	Each securities account should contain the securities credited to that user's account, irrespective of the CSD in which they are held.	London Investment Banking Association	No
7	I agree		London Investment Banking Association	No

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8	I agree		London Investment Banking Association	No
9	I agree		London Investment Banking Association	No
10	I agree	The statements underlying this proposal should be carefully checked for consistency with the other statements describing the purposes of the account structure and how these purposes will be achieved.	London Investment Banking Association	No
11	I do not agree entirely	The static data should also support voluntary lending and borrowing activities as well as auto-collateralisation. It is not yet decided whether voluntary lending and borrowing should be within the scope of T2S.	London Investment Banking Association	No
12	I do not agree entirely	It will be essential to consider developments in the needs of the users of securities markets as reform proceeds. We cannot be sure at this stage that the single issuer-CSD will survive.	London Investment Banking Association	No
13	I do not agree entirely	The participants' data should also support voluntary lending and borrowing activities as well as auto-collateralisation	London Investment Banking Association	No
14	I do not agree entirely	This is one of a number of unattractive consequences of the structure of T2S, under which the CSDs are the participants. It would be preferable to have participant data under the control of participants, irrespective of the CSD which the participant is using. As you say, further work is required.	London Investment Banking Association	No
15	I do not agree entirely	This is one of a number of unattractive consequences of the structure of T2S, under which the CSDs are the participants. It would be preferable to have participant data under the control of participants, irrespective of the CSD which the participant is using. As you say, further work is required.	London Investment Banking Association	No
16	I do not agree entirely	The remark "All CSD participant categories benefiting from settlement services should be in a position to utilise the same services once T2S is in place." should be stated as a principle.	London Investment Banking Association	No

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17	I do not agree entirely	Further work should be done with CSDs and their users before market users can agree that the harmonised features should stand for all time, subject only to a formal change request process. It is likely that this will introduce an unwelcome degree of rigidity to settlement processes, with the potential for an adverse effect on Europe's competitive position.	London Investment Banking Association	No
18	I do not agree entirely	This area, too, will require further work, both to identify which deadlines are harmonised and which are not and to reduce cost, complexity and risk in these cross-border processes.	London Investment Banking Association	No
19	I agree	the operator of T2S should consider how to keep up to date with applicable international standards as they evolve. It will be important not to confuse the ECB's role as a standard-setter and as an influence on the standard-setting process with the role of ESCB in operating the T2S system.	London Investment Banking Association	No
20	I do not agree entirely	At present, ancillary systems are open when Target-2 is open. There is no reason not to continue this principle into the Target-2-securities world. There is no evidence for the assertion that T2S' 'opening hours will be a sub-period of the TARGET2 ones'. Firms would prefer Target-2 to be open for longer than T2S each day.	London Investment Banking Association	No
21	I do not agree entirely	We believe that a night-time processing cycle is desirable. We acknowledge that a number of markets have night-time processing today. It is preferable to allow part of the night time period for maintenance tasks and for ensuring that these business-critical systems are ready for the next day. Intraday settlement cycles also allow for efficient use of cash and collateral resources. The risks of a party defaulting during the overnight process, and the procedures to be followed in that event, must be fully described and analysed. This will require further debate before users agree on a harmonised solution. Please also see our remarks about capacity below.	London Investment Banking Association	No
22	I completely disagree	This proposal is poorly expressed. We believe that T2S should have a defined operating day, with the ability to announce delayed deadlines for operational reasons. It will be essential to ensure that contractual arrangements and MTF and exchange rules reflect the reality of the processing day.	London Investment Banking Association	No
23	I agree	Please see our remarks above. A robust solution is one of the critical factors for the success of the project.	London Investment Banking Association	No

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24	I do not agree entirely	There is no such thing as an 'internal' deadline. The daily settlement timetable of any settlement system, and the daily timetable of any central settlement system, defines the services which can be provided to clients. Internal deadlines have external effects and must be agreed with market participants through sincere consultation.	London Investment Banking Association	No
25	I do not agree entirely	Please see our remarks in relation to proposal 24. Clearly, CSDs cannot set later deadlines than the deadlines available in T2S. The question is therefore whether the CSDs can insist on earlier deadlines, in a situation in which some market participants are using a CSD which does not insist on an earlier deadline.	London Investment Banking Association	No
26	I agree	T2S should be a neutral, pro-competitive initiative, designed to support competition.	London Investment Banking Association	No
27	I agree		London Investment Banking Association	No
28	I agree		London Investment Banking Association	No
29	I do not agree entirely	The case has not been made.	London Investment Banking Association	No
30	I do not agree entirely	Considerable progress has been made in the Giovannini context in agreeing the processes and protocols in relation to matching. It is essential that T2S represents a step forward from this position. CCPs will also have views on this subject. A robust solution is one of the critical factors for the success of the project. A full and clear description of the proposals will be required in the forthcoming consultation paper. We look forward to a 'mini-consultation' on this subject.	London Investment Banking Association	No
31	I agree	The description of the process is a good one. The important thing, however, is the outcome.	London Investment Banking Association	No

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<b>Proposal Nr.</b>	<b>Statement</b>	<b>Comment</b>	<b>Institution</b>	<b>Confidential</b>
32	I completely disagree	We can understand the reasoning behind this proposal but if CSD-participants put forward a matched transaction for settlement, the role and function of T2S is to settle it. Re-matching a matched transaction introduces complexity, delay and risk. It also means that the matching validation engine will be a 'bottleneck'; the capacity of this component will have a significant influence on the ability of the system to meet the volume and peak flow requirements.	London Investment Banking Association	No
33	I do not agree entirely	The arrangements in relation to this proposal must reflect the remarks made in relation to proposal 30.	London Investment Banking Association	No
34	I agree		London Investment Banking Association	No
35	I do not agree entirely	This is unclear and requires additional definition and explanation.	London Investment Banking Association	No
36	I completely disagree	Settlement allegement functionality is the responsibility of the CSDs.	London Investment Banking Association	No
37	I agree		London Investment Banking Association	No
38	I agree		London Investment Banking Association	No
39	I agree		London Investment Banking Association	No

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<b>Proposal Nr.</b>	<b>Statement</b>	<b>Comment</b>	<b>Institution</b>	<b>Confidential</b>
40	I completely disagree	Markets are not equal. Markets are at different stages of development. The important thing is that all the functionality to support advanced markets is provided. If CSDs wish to 'derogate' from the advanced market model, this should be publicly debated and an appropriate decision mechanism developed which takes account of the needs and opinions of market participants.	London Investment Banking Association	No
41	I agree		London Investment Banking Association	No
42	I agree		London Investment Banking Association	No
43	I agree		London Investment Banking Association	No
44	I agree	This is the bare minimum; further detailed consultation will be needed to establish market participants' views.	London Investment Banking Association	No
45	I do not agree entirely	The distinction between 'batch' processing and 'real-time' processing is outmoded. It is not necessary to deny users the ability to interact with the system while netting algorithms are run.	London Investment Banking Association	No
46	I agree		London Investment Banking Association	No
47	I agree		London Investment Banking Association	No
48	I agree		London Investment Banking Association	No

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<b>Proposal Nr.</b>	<b>Statement</b>	<b>Comment</b>	<b>Institution</b>	<b>Confidential</b>
49	I agree	Please see our remarks in relation to Proposal 45 above.	London Investment Banking Association	No
50	I do not agree entirely	The concept of 'cross border' settlement should have become outdated by the time T2S enters production. There will simply be a group of 'super-users' - the former CSDs offering services to their users and the clients of their users. The question of whether banks and ICSDs will be permitted to become 'super-users' is fundamental to the design of T2S.	London Investment Banking Association	No
51	I do not agree entirely	See our remarks in relation to proposal 50.	London Investment Banking Association	No
52	I do not agree entirely	At least the banks which maintain accounts in TARGET2 should be able to maintain accounts in T2S. See also our remarks in relation to proposal 50.	London Investment Banking Association	No
53	I do not agree entirely	These rights should be given to all 'super-users', not merely one subset.	London Investment Banking Association	No
54	I agree		London Investment Banking Association	No
55	I agree	Other aspects of the proposals should be brought into line with this proposal. This relates particularly to account structures.	London Investment Banking Association	No
56	I agree	There should be clear service standards in relation to response times. See also our remarks in relation to proposal 45 above.	London Investment Banking Association	No
57	I do not agree entirely	We believe that access should be granted to non-CSDs as well to the functionality required to support non-settlement processing. For example, corporate actions might be directly processed by a paying agent, and not by the CSD. The potential implications of this must be assessed in the consultation phase.	London Investment Banking Association	No
58	I agree		London Investment	No

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<b>Proposal Nr.</b>	<b>Statement</b>	<b>Comment</b>	<b>Institution</b>	<b>Confidential</b>
59	I do not agree entirely	The designers of the interfaces and feed handlers should keep a close eye on the further development of applicable international standards. It will be important for T2S to support ISO messaging, TARGET-2 proprietary messaging and widely adopted XML and XBRL schemas which are part of technical progress. It is important that the design of T2S is not excessively backward-looking.	London Investment Banking Association	No
60	I completely disagree	At this stage, all we can say is that T2S must support the market as it exists in 2013 and beyond. It would be instructive to compare actual settlement volumes with forecast volumes in all the markets to be served by T2S. In particular, the securities markets are undergoing fundamental reform, which is expected to lead to material changes in the landscape of securities trading. In addition, market automation in Europe is well established but has by no means reached its full potential. It will not be possible to claim that T2S is a 'success' if it is unable to handle the demands placed on it. A working assumption for the purpose of considering feasibility is becoming a design parameter. This is inappropriate.	London Investment Banking Association	No
61	I do not agree entirely	While we agree that the system must be able to handle peak loads, we cannot agree that the peak load should be defined in relation to an arbitrary working assumption, built up for the purposes of the feasibility study. T2S must be built to handle the world as it is, not the world which its designers would prefer to exist.	London Investment Banking Association	No
62	I agree	We agree with the pragmatic, empirical approach to the establishment of design parameters.	London Investment Banking Association	No
63	I agree		London Investment Banking Association	No
64	I do not agree entirely	The provision of support is a business critical function. Responsibility for support, and for the function of escalating an incident affecting processing, must be worked out in detail in accordance with the principles underlying the design, taking account of market participants' preferences. It is conceivable that support can be provided more efficiently by a common support function, in which the management and responsibility is provided by the operator of T2S and the CSDs. The allocation of legal responsibilities will be relevant to the design and delivery of the support function, as will the reasonable expectations of users.	London Investment Banking Association	No



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65	I do not agree entirely	T2S will also need to support the regulatory requirements of firms active in more than one member state and who are direct users of and customers of more than one CSD.	London Investment Banking Association	No
66	I agree		London Investment Banking Association	No
67	I do not agree entirely	There should be further discussion of this principle and of its application in practice. At a time when large steps are being taken in the trading space, and major reform of the operation of the securities market infrastructure is under way on a voluntary basis, we believe that the appropriate criterion is 'as much change as can be justified. Concern about market impact, and the opposition of those who would be adversely affected, has held back the reform of clearing and settlement in Europe for years, both at the level of the individual countries and at the level of the development of systems to support more ambitious trading platforms.	London Investment Banking Association	No