

Mr Jean-Michel Godeffroy
Chairman of the T2S Advisory Group
Director General Payment Systems and Market Infrastructure
European Central Bank
Kaiserstrasse 29
D-60311 Frankfurt

Dear Mr Godeffroy,

The T2S Luxembourg NUG welcomes the consultation process launched by the ECB and the work done so far with the stakeholders. This extensive work materialised in the detailed User Requirements Document (URD) which shall in our view help to shape the T2S project. The T2S Luxembourg NUG has reviewed the URD and made specific comments in the attached feedback template.

The T2S Luxembourg NUG feels that 3 key elements are either missing or not sufficiently clarified in order to give an unconditional and full support to the T2S project: the first is a clear and appropriate governance structure, both during the deployment phase and when T2S will be live that involves all relevant stakeholders. The second is a perspective on the costs and benefits associated with the project, although a survey is underway it will not deliver its results before the closing of the consultations on the URD. Thirdly, we are concerned about possible fall-back options in case of significant changes in the trading and post-trading activities landscape, i.e. mergers, EU Commission code of conduct or directive, that could make the project less relevant.

In addition to these 3 concerns, the Luxembourg NUG would like to draw some light on 3 broader issues before going to the list of detailed comments on the URD, these are:

- The system is heavily reliant on CSDs as they would be prime actors of the project, but some countries do not have a national CSD and it is not clear at this stage how they would be able to benefit from T2S;
- Regulated Markets have a duty under the MiFID directive to designate an efficient clearing and settlement process. With the introduction of T2S, their inability to have a direct contractual relation with T2S platform will make this obligation harder to fulfil (i.e., today RM authorise CSDs to perform the transaction, this is likely to change with T2S);
- T2S is a tool for members of the EURO zone but it is still unclear how the platform will work with other countries, how costs will be reduced and where synergies or economies of scale will be found if stakeholders (CSDs, Investment firms and banks) have to maintain several systems to deal outside the zone.

Given the strategic importance of these issues, the T2S Luxembourg NUG considers that at this stage its task is to concentrate on the technicalities of the project in the URD, although as a principle we would support any initiative that significantly improves the efficiency of the trading and post-trading market at EU level as T2S. On a practical note, we would like to stress that chapters without comments mean that no specific issues have been identified at this stage.

The Luxembourg T2S NUG is pleased by the evolution over the last year and the progress achieved. We remain at your disposal to further clarify or to complement the issues raised in its papers.

T2S Luxembourg National User Group