

I agree
I do not agree entirely

Yes
No

I completely disagree

Feedback to consultation paper

Document Title	T2S Consultation Paper: Principles and High Level Proposals			
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Proposal Nr.	Statement	Comment	Institution	Confidential
1	I agree	No issue for the french market. Account structure is more a problem for CSD than in T2S which will manage settlement.	French National User Group T2S	No
2	I completely disagree	<p>The faculty that is let open in the proposal to use TARGET2 RTGS accounts is not consistent with the decision of the Eurosystem to set-up T2S as an integrated model. The efficiency of that model mainly derives from the fact that the settlement engine is able at any time to process simultaneously both securities accounts and cash accounts. In addition, optimisation procedures and self-collateralisation mechanisms will require numerous and exclusive accesses to cash accounts (i.e. blocking accounts). The only way to achieve those objectives is to have the relevant cash accounts within the T2S engine as dedicated accounts aligned with the T2S settlement cycles and processes.</p> <p>In addition, the booking of the cash movements related to securities settlements directly on TARGET2 RTGS accounts raises treasury management concerns. Indeed, the large number of cash booking related to securities settlement will pollute RTGS accounts and will increase the complexity of treasury management because of the uncertainty of the timing of securities settlements (i.e. in case of fails).</p> <p>On the contrary, with the use of dedicated cash accounts, the RTGS accounts will be impacted at the end of the settlement day on a mandatory basis or during the day on an optional basis (optional sweeps). Transfers of liquidity between dedicated cash accounts and RTGS account may nevertheless occur at any time of the day at the hand of the treasurer. An overall vision of the liquidity on all type accounts should be provided by the system.</p> <p>In addition, as far as the night time settlement is concerned, the potentially huge number of securities settlements should not create constraints on the management of the RTGS accounts. The DVP process based on dedicated cash account without any transfers from or to RTGS Account during the night will prevent any liquidity impacts on T2 Cash environment (except liquidity transfer at Day - 1 19h30).</p> <p>Moreover, we think that introducing a dependency between the two kinds of cash accounts, and therefore between the two settlement engines, will create operational risks with the potential that a dysfunction occurring initially on one of the two engines spills over on to the other. Therefore, the separation and segregation of cash accounts seems necessary in order to limit the operational risks.</p>	French National User Group T2S	No
3	I do not agree entirely	As stated in our comment on proposal 2 we believe that the T2S cash account need to be on the T2S platform. Indeed this proposal is essential to ensure user can benefit from synergies thanks to optimisation of treasury and collateral management.	French National User Group T2S	No
4	I agree		French National User Group T2S	No
5	I agree	In addition to this proposal we would like to have functionality that enable to put limits on indirect participants holdings	French National User Group T2S	No
6	I do not agree entirely	We agree that a securities account should be allocated to a single CSD to reflect the legal relationship between the participant and the CSD. However participants (including CCP) would like, in addition, to benefit from a single technical account to allow one consolidated vision of all securities positions and to benefit from a single identification code for settlement instructions . For example,Current Euroclear group's CSDs allow to settle via "ONE technical account" instructions related to several CSDs. We request that One T2S securities account can be assigned to one or n CSDs when the latters agree on that principle (e.g. EF, ENL, EBE).	French National User Group T2S	No

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7	I agree	No issue for the french market. This distinction may be necessary for end investor CSDs. However this functionality should be optional.	French National User Group T2S	No
8	I do not agree entirely	We agree that account structure should provide different profiles. However those profiles should be linked to settlement activities. In addition as CSD may become investor CSD and develop custodian activities, CSD should not benefit from privileged access on those custody activities to ensure a level playing between all CSDs and between investor CSD and global custodians.	French National User Group T2S	No
9	I agree	The securities account structure should provide for segregation in compliance with local laws. Segregation at CSD level should cover proprietary and non proprietary for example but should not impose further segregation if it is not required by local law. In addition this segregation could be implemented either through different account or through flagging within the same account. As explained above (proposal 1), the segregation level should be managed by CSDs with a mirroring in the T2S securities account structure.	French National User Group T2S	No
10	I agree	To increase settlement efficiency, we should favour the option of "flagging", within the securities account, holdings eligible for the self collateralisation rather than transferring those securities in a dedicated account.	French National User Group T2S	No
11	I agree	No need for exhaustive list of securities data in particular no need for custody data within T2S database.	French National User Group T2S	No
12	I agree	We believe we should have only one T2S securities database shared among CSDs, and securities data could only be changed by the relevant issuer CSD for a given security. At this stage, we need a clarification about management of securities data by an issuer CSD that do not participate to T2S. Can you specify this point ?	French National User Group T2S	No
13	I agree	In principle the same data should be required regardless whether the instruction is sent directly or via the CSD.	French National User Group T2S	No
14	I agree	We agree that control mechanism to ensure consistency should be implemented and operate on a regular basis at least once per settlement day.	French National User Group T2S	No
15	I agree		French National User Group T2S	No
16	I agree		French National User Group T2S	No
17	I completely disagree	Any change to the harmonised deadlines and schedules should be done only after market consultation and agreement.	French National User Group T2S	No
18	I completely disagree	We do not understand this proposal which looks unclear to us. Nevertheless, we believe those principles should apply : T2S should only settle in central bank money. Cross-border concept has no sense in T2S environment. It is necessary, for non connected CSDs to T2S to benefit from links cross CSD to settle in central bank money. T2S deadlines should be harmonised. Any local specificities should be tackled at the CSD level.	French National User Group T2S	No
19	I agree		French National User Group T2S	No
20	I do not agree entirely	- For regular operations (DVP transactions with normal counterparties), the following deadlines should apply : Days : T2S should apply the T2 cash calendar. Hours : T2S should stop at least 1 hour minimum before T2 cash closing = Customer T2 cash cut off times to allow proper treasury management. - Specifics operations (CCP, monetary policy operations or end of day squaring) will required specifics cut off time till Interbank T2 cash cut off time. Our recommendation for those specific operations only, is that their cut off should be aligned with the T2 cash closing.	French National User Group T2S	No
21	I do not agree entirely	During the night, cash and securities movement should be booked with the T2S platform and a transfer of the T2S cash account to the T2 RTGS cash account should be possible only during liquidity cash windows (liquidity transfer at Day - 1, 19h30). In T2 cash, no internal liquidity transfers between sub account and RTGS account of the same entity or between RTGS account of different entities should be allowed when T2 cash is closed (from 19h30 to 7h00).	French National User Group T2S	No
22	I do not agree entirely	We agree with the proposal, except that T2S for its day time period should stop at least 1 hour before T2 cash customer cut off closing for regular operations. For specifics operations, please see our comments on proposal 20.	French National User Group T2S	No
23	I completely disagree	See comment on proposal 2. The use of night-time settlement should not be optional but mandatory for all CSDs participants if night-time settlement is allowed. Harmonisation of settlement processes and timelines requires all set cycles/processes to be agreed and mandatory. A single harmonised process is required. During the night, cash and securities movement should be booked with the T2S platform and a transfer of the T2S cash account to the T2 RTGS cash account should be possible only during liquidity cash windows (liquidity transfer at Day - 1, 19h30). In T2 cash, no internal liquidity transfers between sub account and RTGS account of the same entity or between RTGS account of different entities should be allowed when T2 cash is closed (from 19h30 to 7h00). Nevertheless, having all settlement centralised in T2S will, in our opinion, suppress the need of liquidity or securities external transfers during the night.	French National User Group T2S	No

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24	I agree	There should be only 1 set of core settlement deadline. T2S should be build on a harmonised basis to contribute to the removal of Giovannini barriers.*	French National User Group T2S	No
25	I agree	As explained above (proposal 18), T2S deadlines should be harmonised. CSD deadline should be managed otherwise.T2S should not replicate each CSD specificities. French experience has demonstrated that interim deadlines do interfere with core settlement deadlines and may create additional delays in the various processes.	French National User Group T2S	No
26	I agree	We agree for their processes as issuers CSDs and in particular for corporate actions processes. However for their services as investor CSDs, T2S should not create an unlevel playing field between investor CSDs and global custodians.	French National User Group T2S	No
27	I agree		French National User Group T2S	No
28	I agree		French National User Group T2S	No
29	I agree	One single set of rules is also essential to foster harmonisation and provide synergies.	French National User Group T2S	No
30	I completely disagree	For all CSDs participating T2S, matching should be only provided within T2S. CSDs should no longer have to maintain matching system locally, otherwise the business case and cost reduction may be jeopardised. Hold and release mechanism should be processed in T2S. Specifics operations such as CCP and monetary policy operations can enter T2S already matched... We require ECB to create specific operation code for those specifics transactions.	French National User Group T2S	No
31	I agree	A glossary to define what is exactly meant by matching would be very useful. Indeed the same term is used differently across the various Eu market.	French National User Group T2S	No
32	I completely disagree	See comment highlighted in response to proposal 30. Therefore, this proposal is inapplicable and should be deleted according to our comment on proposal 30. Specifics operations such as CCP and monetary policy operations should be granted to enter T2S already matched.	French National User Group T2S	No
33	I do not agree entirely	A glossary is needed to understand the definition of matching and when binding is declared. We will support the following process: a hold and release mechanism, and when the transaction is released it becomes binding. In addition there should be no unilateral cancelation as it would increase fails in the system. Hold and release mechanism should not be possible for specifics operations (see proposal 30).	French National User Group T2S	No
34	I do not agree entirely	See comment on proposal 30. All instructions sent to T2S will be unmatched as no matching should be allowed at CSD level, and should be matched within T2S as soon as possible .	French National User Group T2S	No
35	I do not agree entirely	Instructions can be enriched after or before matching only if enrichment do not affect T2S set of matching rules. In that case enrichment could be done on a unilateral basis. If enrichment do affect T2S matching rules , it should only take place before matching and on bilateral basis.	French National User Group T2S	No
36	I agree		French National User Group T2S	No
37	I agree		French National User Group T2S	No
38	I agree		French National User Group T2S	No
39	I agree		French National User Group T2S	No
40	I agree		French National User Group T2S	No
41	I agree	We should provide that local legal and regulatory environment allow for auto-collateralisation either on a repo or pledge mechanism.In addition we consider that the legal framework for auto-collateralisation should be based on a Euro zone legal environment.	French National User Group T2S	No
42	I agree		French National User Group T2S	No
43	I agree		French National User Group T2S	No
44	I completely disagree	Further explanation is necessary and assumptions need to be clarified before coming to a definitive view. What is the multilateral technical netting algorithm regarding to optimisation functionality ? The real-time mode should be a priority for T2S settlement. Should the multilateral technical netting algorithm be a batch netting system, we believe that this algorithm should only take place at the 3 periods envisaged in the proposal.	French National User Group T2S	No
45	I completely disagree	See comment on proposal 44. There should be only one settlement model and not two models in parallel with users having to choose its mode. The core principle is that the system should be real time gross settlement. Nevertheless, should the night settlement be introduced, the settlement could work on a batch mode for the night settlement only. During the day, settlement should take place on RTGS mode.	French National User Group T2S	No
46	I agree	Recycling should take place both during night and day settlement cycle. Ther should be one harmonised recycling rules for T2S and all CSDs participating to T2S.	French National User Group T2S	No

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47	I agree	Harmonised set of rules also required for shaping and partial settlement.	French National User Group T2S	No
48	I do not agree entirely	Failed transactions should be given a higher degree of priority in the next settlement day in order to avoid possible buy in by CCP for example. CCP can request the cancellation of end-of-day failed instructions to operate the Continuous Net Settlement and the buy-ins.	French National User Group T2S	No
49	I completely disagree	See comment on proposal 44. Further clarity is sought on optimisation. If settlement in circles is to be employed then continuous optimisation would be highly desirable especially for real-time settlement during the day. In any case, the number of optimisation could at least be: middle of night time cycle; end of night time cycle; end of morning; beginning of afternoon; before the end of day time settlement.	French National User Group T2S	No
50	I agree	We question the market need/ appetite for investor CSDs functionality. Indeed global custodians in a competitive environment do already offer the same type of services. In addition CSDs who want to act as investor CSDs will also have to invest significantly which will raise again the cost for banks.	French National User Group T2S	No
51	I do not agree entirely	Links between CSDs are today scarcely used and source of operational issues. We do not see any need to provide links between T2S and non participating CSDs. It will increase costs and technical complexity. It will also creates some dissensive to join T2S. T2S being a technical outsourcing solution for CSD, a CSD can not ask for interoperability with T2S but will require interoperability with another CSD. In order to comply with code of conduct, we suggest that if a CSD not connected to T2S requires interoperability with a CSD connected to T2S, the CSD should propose a standard access, ie opening an account in its books. See comments on proposal 50.	French National User Group T2S	No
52	I do not agree entirely	Interfaces for users should allow : sending cash and settlement instructions, input query, receive reporting and allow consolidated vision for both securities and cash. Cash instructions should be limited to securities activities performed by T2S.	French National User Group T2S	No
53	I agree		French National User Group T2S	No
54	I agree		French National User Group T2S	No
55	I do not agree entirely	Access is formaly granted by CSDs. However a CSD should not prevent one of its participant to access T2S directly if it requires to.	French National User Group T2S	No
56	I agree		French National User Group T2S	No
57	I do not agree entirely	We would be agree if issuer CSD will have access to this fonctionality. We disagree that investor CSD to be granted specific automatisation access to T2S. Indeed, investor CSD may develop global custodian activities in competition with its users. CSDs participants should hence be granted the same access right to ensure a level playing field. The CCP will request to query and access balances and instructions status. This functionality can not be restricted to CSDs (e.g. the processing of market claim/transformation by the CCP on pending transactions)	French National User Group T2S	No
58	I agree		French National User Group T2S	No
59	I agree		French National User Group T2S	No
60	I do not agree entirely	Depends on accuracy of volume projection.	French National User Group T2S	No
61	I do not agree entirely	Indeed T2S shall be able to handle settlement peak. However settlement peak should be defined as 400% at least of average settlement volume. In addition as settlement is T+3, T2S will need to be able to cope with settlement peaks over 3 days.	French National User Group T2S	No
62	I agree		French National User Group T2S	No
63	I agree		French National User Group T2S	No
64	I agree		French National User Group T2S	No
65	I agree		French National User Group T2S	No
66	I do not agree entirely	Migration should be performed market infrastructure by market infrastructure or per "grouped markets" operated under the same settlement SSS infrastructure (i.e. Euroclear group CSDs). In case of migration by market infrastructre, it should be concentrate on the "significant" markets infrastructures at the beginning to achieve critical mass as quickly as possible.	French National User Group T2S	No
67	I completely disagree	From a user's perspective best practice should be the principle and markets with best practice should not be forced to pay for downgrading their services.	French National User Group T2S	No