<u>Answers of the Swiss National User Group to additional questions raised in the info meeting of 22 January 2008</u>

- Should optimisation favour number of transactions, overall value or a mix of the two as described in the URD?

A mixed approach to optimisation would be favourable as opposed to an approach focussed on either volume or value. The mixed approach is the optimal way to maximise settlement efficiency whilst not imposing additional complexity and already exists in some markets where a high degree of settlement is achieved.

Since the objective is to maximise overall settlement, optimisation rules, as well as the rules for splitting transactions and all other functions optimising settlement should be based on an approach combining both value and volume.

- Should the liquidity created via the auto collateral function be provided for individual transactions or in lump sums based on a threshold?

Auto-collateralisation on stock could be provided in lump sums based on a threshold whereas auto-collateralisation on flow should be provided based on the underlying settlement instruction (according to T2S.08.570)

The whole topic auto-collateralisation is a new aspect especially for those countries not using it today. Therefore, there are several open legal questions regarding collateral on flow. (*Is it intended to accept for collateral on flow only proprietary assets of the bank or also client assets? Is the explicit agreement from the buying client required or not?*) It is essential to find overall accepted agreements in the EU in these questions to assure a level playing field.

- Should collateral on flow be used first, then collateral on stock?

If auto-collateralisation on flow could use the flow of all transactions independent of the owner of the underlying transaction then collateral on flow would be more efficient. As mentioned in the previous answer, there remain several open legal questions. The answers to these questions will strongly influence the preference.

- Whether at CSD level or at T2S level, is there a need to match corporate events settlement instructions?

We believe that there is no need to match corporate events settlement instructions. Corporate Events produced by the CSDs are rather to be considered as booking in stead of settlements where two parties have to instruct. We also believe that Corporate Actions bookings are not to be priced like settlement. In several markets they are free of charges. Where checks are necessary these should be performed upon validation.

- For voluntary corporate events, is there a need to send an instruction for each available option or for every securities account position and only match with the option selected by the customer?

This is a decision to be taken in respect of the level of orders to be carried out. Therefore, since each single order is to be sent to T2S the instructing bank could opt for cumulated or single orders.

In our opinion there is no need for matching in case of election of an option. On the other hand the execution of a corporate action transaction leading to a FOP or DvP transaction involves matching.

For CSDs to answer.

- What is perceived to be the major issue in integrating / connecting a corporate event engine with the functions and data of an outsourced T2S settlement engine?
- Corporate events often involve high costs and a degree of risk, particularly cross border. Do you have suggestions as to how to exploit T2S to reduce costs and risks?

The key to reducing the high costs and risks is harmonisation. If all markets use the same procedures, full automation is achievable, be it between CSDs or on T2S.

Questions concerning direct holding markets:

- Is there a possibility to put all data in T2S?

- Cost implications for the different procedures?

- Possibilities to harmonise the allocation process?