

T2S - a single securities settlement engine for Europe

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T2S – Europe's single securities settlement engine



<https://youtu.be/uwNuFLXQK4U>

- 1 What is T2S?
- 2 Benefits and opportunities
- 3 Experience from live operations
- 4 What's in T2S for the investment funds?

T2S in the context of the European financial market integration

1999
Launch of
Euro

1999
Establishment
of TARGET
(large-value
central bank
payment
system)

2007
Establishment
of TARGET2

2008
Establishment
of SEPA

2015
T2S launch

2015
Capital
Markets Union
Action Plan

Why did Europe need T2S?

- Too fragmented and inefficient securities markets
- Lack of competition in services related to settlement
- Need for a single pool of securities to stimulate competition and harmonisation
- No other realistic Europe-wide approach to creating this single pool

A large, dark blue downward-pointing arrow is positioned below the list of reasons, pointing towards the concluding statement.

**Making Europe a better place to
invest and trade
(in line with the Lisbon agenda)**

What is T2S?

Concept

T2S is a technical solution to support Central Securities Depositories (CSDs) by providing core, borderless and neutral settlement services.

Objective of T2S

To achieve harmonised settlement in Central Bank Money in euro and other eligible currencies for all securities in Europe.

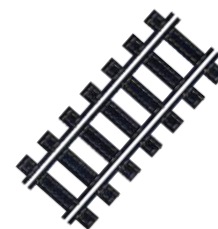
Settlement only

Integrated settlement model, BUT the CSDs participating in T2S, and the Central Banks who make their currencies available for settlement in T2S, will keep full control over the business and contractual relationships with their customers.

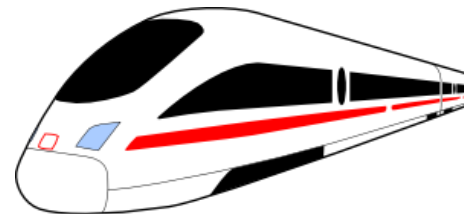
Role of the Eurosystem

The Eurosystem will manage and operate the business application and the technical solution, which provides the T2S Services.

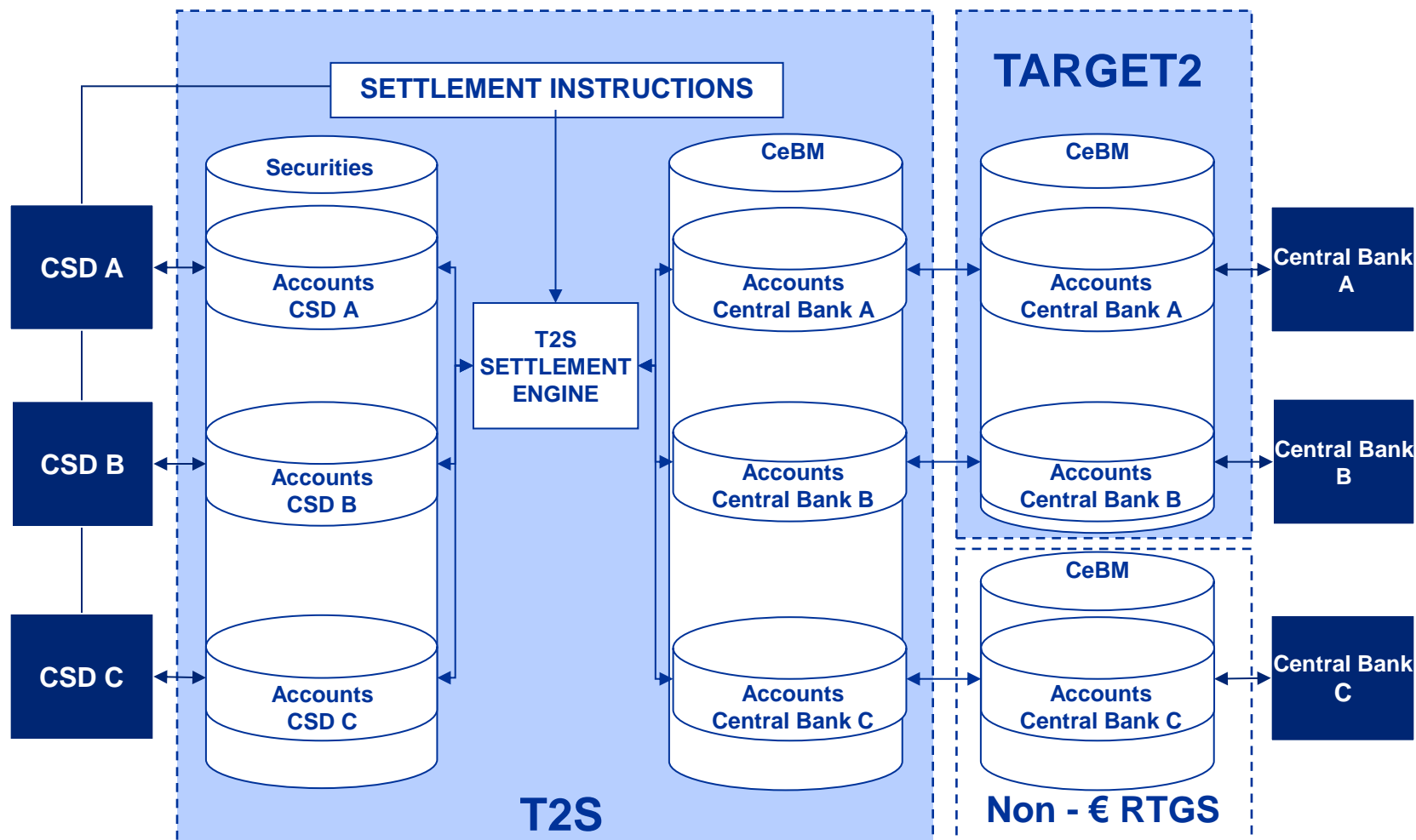
Settlement Infrastructure (T2S)



Value-added services (CSDs)

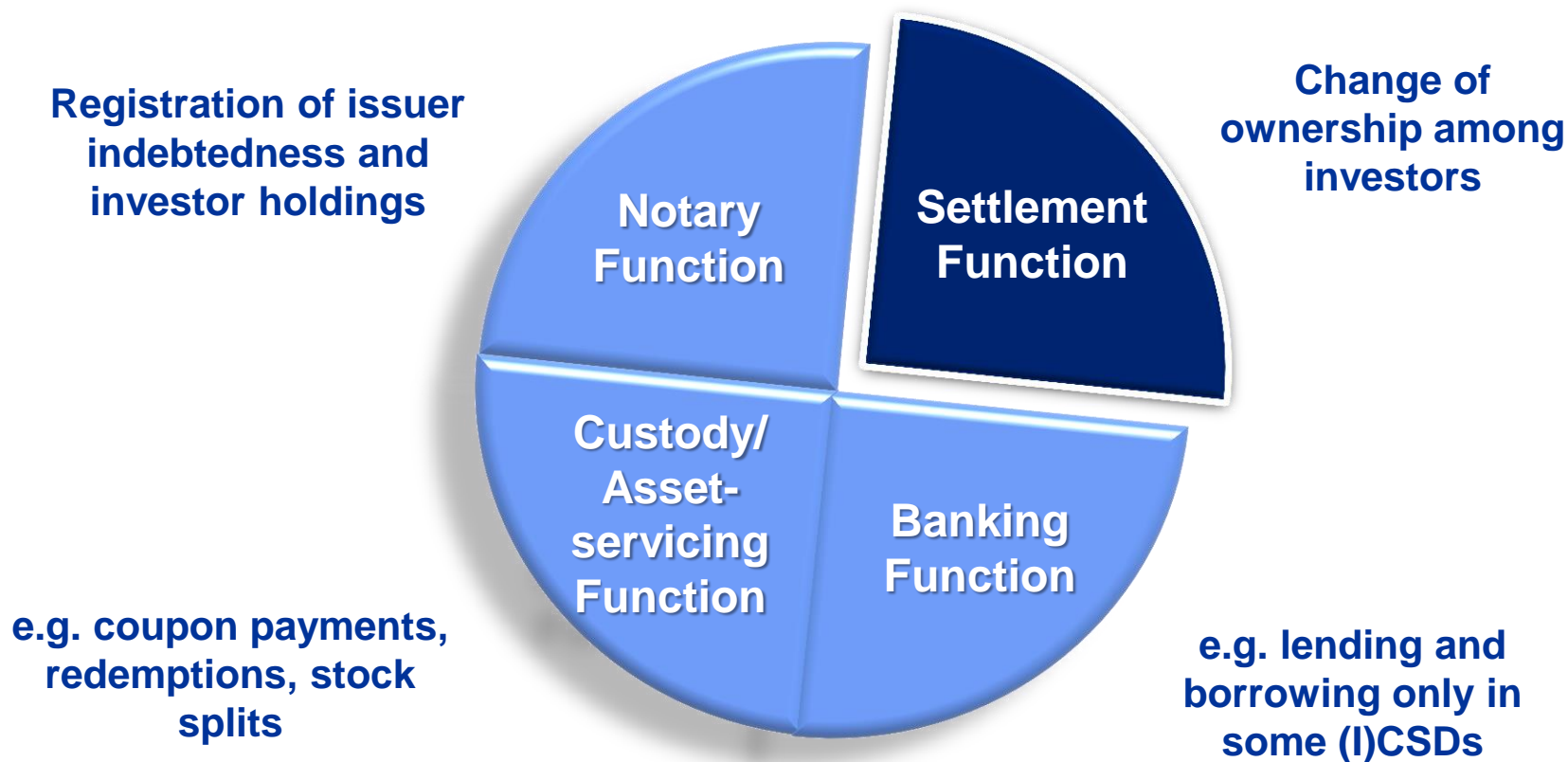


What is T2S?



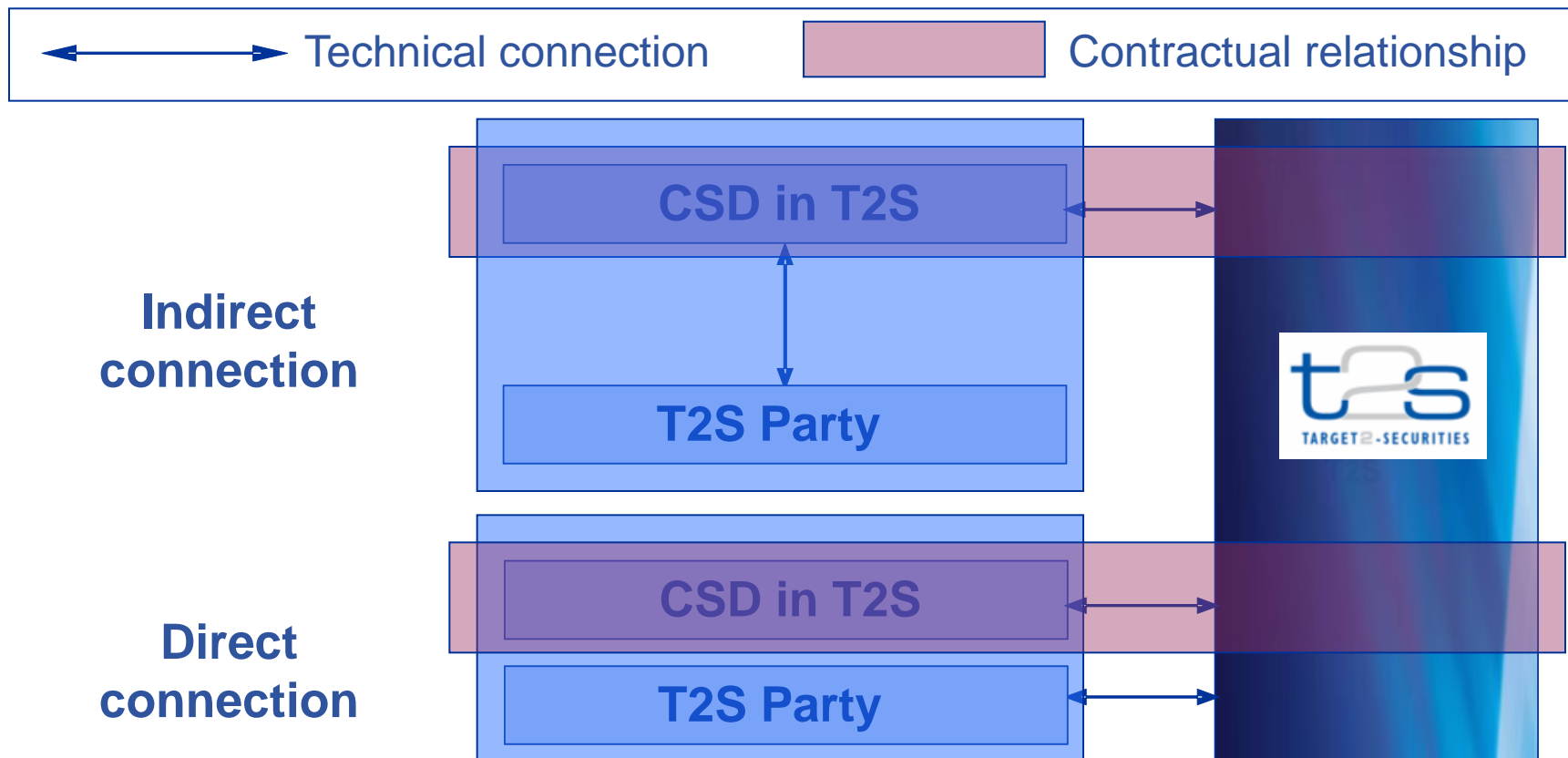
Technical platform of all securities (single pool) and cash accounts to settle all securities transactions in central bank money

Functioning of T2S



What is T2S?

Indirect and direct connection



**T2S has no legal relationship with any CSD or Central Bank participant.
The CSDs and Central Banks set the terms and conditions with their participants.**

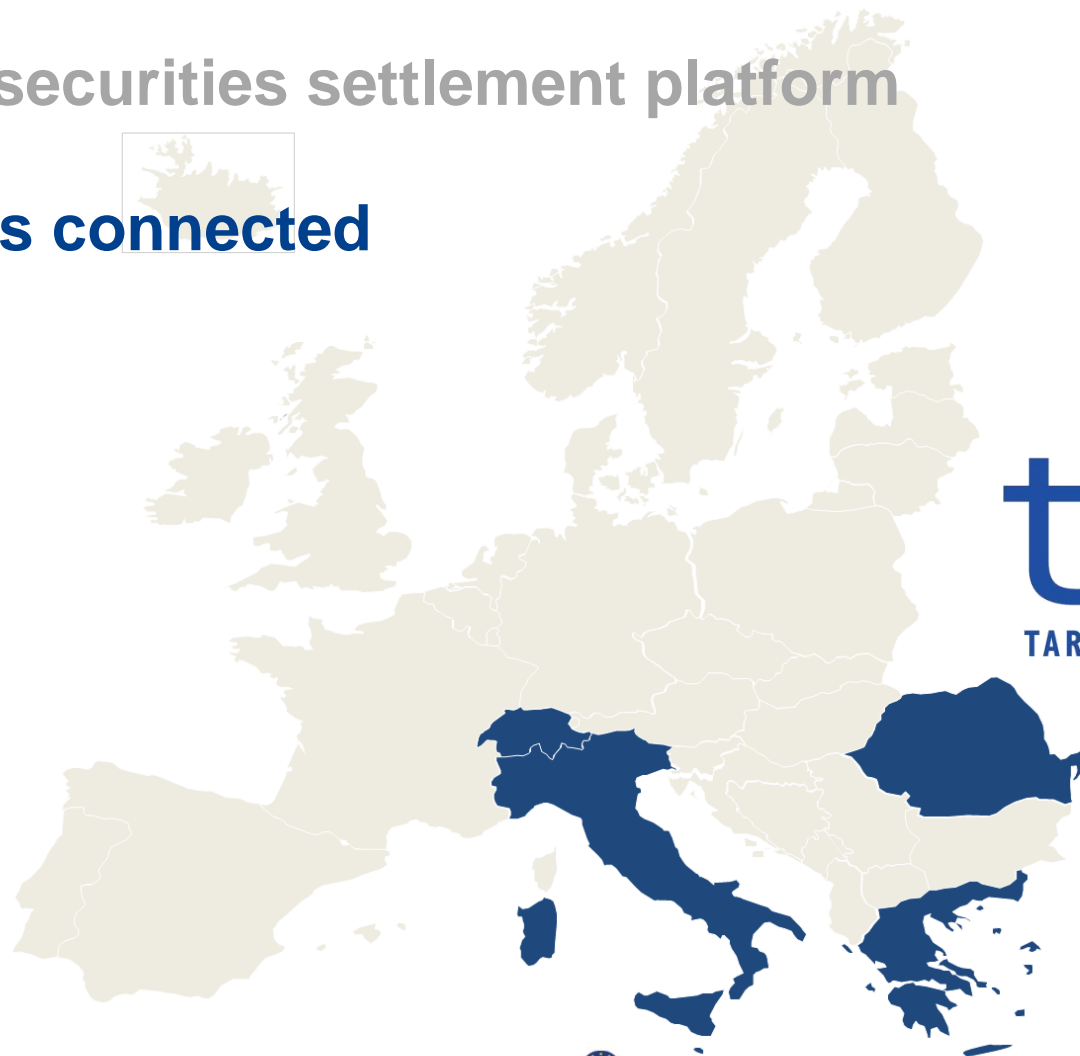
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A single securities settlement platform



A single securities settlement platform

5 markets connected



A single securities settlement platform

5 markets connected

16 more to join by 2017



Multi-currency settlement

- Euro (2015)
- Danish krone (2018)
- Others?



Benefits and opportunities



Single pool of
cash and
collateral



Single
interface and
technical
infrastructure



Harmonisation
and single
rulebook

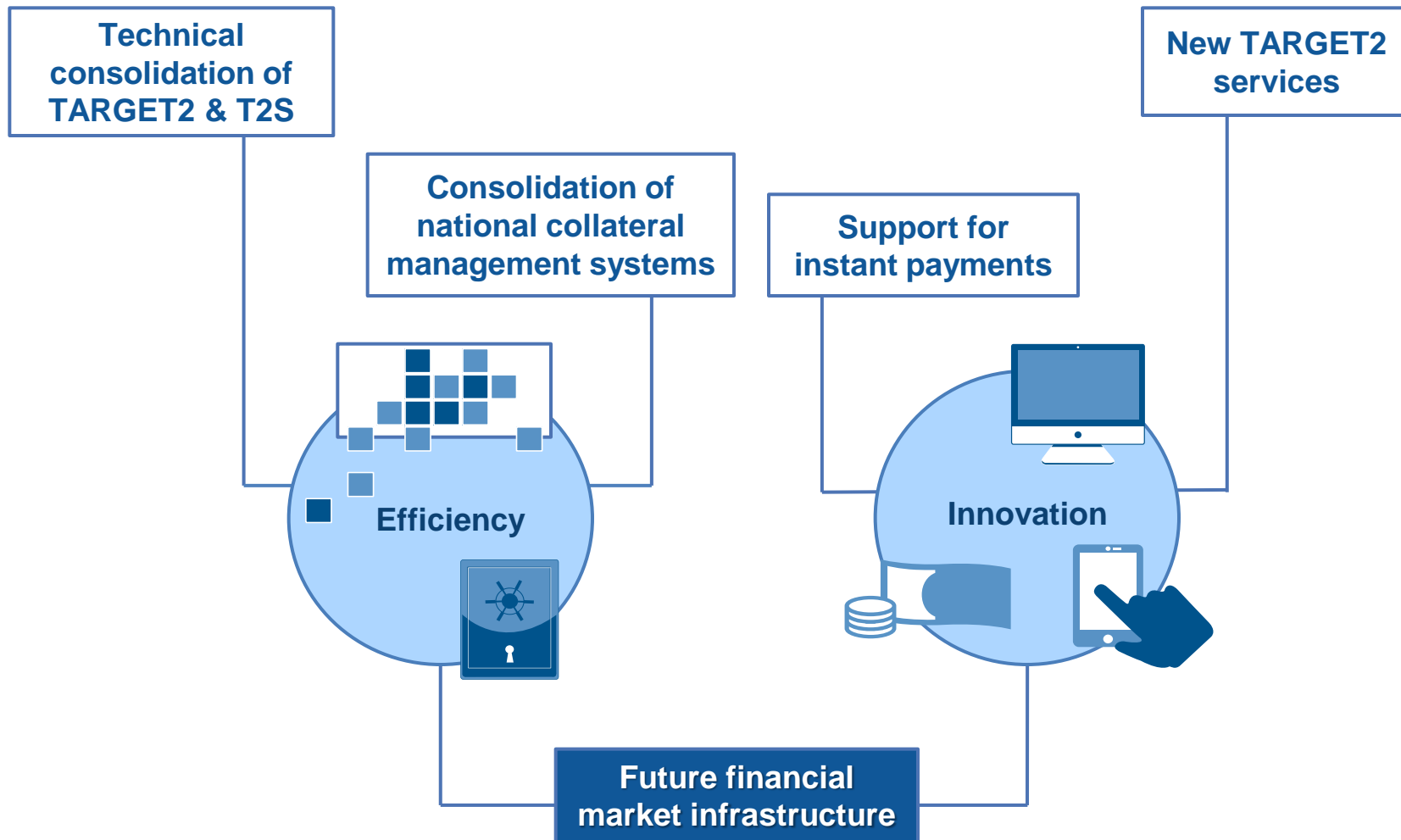
Benefits and opportunities



**T2S makes it easier to reach investors
all over Europe and even globally**

Benefits and opportunities

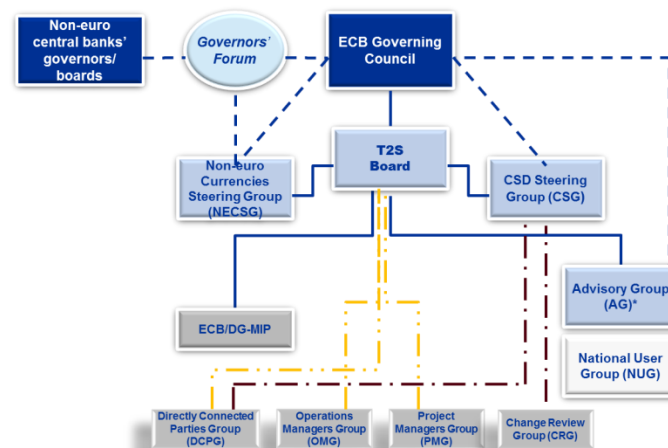
Eurosystem's vision for 2020 and beyond



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What helped T2S to become reality?

- **Transparency** – to create trust, maintain support and commitment, and facilitate project implementation
- **Governance** – to keep the project momentum and resolve issues
- **Lean T2S** – to avoid scope creep and unmanageable complexity
- **Eurosystem ownership** – to ensure neutrality, and balance between different interests; having experience in successfully establishing EU-wide infrastructures



Stability of the platform:

- T2S is fully operational since 22 June 2015.
- The platform has proven to be stable for daily operations.
- It experienced some incidents which were expected considering the magnitude and complexity of T2S.
- The incidents were resolved in a timely manner with no or very limited impacts on other systems (e.g. TARGET2)



T2S migration plan

Wave 1 22 June–31 August 2015	Wave 2 28 March 2016	Wave 3 12 September 2016	Wave 4 6 February 2017	Final wave 18 September 2017
Bank of Greece Securities Settlement System (BOGS)	Interbolsa (Portugal)	Euroclear Belgium	Centrálny depozitár cenných papierov SR (CDCP) (Slovakia)	Baltic CSDs (Estonia, Latvia, Lithuania)
Depozitarul Central (Romania)	National Bank of Belgium Securities Settlement Systems (NBB-SSS)	Euroclear France	Clearstream Banking (Germany)	Euroclear Finland
Malta Stock Exchange		Euroclear Nederland	KDD - Centralna klirinško depotna družba (Slovenia)	Iberclear (Spain)
Monte Titoli (Italy)		VP Lux (Luxembourg)	KELER (Hungary)	
SIX SIS (Switzerland)		VP Securities (Denmark)	LuxCSD (Luxembourg)	
			Oesterreichische Kontrollbank (Austria)	

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What's in T2S for the investment funds?

- Settlement of investment funds shares is feasible on T2S.
- T2S affects only the settlement part of investment funds business; the other elements (issuance, redemption) of the investment business remain, largely, unaffected.
- When **CSD deposited** fund shares are settled on the T2S platform they get all the benefits other assets have in T2S.
- T2S can accommodate various business models.



UCITS V may work against financial integration in respect of cross-border settlement layer in the EU as Article 22a of the **UCITS V Directive** is in contradiction with Article 38(5) of the **CSD Regulation** which might lead to:

- Incentives for fund depositaries and their intermediaries to **hold securities directly with issuer CSDs** instead of pooling their assets and collateral with one or limited number of investor CSDs;
- Considerable effect on the usage of **CSD link arrangements**;
- Fostering a model of **disintegrated and fragmented access** to European market infrastructures;
- Risk of national regulators imposing **different account segregation requirements** in the absence of official interpretation of UCITS 5.

Source: Eurosysteem contribution to the European Commission's call for evidence on the EU regulatory framework for financial services, published 4 February 2016

Thank you for the attention!

www.t2s.eu

 @T2SECB