TARGET2-Securities

Entering the Next Phase…

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Meeting with representatives of market participants and market infrastructures

ECB, Frankfurt, 12 March 2007

Nothing in this presentation is carved in stone

It is the result of a first internal brainstorming of ideas
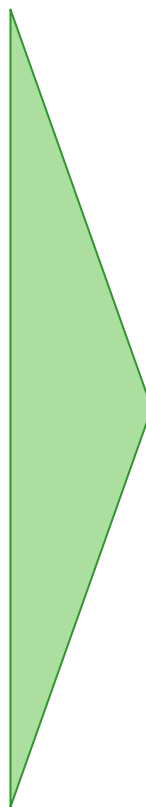
Input is welcome

T2S – entering next phase

1. Main objectives

2. Project Governance

3. Project organisation

4. Timetable

1- Main objective of the next phase:
Define the T2S User Requirements

Objectives of the next phase

- Consult the market on principles, needs and expectations

- Define the T2S User Requirements
    - In cooperation with all T2S stakeholders

- Prepare decision of CSDs to commit to T2S or not

- Prepare alternative access when a CSD does not want to join T2S, while some of its participants do

- Keep all stakeholders involved in the process

- Refine the cost/benefit evaluation

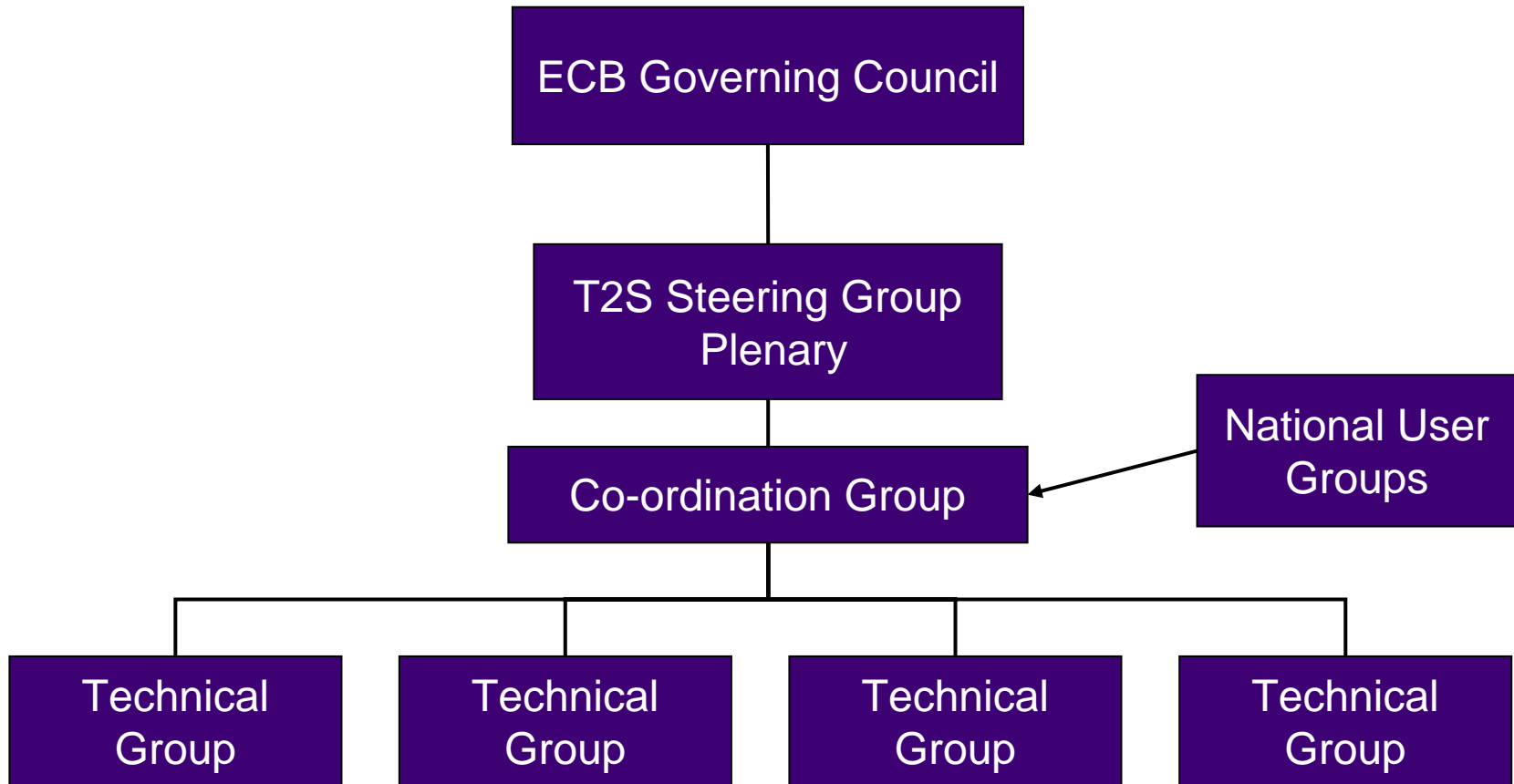**Deliverables of the next phase**

- T2S Principles

- T2S Functional User Requirements
    - Series of Consultation Papers
    - Final User Requirements

- T2S Non-Functional and Legal Requirements

- Revised T2S business case

- General functional specifications?

T2S – entering next phase

1. Main objectives

2. **Project Governance**

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2- Project Governance
Proposed governance for this phase

2- Project Governance
Steering Group competencies

- Right of initiative in raising proposals to the Governing Council

- No filtering of proposals

(This does not affect the responsibility of internal bodies of the Eurosystem -e.g. PSSC- to advise the Governing Council. However they may not amend the proposals made by the Steering Group)

2- Project Governance
Possible composition of the Steering Group

1/3 Central banks ?

1/3 CSDs ?

1/3 Users (mainly banks) ?

- Decision in the substance
- Meets every 3 months

2- Project Governance
The Steering Group

The issues:

- Which size ?

- Involvement of the non-euro area countries ?

- One size fits all (small versus big countries) ?

- Designation process: a nomination committee ?

- Which majority for decision ?

2- Project Governance

Co-ordination Group

- Decisions concerning organisation of the work
- Meets once a month, just before TGs ?

Do we need a co-ordination group ?
What composition ?

2- Project Governance

Technical Groups

• To be defined according to the various workstreams in defining the user requirements (see next slides)

National Groups

• To be set up by each NCB

2- Project Governance
Remarks

• Framework to be discussed by PSSC end of March, **not yet approved** by the Governing Council.

• Details to be worked out: Everybody agrees that the Steering Group should be small, but everybody insists to be part of it.

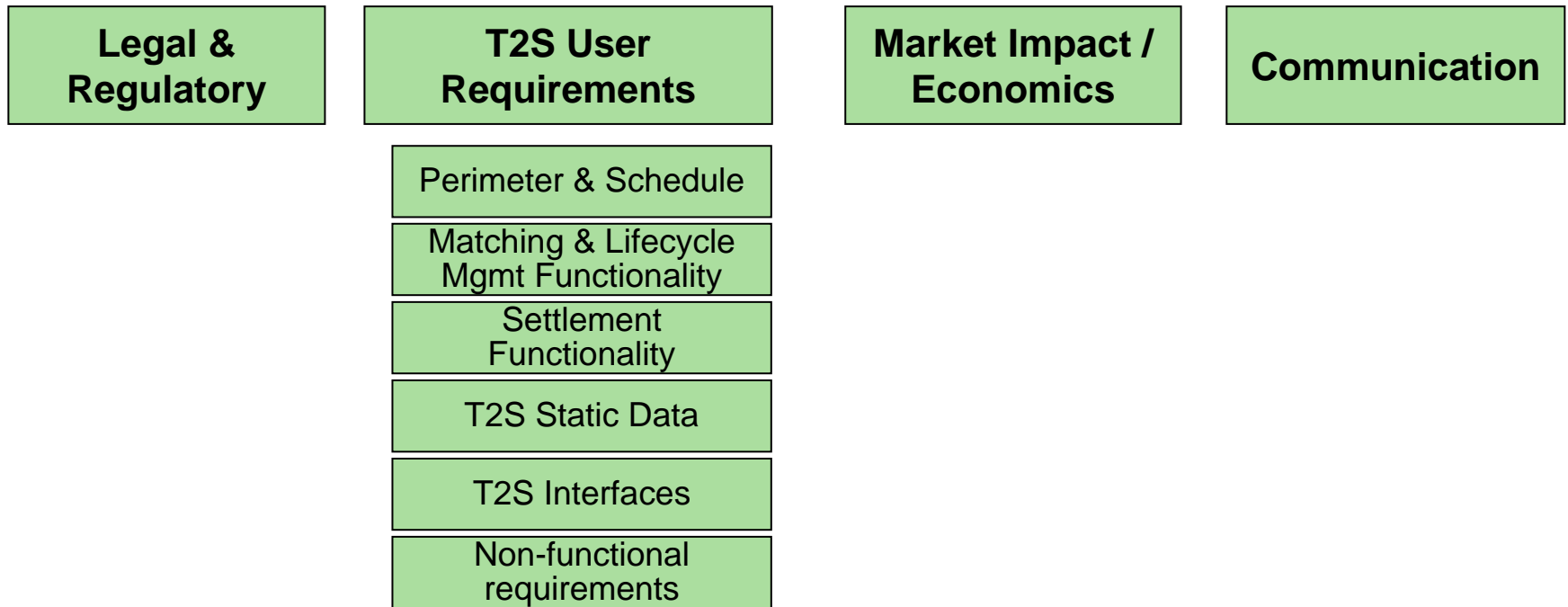• **May be different** for the subsequent phases of the project

T2S – entering next phase

1. Main objectives

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3- Project Organisation
Main focus is on the User Requirements, but legal and economic topics are covered as well

Legal & Regulatory	T2S User Requirements	Market Impact / Economics	Communication

T2S User Requirements sub-areas:

- Perimeter & Schedule
- Matching & Lifecycle Mgmt Functionality
- Settlement Functionality
- T2S Static Data
- T2S Interfaces
- Non-functional requirements

3- Project Organisation
Staffing support for the TGs in the ECB

+ 1/3 ECB
+ 1/3 NCBs
+ 1/3 Market

ECB contracts (9 to 12 months)
- Consultants (market)
- ESCB staffs (central banks)

3- Project Organisation
Communication Stream to organise all aspects of T2S project communication

Scope

- Organise market consultation phase
  - Collect market feedback
- Keep stakeholders informed
  - EP, ECOFIN, regulators, etc.
- Public relations

Communication means

- Market consultation documents
- T2S Website
- T2S Newsletter
- Tri-party meetings
- Presentations to various stakeholders
- Technical Group meetings

3- Project Organisation
User Requirements Stream dedicated to preparing the T2S User Requirements

Perimeter & Schedule
- Cross Border Settlement
- Foreign currency settlement in T2S
- T2S Day / Operating Hours
- Start/End of day procedures
- Deadlines and timings

Matching & Lifecycle Mgmt Functionality
- Validation & **Matching**
- Instruction management
- Instruction lifecycles
- Eligibility of instructions / deadline management
- Handling of cash instructions

Settlement Functionality
- Settlement Model Batch and Real Time Structure
- Prioritization
- **Optimisation**
- Recycling
- Booking
- Self-collateralisation
- Collateral Management / relation with CCBM2

T2S Static Data
- **Account Structure**
- Securities Reference Data
- Account Reference Data
- Customer Reference Data
- Market-specific Rules

T2S Interfaces
- **Requirements for T2S-CSD Interaction**
- Requirements for interaction with TARGET2
- Direct / Indirect Access
- T2S User Interfaces
    - Securities instructions interface
    - Securities balance interface
    - Static data interfaces
- T2S Reports

Non-functional requirements
- Security requirements (incl. availability and business continuity requirements)
- Capacity and performance
- Architecture requirements
- Operational requirements
- Standards

3- Project Organisation
Legal/Regulatory and Economic Stream

Scope of Legal and Regulatory Stream

- **Work out contractual relationships between T2S owner, T2S operator and the CSDs**

- **Define legal requirements related to regulation of settlement**

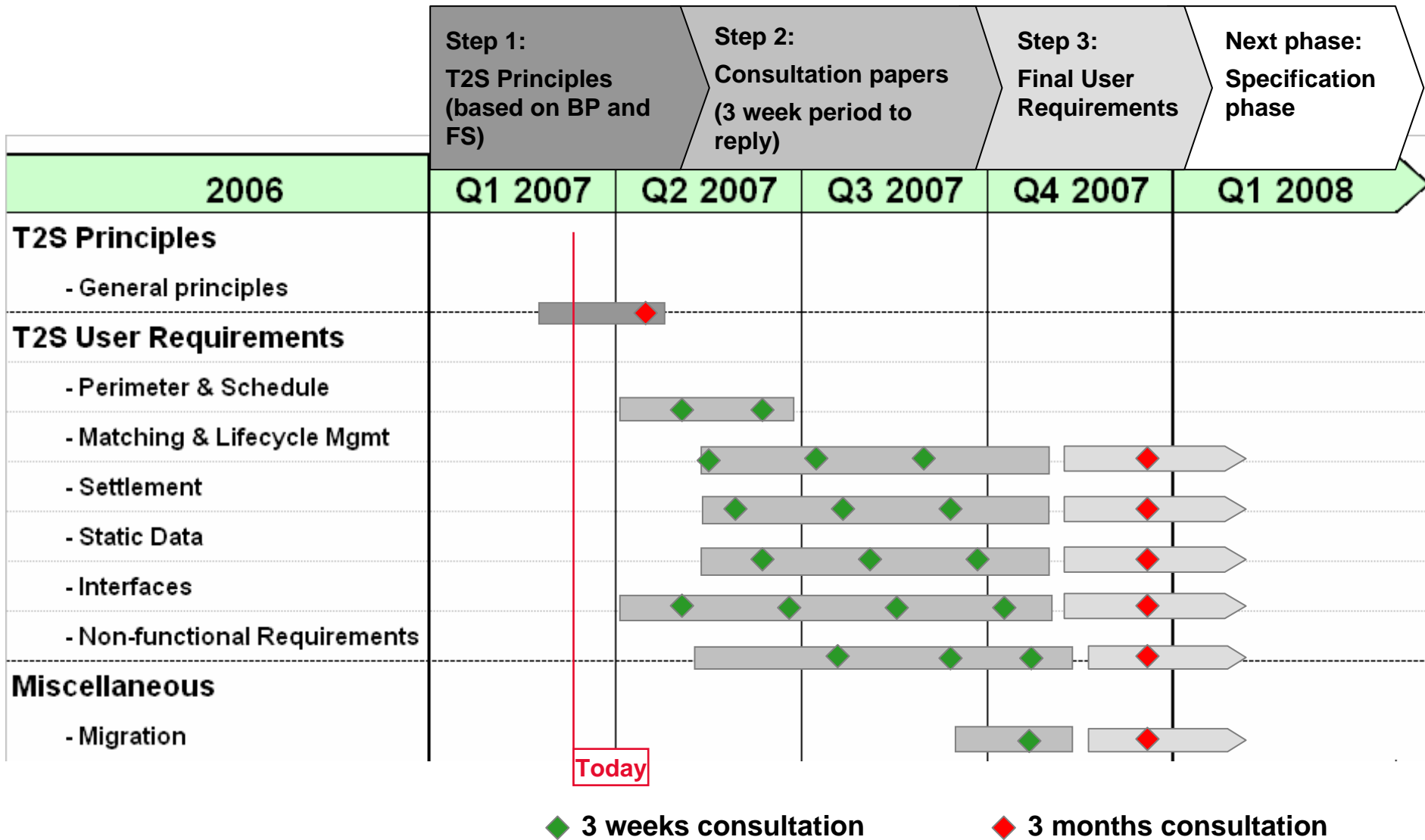- **General project support on legal matters**

Scope of Economic Stream

- **Refine project costs based on User Requirements**

- **Further refine the market impact analysis and the Business Case**

T2S – entering next phase

1. Main objectives

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3. Project organisation

4. **Timetable**

4- Indicative Consultation Timeline:

4- T2S Project timetable
Next Steps

For the T2S Project

1. **Ramp up project team**

2. **Define governance (Apr 2007)**
   - **Work out consultation and decision processes, to ensure involvement of stakeholders**

3. **Publish T2S Principles (Apr 2007)**

4. **Publish consultation papers on User Requirements (Start: May 2007)**
   - **Consultation papers**
   - **User Requirements**

For the T2S Stakeholders

1. **Express your priorities (Mar 2007)**
   - **What are the most important areas of the User Requirements?**
   - **What are the main criteria for the CSD commitment?**
   - **Where should the T2S project team put its focus first?**

2. **Prepare to be involved**
   - **Tight review schedule: 3 weeks!**

3. **Review, comment, and provide your expert input (Start: April 2007)**