



# **TARGET2-Securities**

## **Latest developments**

### **CESAME meeting**

**Gertrude Tumpel-Gugerell**  
**Member of the Executive Board**  
**ECB**

**Brussels, 18 February 2008**

## Many things have happened since the ECB informed CESAME on 22 October 2007.

- URD public consultation
- Preparation of the future governance structure
- Cost / benefit analysis
- Legal and contractual framework
- Next steps

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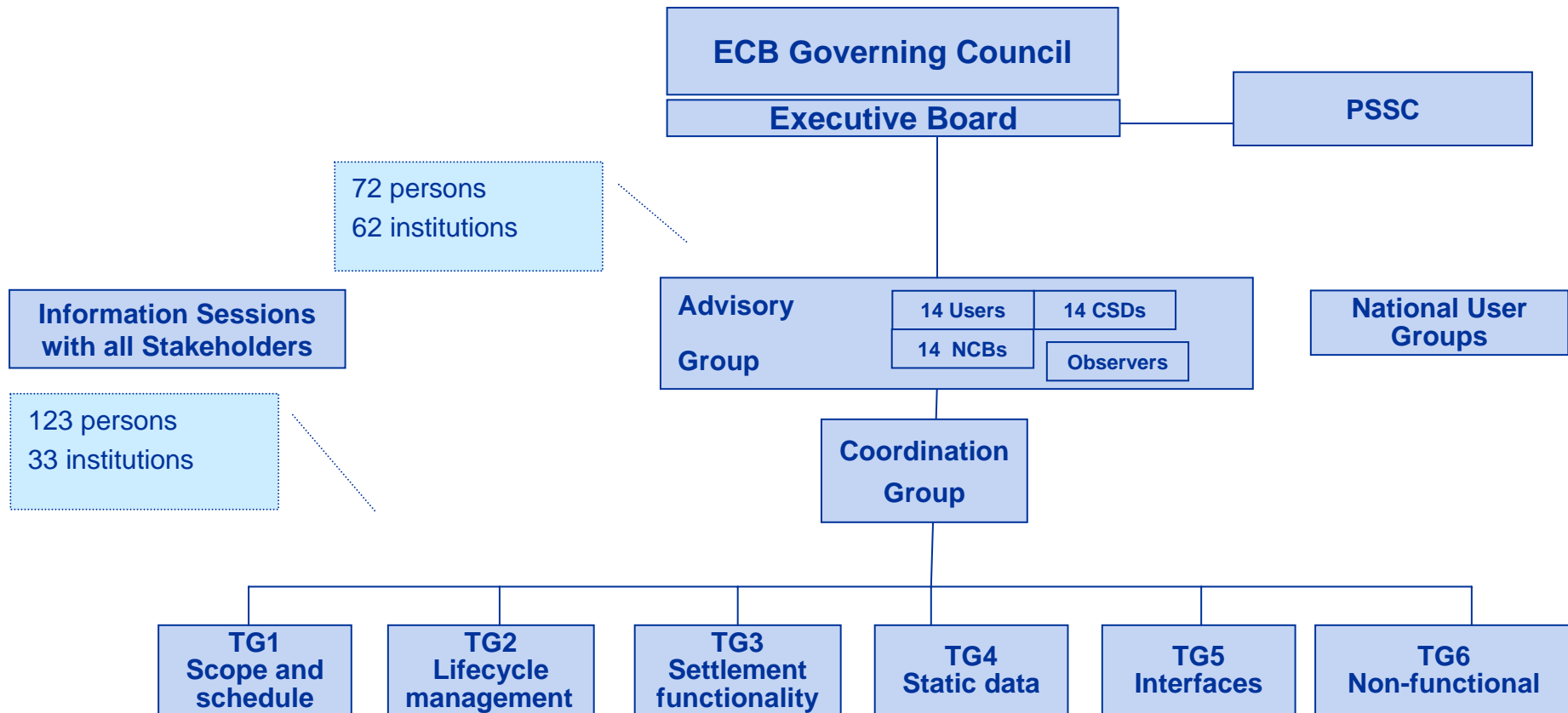
# Organisation at ECB



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# Current T2S governance. First phase of the project



- 188 experts coming from 77 institutions
- All CSDs settling in euro participate
- 33 custodian banks

## T2S governance - next phase of the project:

- A governance structure for the next phase (specification phase) to be disclosed soon
- Overall satisfaction with the way the Advisory Group (AG) and the Technical Groups (TGs) have worked: the AG will be maintained
- The composition of the AG may vary: Only those CSDs having a direct interest in T2S, i.e. that have indicated their intention in principle to join T2S, will obtain a seat in the AG. Better reflection on the weight of investment banks.

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# What is the economic logic?

## Settlement

### T2S

- ✓ Volume-based
- ✓ More commoditised
- ✓ Closer to central bank expertise
- ✓ Benefits from achieving a single pool of liquidity/collateral
- ✓ Settlement fees not the largest chunk of total costs, but cross-border fees can be substantially reduced

## Scale

## Custody/Corporate events

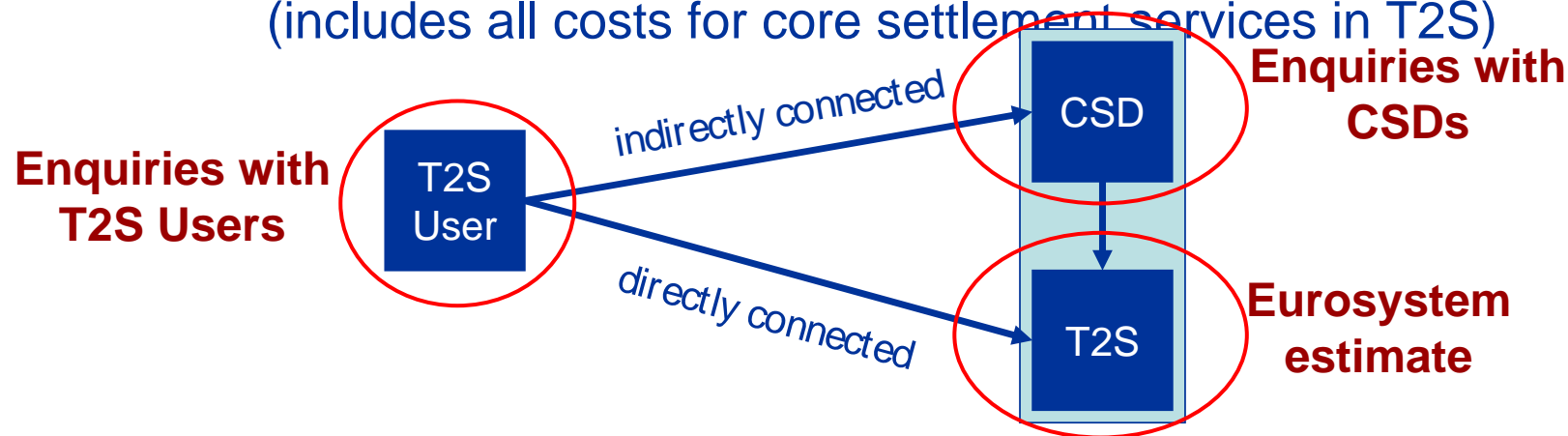
### CSDs

- ✓ Value-based
- ✓ More innovation / calls for harmonisation
- ✓ Less central bank involvement (in particular for equities)
- ✓ Large cost-saving opportunities
- ✓ With T2S more choice on place of custody (home CSD, issuing CSD, custodian)

## Competition

## Description of the Economic Impact Analysis

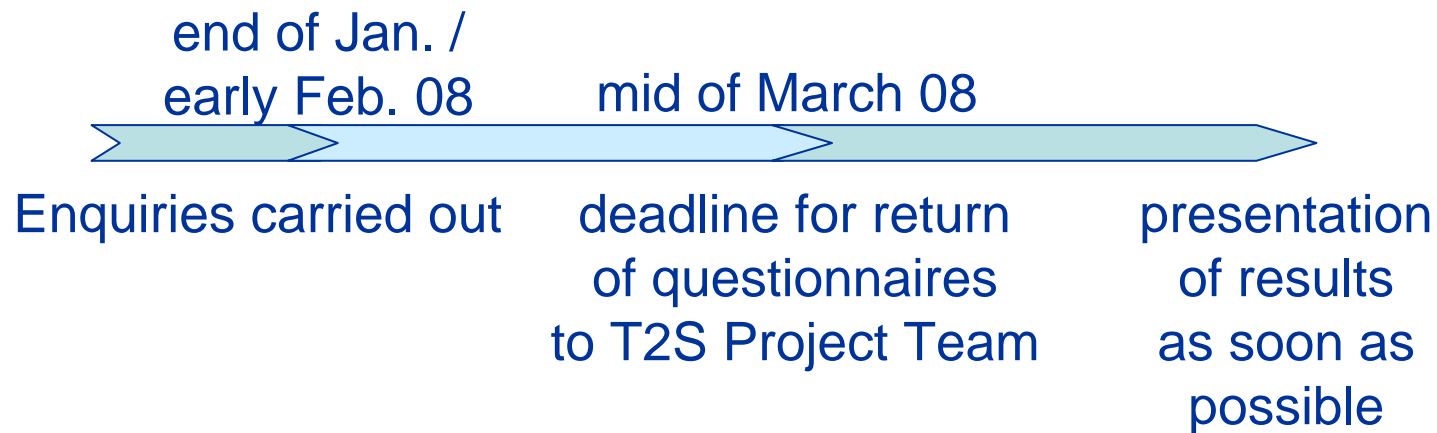
- Objective: evaluation of the potential benefits of T2S
- Two indicators
  1. Average cost per settlement instruction under 2007 market conditions  
(includes all costs for core settlement services in T2S)



2. Costs and benefits for T2S stakeholders (in particular T2S Users) + dynamic welfare effects (evaluating several approaches for comprehensive overview)

## Cost / benefit analysis. Next steps

- Proposed time schedule:



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## Legal and contractual framework

- **Update on the legal feasibility:**
  - **Contractual requirements**
  - **National specificities - identification of relevant legal issues**  
(e.g. revocation/reversals of transfer instructions, treatment of erroneous credits, eligibility of foreign securities for settlement in CSDs, etc)
  - **Regulatory requirements**  
(e.g. data storage, data protection, access to information, money laundering, outsourcing requirements, auditing rules)
- **Task Force on Contractual Issues:**
  - **Representation of Eurosystem central banks and CSDs**
  - **Second meeting on 7 February**
  - **Final report April**
- **Need for legal harmonisation/change:**
  - Legal team contributing to Legal Certainty Group, UNIDROIT, SFD review

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## Next steps

### **By June/July 2008 we will have...**

- Finalised user requirements
- Decided on acceptable governance for build phase
- Completed the economic analysis
- Agreed the pricing principles
- Defined the basis of the contractual framework
- Obtained commitment from the community

### **Then**

- Decision by Governing Council, in June/July

Thank you

