



To the attention of:

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Brussels, 26 June 2007

HG/MVB/B3/07-89

**Email**

***Subject: T2S Consultation on ‘General Principles and High Level Proposals for the User Requirements’ published on 26 April 2007***

Dear Jean-Michel,

Please find enclosed the answer of the European Association of Cooperative Banks (EACB) to the ECB/Eurosystem Consultation on the ‘General Principles and High-Level Proposals for the User Requirements’ published on 26 April 2007. Beyond the specificities of each national market, which will be reflected by the contributions of the National User Groups (NUGs), the EACB would like to stress some issues of particular importance for cooperative banks in Europe in relation to the Consultation Paper:

- First of all, the EACB would like to re-iterate its **support** for the Target 2 Securities project and its commitment to contribute actively to the definition of the user requirements via its participation in the Advisory Group. The High-Level Proposals put forward by the Eurosystem are seen as a good basis for discussion.
- Secondly, the success of the T2S project will greatly depend on the **cost savings** it will eventually generate for market participants and attaches great importance to the foreseen review of the economic feasibility study. The EACB supports the proposals aimed at exploiting synergies between T2S and the TARGET2 cash platform (see for example proposals 2, 3 and 4) as well as the proposals for harmonised deadlines, operating hours and processes (e.g. proposals 20, 24, 29, 31). Efficiency gains will only be achieved if banks can truly benefit from a single entry point for settlement instructions and a centralised functionality for liquidity management.



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- Thirdly, although the Consultation Paper does not mention the issue of pricing, the EACB would like to stress the importance of ensuring that the T2S project benefits domestic players as well as banks active across borders. Whereas the cost of cross-border settlement is expected to decrease significantly within the euro area as a result of T2S, it is important that the cost of **domestic settlement** decreases as well.
  - Finally, the EACB would like to insist on the importance for banks to be able to have a **direct access** to the T2S system as per principle 11 of the Consultation Paper. Direct access means that CSD participants should be able to send their settlement instructions directly to T2S, but it also means that access conditions should be equal and non-discriminatory between CSDs and banks which are direct CSD participants and wish to instruct T2S directly. Proposal 55 should therefore be reformulated so that it is clear that direct access to the T2S platform is granted by CSDs to their participants based on clear, transparent and objective criteria to be defined together with the users.

I trust that the EACB contribution will be integrated into the final User Requirements to be approved at the end of 2007 and I would like to underline again the importance for the user requirements to reflect cooperative banks' concerns in order to ensure a successful transition to the T2S development phase in early 2008.

I remain at your disposal should you have any questions.

Yours sincerely,

Hervé Guider  
Secretary General

## Feedback to consultation paper

<b>Document Title</b>	<b>T2S Consultation Paper: Principles and High Level Proposals</b>
<b>Document Reference</b>	<b>070323_note_ConsultPrincipalsProposals_v0.98.doc</b>
<b>Issued for review</b>	<b>26.04.2007</b>
<b>Deadline for review</b>	<b>26.06.2007</b>

<b>Proposal Nr.</b>	<b>Statement</b>	<b>Comment</b>	<b>Institution</b>	<b>Confidential</b>
1	I agree	The EACB agrees that the account codification should be uniform within T2S. As far as the level of segregation is concerned, the EACB agrees that the T2S platform should be flexible enough to allow for different account structures such as direct holding structures.	the European Association of Co-operative Banks (EACB)	No
2	I do not agree entirely	Optimisation procedures and self-collateralisation mechanisms require that the relevant cash account is within T2S and aligned with the T2S securities settlement cycles and processes. Transfer of liquidity between this dedicated account and the RTGS account may nevertheless occur at any time of the day, if and when instructed by the treasurer	the European Association of Co-operative Banks (EACB)	No
3	I agree		the European Association of Co-operative Banks (EACB)	No
4	I agree		the European Association of Co-operative Banks (EACB)	No
5	I agree		the European Association of Co-operative Banks (EACB)	No
6	I agree	The EACB agrees that each T2S securities account should be assigned to one CSD only in order to reflect the contractual relationship between individual CSDs and their participants. Cooperative banks nevertheless believe that the T2S platform should allow users to obtain an overview of their consolidated securities positions when they have accounts with multiple CSDs (as per Principle 11 on direct technical access for banks which includes access to reporting facilities).	the European Association of Co-operative Banks (EACB)	No

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7	I agree		the European Association of Co-operative Banks (EACB)	No
8	I do not agree entirely	The EACB agrees that the T2S account structure should differentiate between different roles such as direct and indirect participants but thinks that the exact selection and definitions of the relevant profiles will need to be discussed further.	the European Association of Co-operative Banks (EACB)	No
9	I agree		the European Association of Co-operative Banks (EACB)	No
10	I agree	The EACB notes that a market consultation will be held at a later stage to determine the account set-up more in detail. Although the EACB agrees with the two options contained in the proposal ('segregated account' for self-collateralisation or mere identification of holdings eligible for self-collateralisation), the 'flagging' of holdings eligible for self-collateralisation within a T2S securities account appears to be the most appropriate and preferred option.	the European Association of Co-operative Banks (EACB)	No
11	I do not agree entirely	The EACB believes that the scope of the securities reference data should not be too large so as to minimise costs. However, it should allow for the mapping of the account structure.	the European Association of Co-operative Banks (EACB)	No
12	I agree		the European Association of Co-operative Banks (EACB)	No
13	I agree		the European Association of Co-operative Banks (EACB)	No
14	I agree		the European Association of Co-operative Banks (EACB)	No
15	I agree		the European Association of Co-operative Banks (EACB)	No

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<b>Proposal Nr.</b>	<b>Statement</b>	<b>Comment</b>	<b>Institution</b>	<b>Confidential</b>
16	I agree		the European Association of Co-operative Banks (EACB)	No
17	I agree		the European Association of Co-operative Banks (EACB)	No
18	I do not agree entirely	The EACB does not oppose Proposal 18 but thinks that it goes beyond the scope of T2S since it concerns non-settlement activities (CSDs' 'value-added services'). Cooperative banks favour an EU-wide harmonisation of the deadlines of CSDs beyond the T2S core settlement activities.	the European Association of Co-operative Banks (EACB)	No
19	I agree		the European Association of Co-operative Banks (EACB)	No
20	I agree		the European Association of Co-operative Banks (EACB)	No
21	I agree	The EACB agrees that a night time batch is necessary next to the day time settlement period but believes that the processes to be included in the night time batch should be further discussed.	the European Association of Co-operative Banks (EACB)	No
22	I agree		the European Association of Co-operative Banks (EACB)	No
23	I agree		the European Association of Co-operative Banks (EACB)	No
24	I agree	The EACB fully supports the establishment of harmonised deadlines for core settlement operations within T2S for all CSDs. Harmonised deadlines and operating hours, based on the TARGET 2 system, are essential in removing Giovannini barrier 7 to efficient clearing and settlement.	the European Association of Co-operative Banks (EACB)	No

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<b>Proposal Nr.</b>	<b>Statement</b>	<b>Comment</b>	<b>Institution</b>	<b>Confidential</b>
25	I agree	The EACB agrees that additional deadlines could be introduced for specific services (e.g. lending) or for settlement with a non-participating CSD but insists that the objective should be to harmonise deadlines in order to maximise efficiency. As much as possible, T2S should avoid replicating the specificities of each CSD.	the European Association of Co-operative Banks (EACB)	No
26	I agree	See above comment.	the European Association of Co-operative Banks (EACB)	No
27	I agree		the European Association of Co-operative Banks (EACB)	No
28	I agree	The EACB agrees with Proposal 28 but would like the explanatory sentence to be reformulated so as to give users the possibility to enter new instructions not only during the day but also during the night time batch.	the European Association of Co-operative Banks (EACB)	No
29	I agree		the European Association of Co-operative Banks (EACB)	No
30	I do not agree entirely	The EACB agrees that, in certain cases, such as on-Exchange transactions and monetary policy operations, matching is likely to occur before the instructions are entered into the T2S platform. Yet in order to achieve maximal costs savings, the maintenance of independent matching systems by market infrastructures should be avoided as much as possible and the matching of instructions within T2S should be possible for both domestic and cross-border instructions. Matching currently occurring at CSD level should systematically be replaced by matching within T2S	the European Association of Co-operative Banks (EACB)	No
31	I agree		the European Association of Co-operative Banks (EACB)	No
32	I agree		the European Association of Co-operative Banks (EACB)	No

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<b>Proposal Nr.</b>	<b>Statement</b>	<b>Comment</b>	<b>Institution</b>	<b>Confidential</b>
33	I agree		the European Association of Co-operative Banks (EACB)	No
34	I agree		the European Association of Co-operative Banks (EACB)	No
35	I agree		the European Association of Co-operative Banks (EACB)	No
36	I agree		the European Association of Co-operative Banks (EACB)	No
37	I do not agree entirely	The EACB believes that the functionality described in Proposal 37 should also include chaining, linking, blocking and unblocking.	the European Association of Co-operative Banks (EACB)	No
38	I agree		the European Association of Co-operative Banks (EACB)	No
39	I agree		the European Association of Co-operative Banks (EACB)	No
40	I agree		the European Association of Co-operative Banks (EACB)	No
41	I agree		the European Association of Co-operative Banks (EACB)	No
42	I agree		the European Association of Co-operative Banks (EACB)	No

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<b>Proposal Nr.</b>	<b>Statement</b>	<b>Comment</b>	<b>Institution</b>	<b>Confidential</b>
43	I agree		the European Association of Co-operative Banks (EACB)	No
44	I do not agree entirely	More details on the algorithm would be needed in order for the EACB to be able to formulate a judgment.	the European Association of Co-operative Banks (EACB)	No
45	I do not agree entirely	The batch mode should be restricted to night time settlement, with real-time gross settlement (RTGS) remaining the core functional principle at the heart of the T2S platform.	the European Association of Co-operative Banks (EACB)	No
46	I agree		the European Association of Co-operative Banks (EACB)	No
47	I agree		the European Association of Co-operative Banks (EACB)	No
48	I agree	The EACB fully agrees with Proposal 48 and would like to insist on the need for harmonised deadlines for recycling/re-attempting instructions.	the European Association of Co-operative Banks (EACB)	No
49	I agree		the European Association of Co-operative Banks (EACB)	No
50	I agree	The EACB expects all euro area CSDs to participate in T2S in order to give the project sufficient scale.	the European Association of Co-operative Banks (EACB)	No
51	I do not agree entirely	The EACB could support the creation of some cross-border links with non-participating CSDs in T2S on the condition that the costs of establishing such links are not borne by users. Moreover, the EACB believes that the establishment of such links should not become a dis-incentive for CSDs not to participate in T2S.	the European Association of Co-operative Banks (EACB)	No



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<b>Proposal Nr.</b>	<b>Statement</b>	<b>Comment</b>	<b>Institution</b>	<b>Confidential</b>
52	I do not agree entirely	The EACB would like to insist that, in order to be consistent with Principle 11, Proposal 52 should be reformulated in order to make it clear that users will be able to access reporting facilities (besides the possibility to input, query and maintain instructions) for both their securities and cash accounts. As stated in our comment to Proposal 6, banks should be able to access a consolidated view of their cash and securities positions within the T2S platform.	the European Association of Co-operative Banks (EACB)	No
53	I agree		the European Association of Co-operative Banks (EACB)	No
54	I agree		the European Association of Co-operative Banks (EACB)	No
55	I do not agree entirely	The EACB can only agree to this proposal provided that direct access to the T2S platform is granted by CSDs to their participants based on clear, transparent and objective criteria to be defined together with the users. CSDs should not be able to refuse direct access to one of their participants on a discretionary basis.	the European Association of Co-operative Banks (EACB)	No
56	I agree		the European Association of Co-operative Banks (EACB)	No
57	I do not agree entirely	The EACB agrees that CSDs alone should be given the right to manage non-settlement related processes but would like to insist on the importance of granting banks unrestricted access to relevant data in T2S (reporting functionality).	the European Association of Co-operative Banks (EACB)	No
58	I agree		the European Association of Co-operative Banks (EACB)	No
59	I agree		the European Association of Co-operative Banks (EACB)	No
60	I do not agree entirely	The EACB, as a trade association, is not able to assess the validity of the estimated figure put forward by the Eurosystem for daily average settlement volume and trusts that the feasibility study is based on realistic assumptions.	the European Association of Co-operative Banks (EACB)	No

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<b>Proposal Nr.</b>	<b>Statement</b>	<b>Comment</b>	<b>Institution</b>	<b>Confidential</b>
61	I do not agree entirely	The EACB does not think that a peak day capacity of 200% of the daily average settlement volume is sufficient and invites the Eurosystem to consult with relevant stakeholders in order to determine the extent to which the measure of peak day capacity should be increased.	the European Association of Co-operative Banks (EACB)	No
62	I agree		the European Association of Co-operative Banks (EACB)	No
63	I agree		the European Association of Co-operative Banks (EACB)	No
64	I do not agree entirely	The EACB would need more details in order to comment on this proposal. For instance, the extent to which CSD participants can be charged for settlement business support will need to be clarified.	the European Association of Co-operative Banks (EACB)	No
65	I agree		the European Association of Co-operative Banks (EACB)	No
66	I do not agree entirely	The EACB is not opposed to a 'market-by-market' approach but believes that the most logical way to proceed would be infrastructure by infrastructure. Besides, in order for the system to quickly reach a 'critical mass', migration of major infrastructures should be prioritised.	the European Association of Co-operative Banks (EACB)	No
67	I agree		the European Association of Co-operative Banks (EACB)	No