



T2S countdown – 7 months, 3 days to go live

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1 T2S perimeter

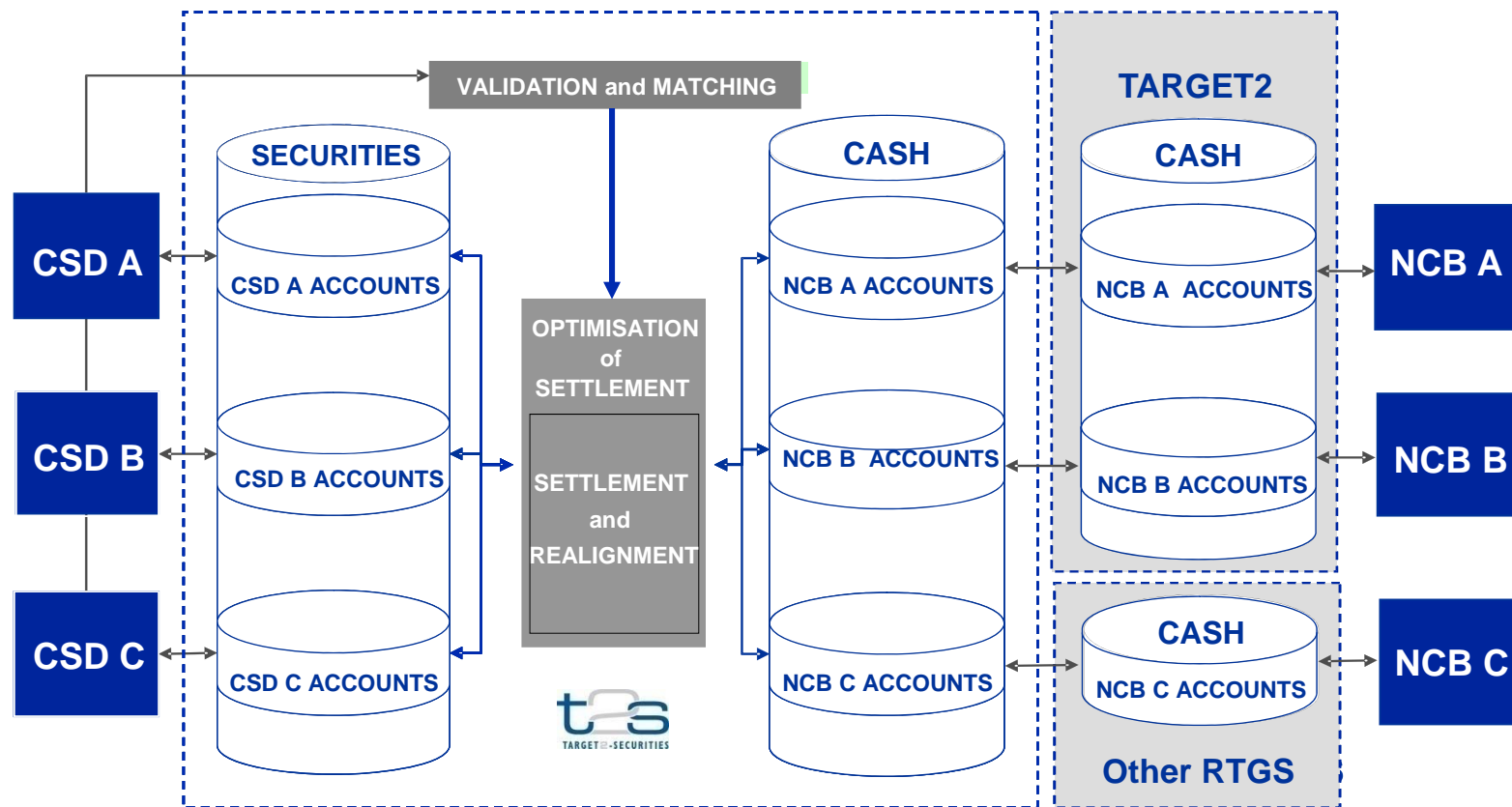
2 Progress achieved and way ahead

3 Collateral in T2S



What is T2S

Functioning of T2S



Technical platform of all securities and cash accounts to settle all securities transactions in central bank money



The T2S Community

Status of T2S

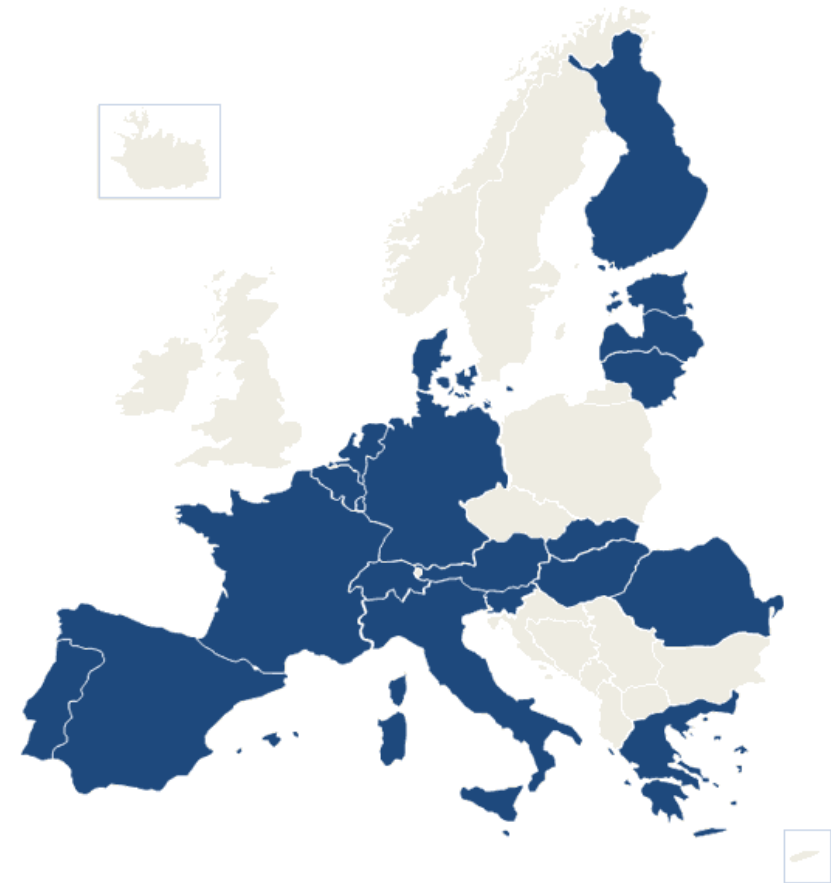
24 CSDs (nearly 100 % of EUR settlement volume)

Eurosystem NCBs and Danish central bank

Their users

T2S as an open system: further CSDs and currencies can join

Any fungible ISIN can be settled (FoP or against EUR/DKK CeBM)





wave 1

- Bank of Greece Securities Settlement System (BOGS)
- Depozitarul Central (Romania)
- Malta Stock Exchange
- Monte Titoli (Italy)
- SIX SIS (Switzerland)

wave 2

- Euroclear Belgium
- Euroclear France
- Euroclear Nederland
- Interbolsa (Portugal)
- National Bank of Belgium Securities Settlement Systems (NBB-SSS)

wave 3

- Clearstream Banking (Germany)
- KELER (Hungary)
- LuxCSD (Luxembourg)
- Oesterreichische Kontrollbank (Austria)
- VP Lux (Luxembourg)
- VP Securities (Denmark)

wave 4

- BNY Mellon CSD (Belgium)
- Centrálny depozitár cenných papierov SR (CDCP) (Slovakia)
- Eesti Väärtpaberikeskus (Estonia)
- Euroclear Finland
- Iberclear (Spain)
- KDD - Centralna klirinško depotna družba (Slovenia)
- Lietuvos centrinis vertybinių popierių depozitoriumas (Lithuania)
- LCD - Latvijas Centralais depozitārijs (Latvia)



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The T2S Programme Plan

Achievements of T2S



Software development complete

4CB have completed testing and delivered software to Eurosystem and future Users

All Synchronisation Points (SPs) scheduled have been met so far

Synchronisation points (SP)

Definition:

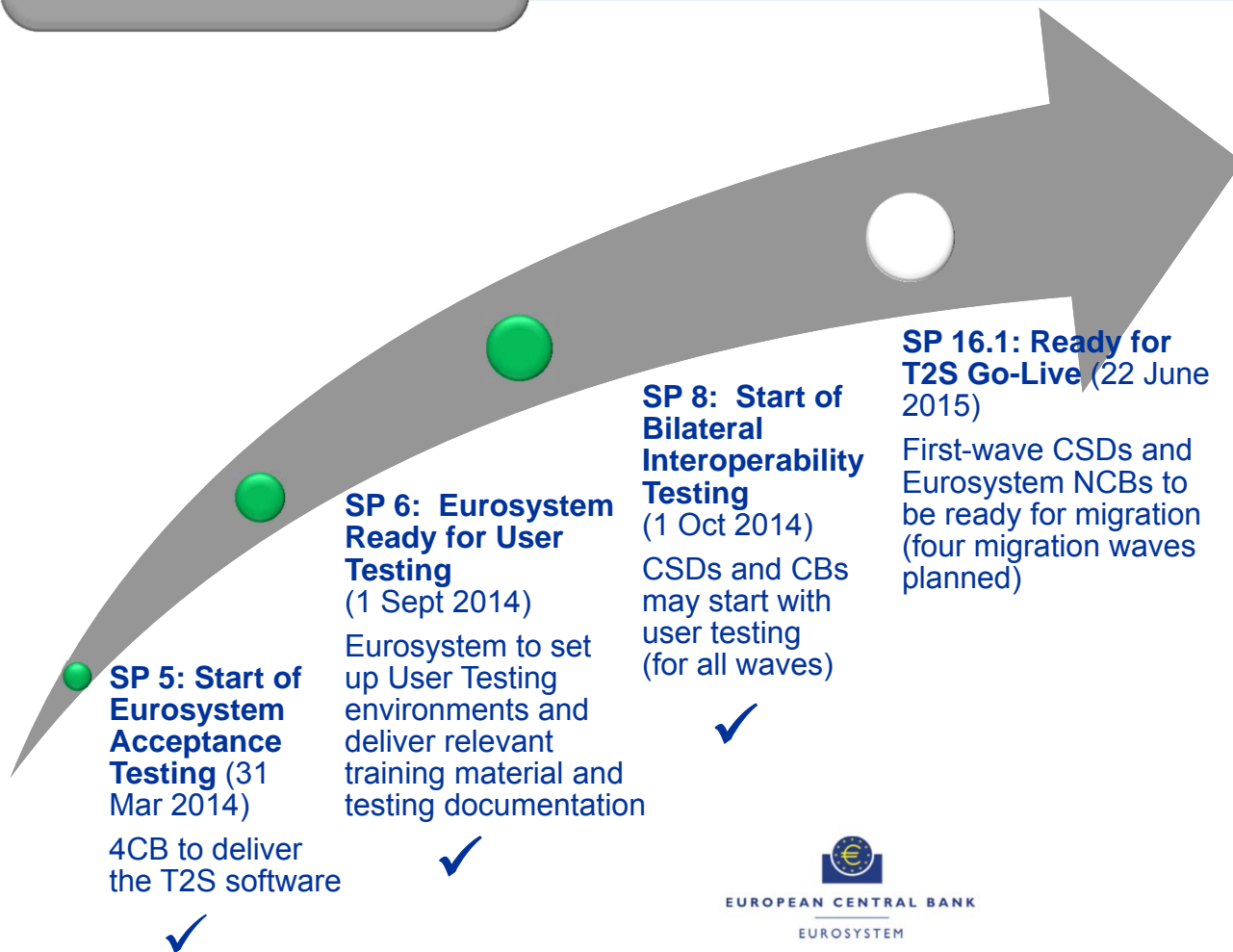
- Monitoring milestones,
- Represent the check points between the T2S Programme Plan and the reshaping/adaptation project plans of the CSDs/CBs participating in T2S.

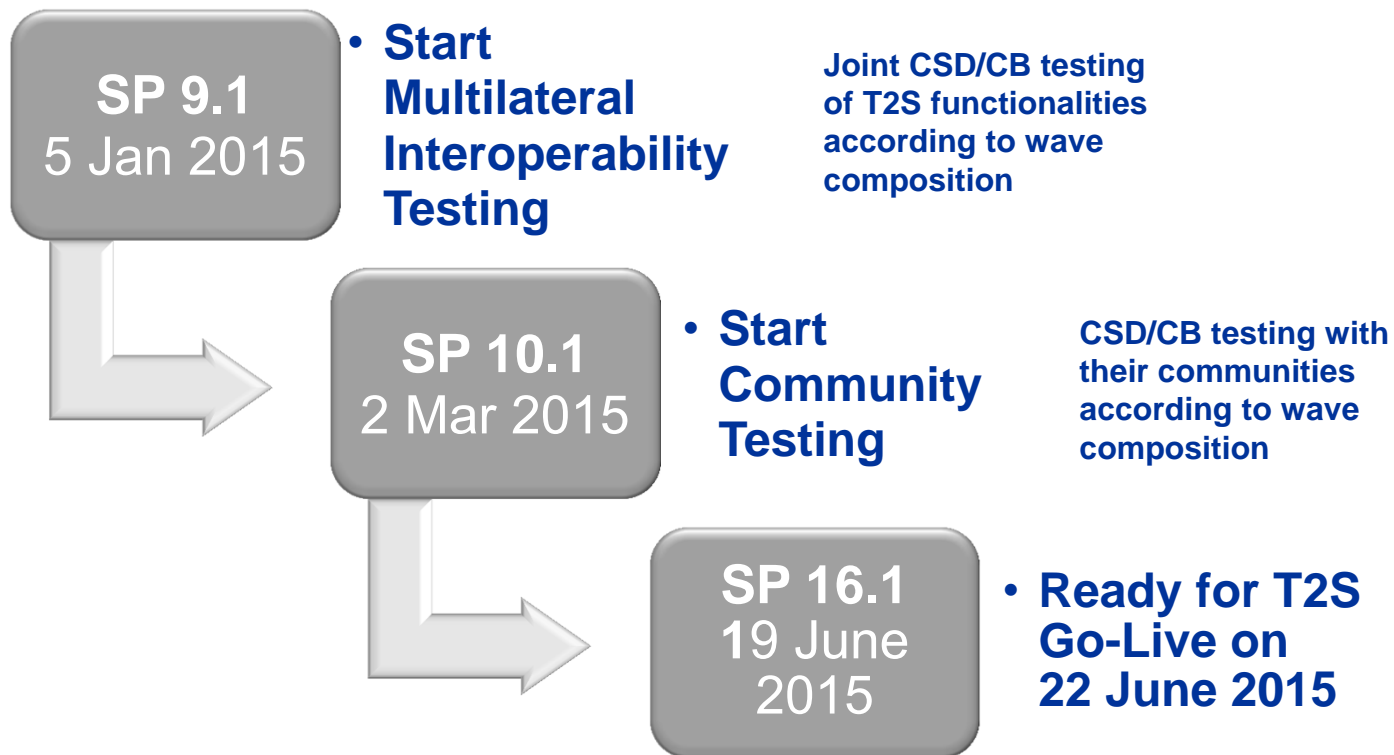


Recent Key milestones achieved

Challenge

- All T2S stakeholders (Eurosystem, central banks, CSDs, banks) to be ready in time for testing and migration to T2S

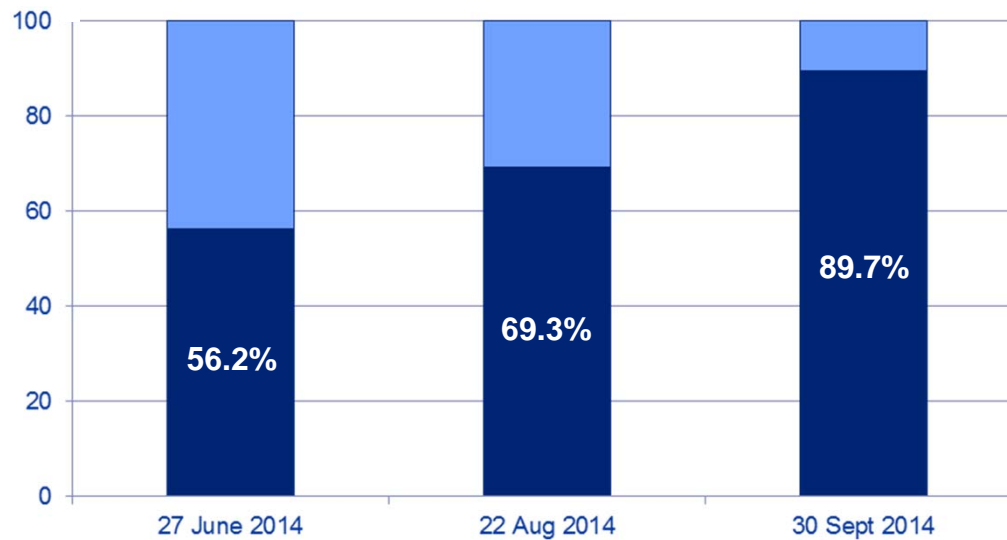






Quality check before User Testing

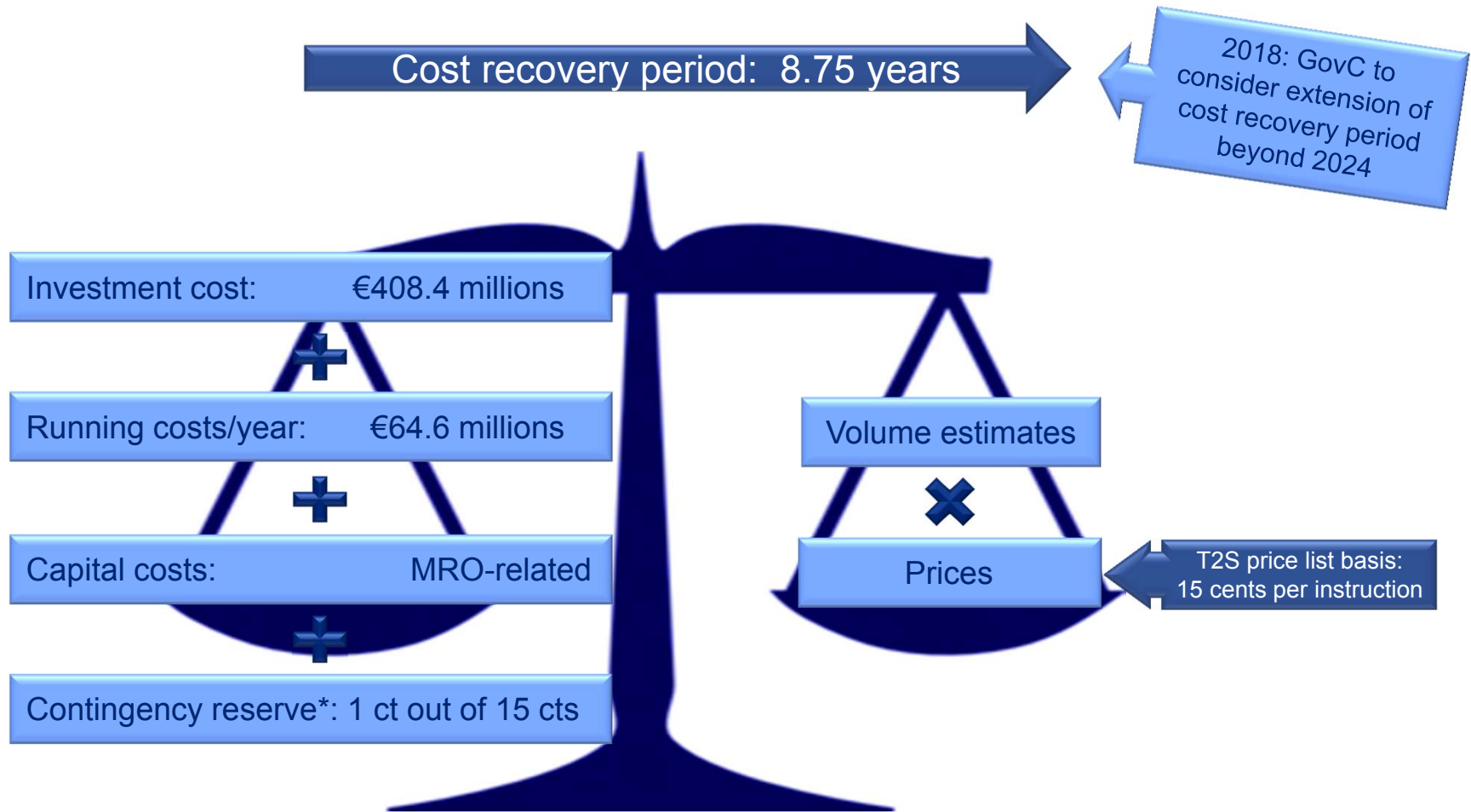
- ❑ The rate of successful test was close to 90%
- ❑ The Eurosystem considered the platform stable for user testing
- ❑ On 1 October 2014, CSDs and NCBs started testing the T2S platform.





Financial equilibrium in T2S

What has been done



*up to €45 millions



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Optimising the use of collateral

T2S – a single gateway for your collateral management

<http://www.youtube.com/watch?v=dbyma82l-rQ&list=PL347E929CBF4A76F7>





Enabler for collateral management capabilities

Very large pool

Collateral takers and providers will be in T2S

- More than 20 CSDs are joining T2S, with their clients, CCPs, agent banks, issuers, custodians, banks and Central Banks as collateral providers or takers

Securities will be in T2S

- The CSDs bring a very large pool of securities in Europe into T2S
- Non-European issued securities will be offered by CSDs
- Potential for more Eurobond activity in Central Bank Money in CSDs in T2S



Enabler for collateral management capabilities

Very large pool

Harmonisation

- Harmonised approach of T2S supports the efficient mobilisation of collateral
 - standard settlement day with extensive operating hours;
 - collateral operations;
 - corporate actions standards;
 - message standard, etc.

Sophisticated and powerful tools available in T2S

- T2S offers sophisticated tools for managing and mobilising collateral
 - T2S auto-collateralisation functionality and tools
 - Other tools supporting collateral management
- Although not a “substitute” for tri-party repo, the tools will make efficient use of collateral and liquidity, therefore be attractive to market participants and extensively used



T2S auto-collateralisation

Functionality and tools

Automated credit in central bank money for settlement of securities transactions, in case of insufficient cash for collateralisation

- Two types of auto-collateralisation:
 - “Central Bank Auto-Collateralisation” where the credit provider is the central bank
 - “Client Auto-Collateralisation” wherein the credit provider is a payment bank
- “On flow” and “on stock” within the same process
- Automatic substitution and automated reimbursement
- Re-use of collateral between client and central bank auto-collateralisation

For more details on T2S auto-collateralisation, please refer to our video:
In [youtube.com](https://www.youtube.com), type in “auto-collateralisation tutorial”





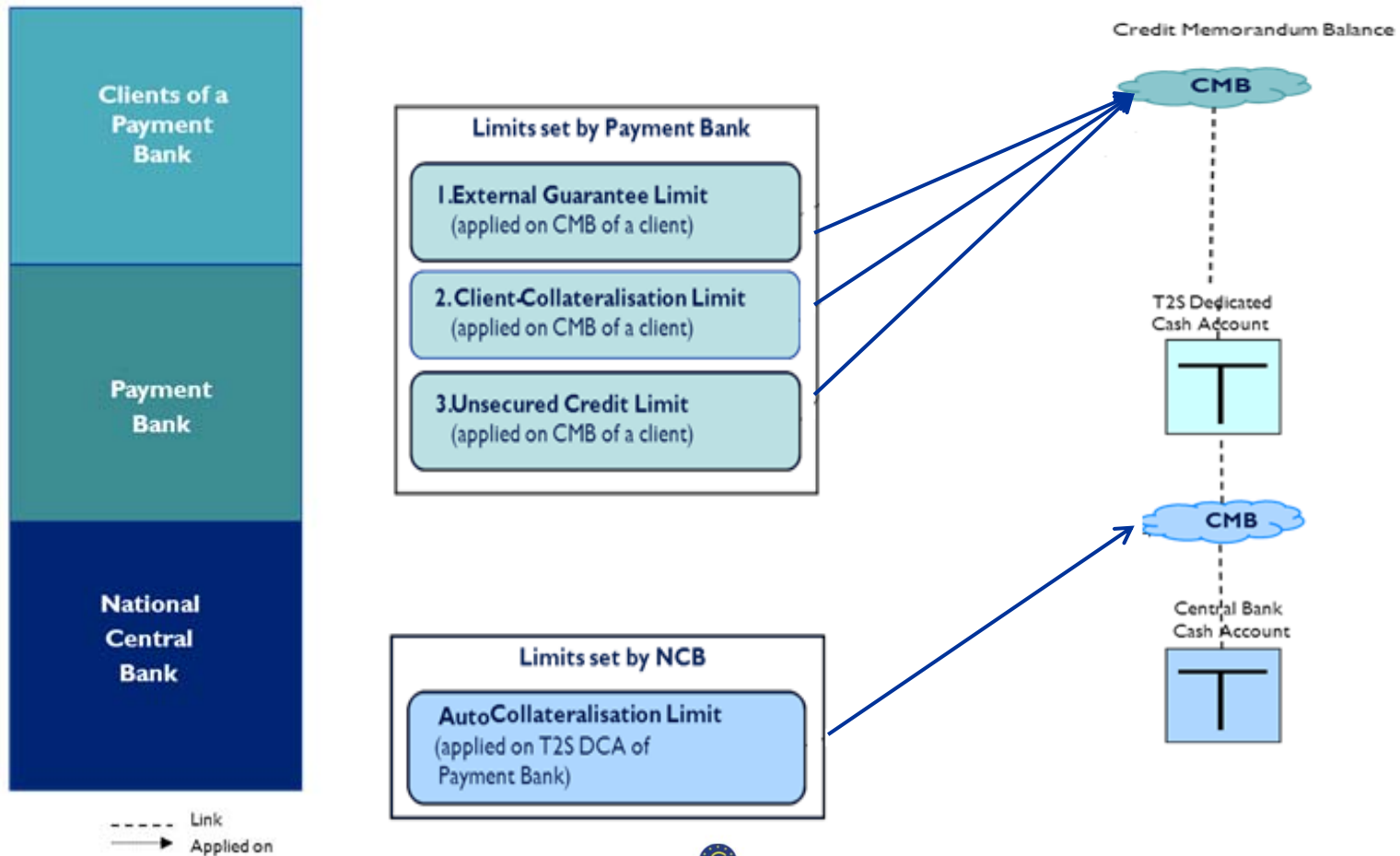
T2S auto-collateralisation

Set-up of limits and the CMB

Set-up for auto-collateralisation: Types of limits

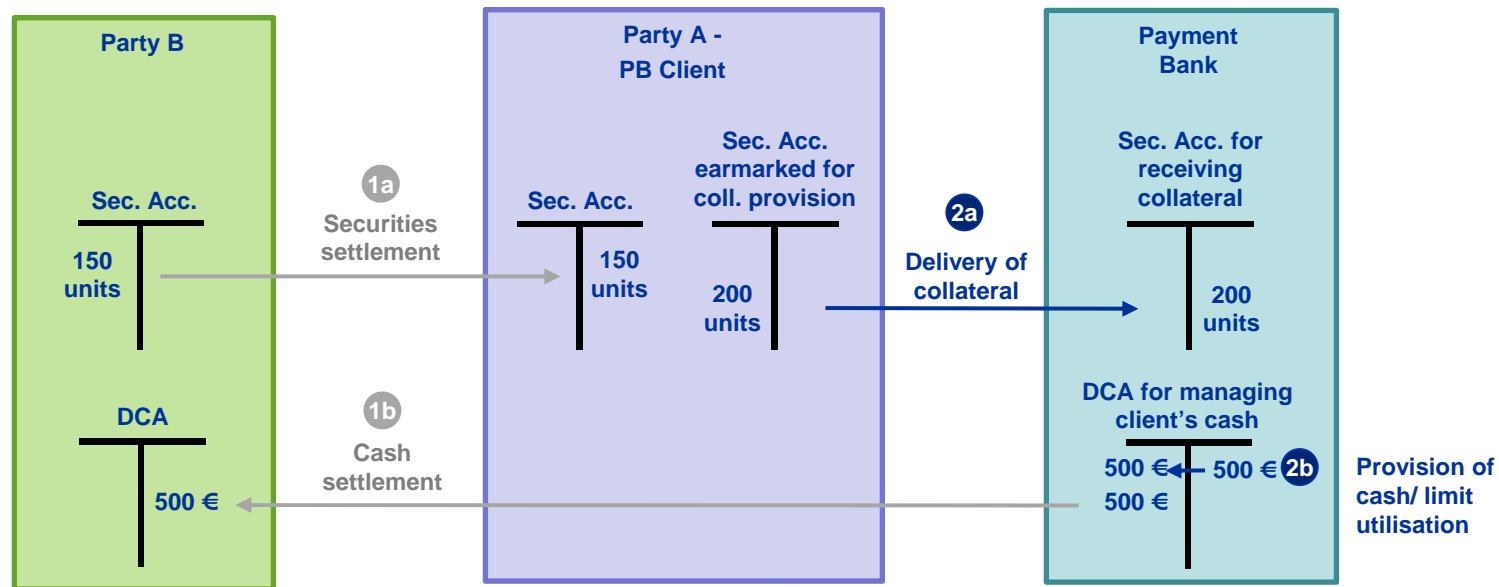
- Central Bank auto-collateralisation limit
 - Intraday credit that a payment bank can obtain for a T2S DCA through the collateralisation of securities with the Central Bank
- Client auto-collateralisation limit
 - Intraday credit that a client can obtain through the collateralisation of securities with their payment bank for a T2S DCA from which the client receives liquidity
- External guarantee limit
 - Credit secured outside T2S that a client can obtain with their payment bank
- Unsecured credit limit
 - Credit unsecured in T2S that a client can obtain with their payment bank

Set-up for auto-collateralisation: Limits types



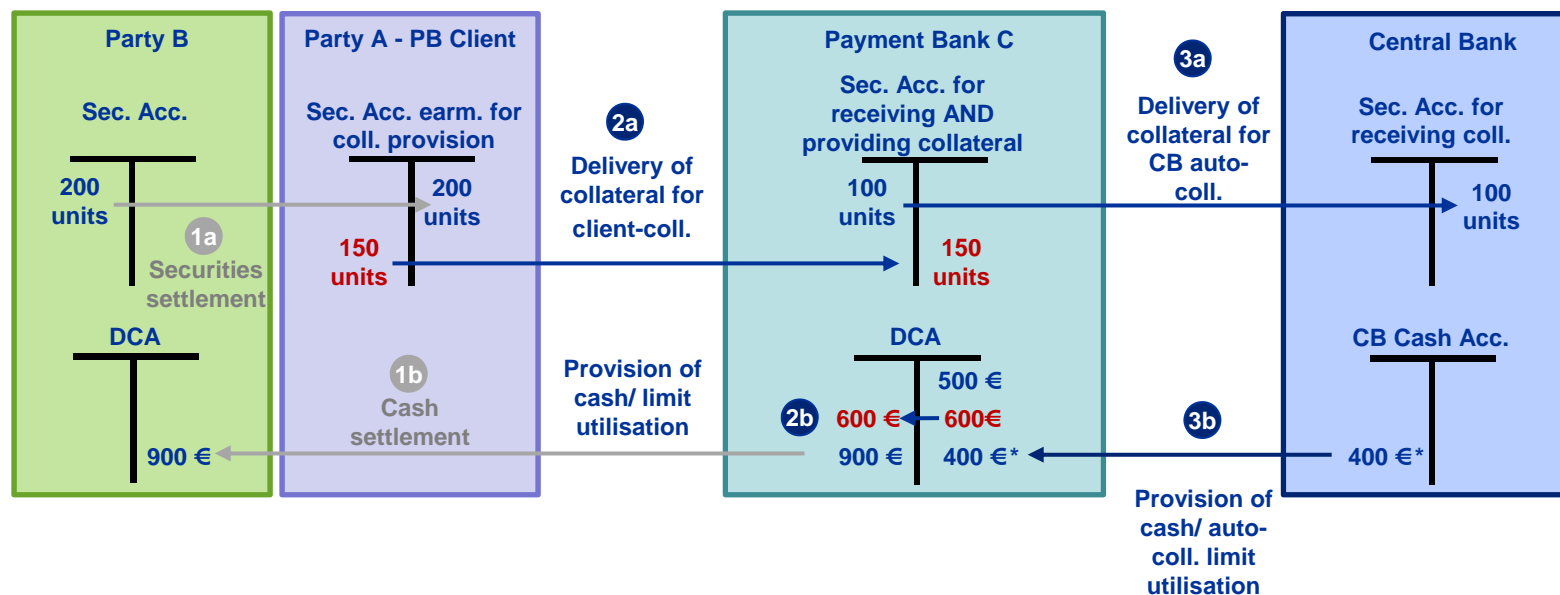
The client auto-collateralisation operation

- Generates the collateral settlement instructions 2a and 2b;
- Settles the settlement instructions 1a and 1b together with collateral instructions on an all-or none basis
- Generates and put on “Party Hold” the reverse collateral settlement instructions for the reimbursement later on



Interaction between client and CB auto-collateralisation

- What if there is no cash available on the DCA of Payment Bank C?
- T2S checks if auto-collateralisation can provide the required cash into the DCA
- Same securities could be re-used, given fulfilment of some conditions



* different valuations might be applied for CB auto-collat. and client-collat.



T2S auto-collateralisation

Benefits

Benefits

- (Client) auto-collateralisation will lead to **major liquidity savings**
 - Single cash account and securities account can be used for all T2S markets, this enables the **pooling of liquidity and collateral**
 - Single **framework** allows for back office savings a same procedure
 - Same **schedule and cut off times** apply across all T2S markets
- The tools around auto-collateralisation can do virtually anything from a technical viewpoint to **serve the needs of a variety of T2S actors**
 - Different limits and static data settings offer flexibility in the implementation
 - Depending on the individual needs and strategies T2S actors (CBs/CSDs and their clients) can adopt the business model of their choice
- Central Bank auto-collateralisation is provided at **no extra cost**

Thank you for your attention

www.t2s.eu

 @T2SECB

T2S on 