German NUG T2S

T2S User Requirement Documents - General Comments

In addition to the attached Excel-template containing detailed remarks to the T2S URD, please find below some general **comments made by cash experts and bank treasurers of the German NUG.**

The group of cash experts as subgroup to the German NUG thanks the ECB for the opportunity to comment on the URD documents in the context of the public consultation.
We deem it essential that for **further steps/ phases of the project** (UDFS), market participants and CSDs should be involved, since in many areas, further details need to be specified, requiring market expertise. This could be done for example by **keeping the 6 Technical Groups alive.**
However, after the experience gained in the current phase, we feel that the view of the German financial market, being a significant market in Europe and the view of the German markets' cash experts, was not represented satisfactorily in the T2S organisational set-up.
Moving closer to the next phase, we would highly appreciate, if German credit institutions' cash experts could be represented in Technical Group 3 (settlement functionality). In this way, discussions e.g. focussing on cash accounting issues and on prioritisation of cash accounts could achieve in a smoother way and possibly be finalised earlier than experienced in the past URD phase with the repeated need to provide written comments of the German NUG to the Advisory group at short notice.

With relation to the topic of **prioritisation of cash accounts,** we think this is an important feature for all markets (for a detailed discussion see letter of the German NUG to the AG dated 03 March 2008).

Concerning the **cash forecast**, German bank treasures prefer the highest possible degree of detail possible within T2S to ensure a high value for treasury management and to allow a smooth integration into the treasury processes.

Banks treasurers saw the need for an **integrated business view**/Interface on all liquidity streams resulting from the various Eurosystem projects or systems (**T2S, T2, CCBM2**). A purely technical consolidation alone was seen as being insufficient. Thus consolidation of liquidity resulting from all projects in a synchronous way, to be viewed **via a "single screen"** would be clearly favoured compared to the alternative of every bank having to develop its

own liquidity tool. Having in mind that T2, T2S and CCBM2 have the same range of users in the market, users needs result in the same requirements for a "market interface".

Having in mind that T2S is being considered as a catalyst for harmonisation of European financial markets, we would be pleased, if also on the Eurosystem side, some harmonisation efforts could be initiated. For example, we would highly appreciate to have the opportunity **to link a T2S dedicated sub-cash account to any of the banks' RTGS accounts even when held with different NCBs.**

As far as **auto-collateralisation** is concerned, it should be clarified that auto-collateralisation on stock can also be used to fund the haircuts and purchases of securities which themselves are not eligible for auto-collateralisation with the Eurosystem, as it is already the case in some CSDs. As this feature is deemed essential in a liquidity saving settlement process and for the sake of clarity, this aspect should be mentioned in the URD explicitly. Precondition for the use of collateral on stock is the segregation of a bank's propriety and client securities accounts.

The use of **conditional securities delivery** (external settlement) should be as limited as possible. Markets are interested that as many CSDs as possible participate in T2S and that as many transactions as possible are processed through T2S, otherwise the value of T2S compared to the current situation as well as the envisaged scale economies will be low.

Finally, a very general question: As the responsibility for the exchange of data (eg instruction data) seems to need further clarification, while complexity significantly increases with T2S, requiring many intermediate steps, how can it be ensured that instruction data are truly identical at all levels involved (banks, CSDs, T2S) ?
Who is responsible for ensuring the alignment, who would be held legally responsible in case differing information should become obvious?

Hoping these comments have helped to provide further aspects from the users' perspective, on behalf of the German NUG T2S,

Jochen Metzger,
Chairman of the German NUG