TECHNICAL APPENDIX TO

Euroclear's Response to the European Central Bank's

Consultation on the

Target2-Securities User Requirements Document

2 April 2008

Nbr	Chapter Annex	Page	Line	Topic	Comments
1	All			General comment	Impact of Custody and T2S running on different platforms for the real time collection of balances (drawing in real time, intraday default action,..) - is there a real time replication of balances planned or is it only available end of day? In terms of Non functional requirement for a loop time, is there any benchmark?
2	All			Legal Records	How will the legal record interact with the immediate re-use of securities due to - optimization - auto-collateralisation
3	All			Legal Records	What will be the impact of: - blocking; - reservation (including Conditional security deliveries); and - earmarking on the legal record?
4	All			Legal Records	Is there a difference in the finality management between the night-time and the day-time settlement?
5	All			General comment	The URD does not accommodate the credit arrangements (secured or unsecured) that exist in CREST between settlement banks and their clients, who do not have access to CeBM. Such clients include broker/dealers. Without such arrangements, most broker/dealers will be required to use agents/custodians who do have access to CeBM, which negates many of the benefits of disintermediation T2S seeks to achieve.

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6	Ch 1	4	6-11	Governance	The URD states that the Eurosystem as technical outsourcing service provider shall take on the responsibility of delivering T2S by assuming full ownership, and by undertaking the development and operation of the platform. The Specifications for Development, and System Operation, will be subject to Service Level Requirements agreed between the Eurosystem and the CSD which is outsourcing its IT-Systems regarding settlement processing. It will be ensured that the Eurosystem will fulfil all legal, regulatory and supervision requirements for outsourcing service providers in the respective national legal environments. The Eurosystem will be obliged to further evolve the platform subject to the requirements of the CSDs." --> As the Eurosystem is not a legal entity by itself, it should be clarified which are the contracting parties in charge of building, developing and operating T2S vs. the CSDs.
7	Ch 1	5	4-14	Settlement functionality	T2S should maintain at least the same level of performance, the same level of efficiency and the same level of security as today.
8	Ch 1	5	16-19	Balance	Effecting all transfers on the centralised platform should not put in question which laws governs the ownership aspects of securities holdings and transfers. e.g. securities settlement account balances might only be changed in T2S, while all (register) account keeping with regards to notary functions are still performed by the Issuer CSD on one of its other platforms.
10	Ch 1	6	12-19	Direct Access	Principle 11 states that "T2S shall allow users to have direct connectivity to its platform". As stated in ECSDA letter, it should remain the CSDs decision based on business, technical and legal considerations, if it offers direct connectivity to its users.
11	Ch 1	7	20-26	Harmonisation	T2S settlement rules and procedures are proposed to be common to all participating CSDs; however, national legal specialties have to be covered by features outside the core functionality according to the requirements of the relevant market as long as relevant laws have not been harmonized by the public sector, effectively, reducing the potential for decommissioning by CSDs.

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12	Ch 1	7	28-31	Not for profit	We agree in principle that such a project should not be a for profit initiative. However, financing conditions of the project should be made at normal market conditions relevant to every European based provider of IT services.
13	Ch 2	6	23-24	Scope	It is not clear who would own and operate the T2S platform, nor does the URD provide real details on its operating conditions.
14	Ch 2	7	4-5	Scope	In line with the ECSDA views on reshaping, there are no real decommissioning opportunities with the proposed architecture in combination with the lean T2S approach.
15	Ch 2	7	4-5	Scope	The URD proposes to decouple custody services from a centralized settlement and booking system. This will lead to different communication flows between systems, needs to replicate data, synchronization and reconciliation issues, …..
16	Ch 2	7	4-5	Scope	Direct Connectivity increases complexity of the system due to the additional flow of information that is required between T2S and the CSDs about the information provided directly to T2S by the DC member.
17	Ch 2	13	15-27	Non-Euro CeBM	CoSD mechanics are very complex and may become very costly for end users because of the extra flows needed for the 'green lighting' process. It seems that the CoSD green lighting process can also happen during the night. Does this imply that T2S expects CSDs to be open at night to deal with these processes?
18	Ch 2	15-18		Interaction with other CSD	It is not clear from the URD who is responsible for the maintenance of securities static data when the issuer CSD is not part of T2S. It is also not clear who is responsible for the maintenance of securities static data in T2S when there is more than 1 investor CSD, and no Issuer CSD for that security in T2S.
19	Ch 3	All		T2S Schedule	The detailed comments on Chapter 3 depend on the exact timings which have yet to be finalised. Hence, these comments should not be considered as our final comments and further consultation should take place when the exact timings are defined.

Nbr	Chapter Annex	Page	Line	Topic	Comments
20	Ch 3	4	1-2	Start of Day period	As a consequence of the proposed timing, CSDs will need to process Corporate Events and generate CE related movements and send the corresponding instruction to T2S between 18.45 and 19.30 for those events where pay date immediately follows record date (this is quite common in some markets e.g. France). This appears very short, especially if any problems arise either at the end of day procedure or in the CSD processing/communication to T2S after 18.45.
21	Ch 3	7 8	1-29 1-11	Start of Day period	The static data update procedure is not entirely clear. Does it involve a full reload or delta reload? Will there be acknowledgement, validation, rejection, exception processing, …?
22	Ch 3	7 8	1-29 1-11	Start of Day period	The URD should clarify when updates in static data will be reflected in the processes e.g. change in account structure in real time during the day More specifically, please clarify the impact of updates in static data on the positioning.
23	Ch 3	7 8	1-29 1-11	Start of Day period	The URD does not refer to contingency procedures. We believe that contingency procedures regarding internal and external disruptions in general, and more in particular on how to handle the cross-market spill-over effects, should be included.
24	Ch 3	7 8	1-29 1-11	Start of Day period	Several cycles are taking place during the night but it is not clear when the results are reported.
25	Ch 3	7 8	1-29 1-11	Start of Day period	It is not clear from the URD what the exact impact of blocking is. E.g. if CSD unblocks a balance during a cycle, will it take effect during that cycle or only for the next cycle?
26	Ch 3	7 8	1-29 1-11	Start of Day period	Ireland currently does not have a mandatory night-time settlement. The mechanics of opting out as described in Annex 9 "Night time settlement options in T2S" is not a true opting out mechanism as receipt and delivery of securities can still take place on an account even if the owner of that account has not injected liquidity in the system.

Nbr	Chapter Annex	Page	Line	Topic	Comments
27	Ch 3	7 8	1-29 1-11	Start of Day period	What are the business continuity solutions to manage SOD external and internal disruptions that impact the T2S regular schedule?
28	Ch 3	10	5-16	Maintenance window	The URD does not clearly describe the impact of maintenance windows. Are settlement instruction received during the maintenance window reported as queued?
29	Ch 3	10	5-16	Maintenance window	Maintenance windows should be defined based on business drivers for settlement users, rather than being based on a technical alignment with external systems like T2.
30	Ch 3	11	1-17	End of Day period	What are the business continuity solutions to manage EOD external and internal disruptions that impact the T2S regular schedule?
31	Ch 3	12-15		Deadline	Regarding the options proposed on page 13-15, we prefer option 2 "common window".
32	Ch 3	16-17		Calendar	Since T2S has the balance, how to reflect FoP movements (or CoSD) for securities of issuer CSD outside of T2S open on non T2S operating days?
33	Ch 3	16-17		Calendar	Interfaces and processes will not be available during weekend and closing days. Does this imply that interfaces will not be available from Friday 18.45 to Monday 5.00 AM? If so, then this seems very restrictive.
34	Ch 4	3	1-11	Role requirements	We would expect the URD to contain more granular levels of access rights.
35	Ch 4	6	1-8	Role requirements	It is not clear from the URD if the CSD Helpdesk will have online visibility on the cash positions. Adequate visibility is needed for CSD Helpdesk to perform its role of supporting CSD clients with all their activities incl. Settlement
36	Ch 5	4	1-10	General comment	A CSD should be able to intervene in the life-cycle of an instruction input on one of the accounts it is the 'owner' of at its own discretion and in line with its Operating Procedures / Terms and Conditions. This covers instruction maintenance, 'hold and release', amendments and cancellations. This requirement was included in earlier draft version of the URD (TG2).

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37	Ch 5	All		Lifecycle management and matching requirements	Interfaces and processes will not be available during weekend and closing days. Does this imply that interfaces will not be available from Friday 18.45 to Monday 5.00 AM? If so, then this seems very restrictive.
38	Ch 5	18-20	All	Amendment and cancellation of instructions	To what extent will the amendment and cancellation requirements apply equally to single input instructions and dual input instructions? E.g. how will cancellation requirements be applicable for second leg of repos?
39	Ch 5	15	2-4	Validation	How will T2S be able to define validation rules on data that is required downstream in the processing if these processes are not run on T2S? E.g. how will T2S validate tax related information which is required to be included in instructions? What about the information due to regulatory requirements?
40	Ch 5	All		Lifecycle management and matching requirements	T2S will enable a client to specify the self-collateralisation (through a process indicator in the instruction). This implies that clients will segregate securities holdings in collateralisable and non-collateralisable pools. - How will T2S provide ISO compliant reporting on securities holdings (e.g. Statement of holdings) as we understand that the number of balance types is very restrictive (only available balance can be reported)? - Will T2S submit a change request to the ISO community to add new balance types and what is the progress so far?
41	Ch 5	All		Lifecycle management and matching requirements	Will T2S enable manual splitting of settlement instructions? Will T2S enable partialling? Will partials be imposed on all players? How will partialled instruction be reported to enable a client to reconcile the original instructions with the partialled settlements?

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42	Ch 5	5	5-6	Status after validation	Certain instructions will require part of their processing to be performed on the Issuer CSD concerned. Will the country-specific validation rules be covered by T2S or not? If not, how will the processing flow be for DC and non-DC Members? How will it work for remote Investor CSDs? There may be a need for partially validated statuses which would contradict line 5.
43	Ch 5	5	9	Output	Current output foresees a limited number of messages. As seen in the previous point, specifically for DC Member activity, intermediate statuses may be required. Shouldn't this be foreseen here as well?
44	Ch 5	6	3-5	Amendments	Amendments are possible if it concerns a non-matching field. How will this work with DC Members and Investor CSDs for country-specifics? These would not be matching fields for T2S, but they might be for the Issuer CSD (e.g. Stamp Duty fields, CSD-specific repo instructions). If the DC Members and Investor CSDs are supposed to send these specific instructions through the Issuer CSD, how is the Issuer CSD supposed to process the instructions? Match country-specifics in the CSD and the rest in T2S? What if the instruction does not match on the local market specifics, but does match on the T2S-specifics? How to manage this? How does this work for CCPs? What if it settles on T2S, because matched, while not matched on the CSD for the local market specifics? Is the T2S interface sufficient for this?
45	Ch 5	6	14	Output	As a result of the previous point, may other output be required?
46	Ch 5	6	20	Statuses	Given the local market specifics there may be an intermediate matching status as well due to DC/CCP-input.
47	Ch 5	7	1	Data store	What - if any - information will be held in T2S for the local market specifics? How will the different process paths for DC/non-DC members be reflected here? How to ensure DC Members and Investor CSDs have accurate info related to the issues listed above?

Nbr	Chapter Annex	Page	Line	Topic	Comments
48	Ch 5	5-7	All	Process as a whole	In case of split processing between T2S and CSD, how will matching and cancellations be organized? Is cancellation possible if partially matched at the CSD, but not yet at T2S? Does this lead to additional steps in the process?
49	Ch 5	5-7	All	Process as a whole	Given the concept of Lean T2S, DC Members, CCPs and Investor CSDs would need dual link with the Issuer CSDs. For Investor CSDs this means quoting different accounts, different format sets (possibly), different connections from a network point of view, different types of feedback to be processed, i.e. T2S adds complexity rather than reducing it.
50	Ch 5	8	9-10	Settlements status to be sent	In case of split processing between T2S and the CSDs, what will T2S send to DC Members and Investor CSDs? e.g. For Pensions Livrees, if the processing is kept centralized at the CSD, T2S would indeed be able to declare finality on the different components of the instruction, but would finality on the whole not remain with the CSD?
51	Ch 5	8	12	Statuses	More settlement statuses may be required to correctly reflect the possibly fragmented settlement processing.
52	Ch 5	8	19-20	Customise information needs	In the case of country-specific instructions that are outside the scope of Lean T2S, DC Members may have to send their instructions directly to the CSD (rather than to T2S). Will T2S be able to exclude reporting on these non-DC input instructions to DC Members? Or will these Members have to manage dual reporting, i.e. from CSD and from T2S?
53	Ch 5	9	29	Conditionality rules CSD	How will uniformity of the use of attributes be ensured across-CSDs?

Nbr	Chapter Annex	Page	Line	Topic	Comments
54	Ch 5	10	28	Validation	The URD states that T2S shall validate all incoming settlement instructions. However, as there is no clear view on what 'harmonized validation rules' means, it is also difficult to assess what this process will entail. Validation on T2S will be incomplete by definition (due to Lean T2S), but there also might be different validation rules depending on the originator, Issuer CSD,... How will this be managed? The applicable validation rules that are not linked to the platform, but defined by a combination of factors (what is the issuing country, what type of instrument), T2S should be able to manage validation rules flexibly, i.e. only apply those validation rules that are relevant for a given combination of data in a specific settlement instruction. If all instructions must follow the same validation rules (all of them), a lot of harmonization work is still required (also at the level of different country legislations). This section consequently does not capture the complexity of validating settlement instructions.
55	Ch 5	11	9-11	Proxy check	Should also include a check for the type of activity, the market for which the PoA applies, to ensure T2S stays within the scope of the granted PoA (e.g. PoA on account for LCH.Clearnet on Euronext must be checked based on more than just the presence of the PoA). This is missing.
56	Ch 5	11	18-21	Cash account check	Shouldn't this be part of the static set-up and not require any validation? Does this mean CSDs need to quote a cash account in their instruction?
57	Ch 5	12	5-8	Minimum settlement unit	As a result of netting the amount can be less than the minimum. Will T2S reject such instructions from CCPs?
58	Ch 5	12	10-13	Multiple settlement unit	There might be a minimum that is not a multiple of the multiplier. Will T2S validate this and reject attempts to set up such a security?
59	Ch 5	12	21-23	CSD participant check	The CSD participant check is a new requirement and it implies that Members know the details of the CSD where their counterpart is located. This is not in line with what was initially foreseen and makes cross-CSD settlement a lot more complex.
60	Ch 5	13	8	Process indicator check	Please rephrase sentence, as it is currently not clear.

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61	Ch 5	13	13	Issuing date check	How will T2S distinguish between a genuine trade and a 'technical house-keeping instruction'?
62	Ch 5	13	23-27	Already matched instructions	How will T2S validate the entity that is sending an 'already matched instruction' effectively has the right to do so?
63	Ch 5	17	1-4	Maintenance of 2-legged instructions	Two legs could have a totally different life-cycle. The amends should therefore not be on both by definition.
64	Ch 5	18	1-3	H&R mechanism availability	To avoid confusion for cross-CSD settlement, a common rule regarding H&R seems preferable.
65	Ch 5	18	5-8	H&R Mechanism Check	As stated in this requirement, a 'hold' status may be imposed by more than 1 actor. Will these actors be informed of the fact that other actors have a 'hold' status on the instruction? This in order to allow them to anticipate further delays in settlement, even if they have lifted the hold status on their side.
66	Ch 5	18	10-13	H&R Mechanism until settlement	How does this work on linked transactions?
67	Ch 5	20	4	Unilateral versus bilateral cancellation	What will happen with the matched instruction that is partially cancelled? How long does the unilateral cancellation remain applicable? Can the instruction settle?
68	Ch 5	20	8-9	Deadline for cancellation	Unclear sentence, as it suggests the instruction will - after cancellation - be re-forwarded to settlement.
69	Ch 5	20	13-19	Cancellation triggered when length…	What is the rule for intra-CSD settlement of a CCP instruction?
70	Ch 5	20	26-28	Status after cancellation	What in case of partial cancellation (see above for local market specifics)?
71	Ch 5	22	23-24	Allegements	Why send a removal message? The reference referred to in the allegement will change status from alleged to matched. No need to cancel anything.
72	Ch 5	23	13	Mandatory matching fields	Depending on where matching is supposed to take place, should members quote T2S or CSD Account IDs in their instructions?

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73	Ch 5	24	1	Additional matching fields	Client of delivering/client of receiving CSD - Who sets the rule? Counterparts to the trade or CSDs? In both cases, changes are required to existing practices, as currently info is often mentioned without being mandatory for matching. Who is going to get all investors to agree?
74	Ch 5	25-26	All	Settlement eligibility checks	More checks are required, e.g. how to avoid incorrect sequencing or only considering part of the instructions eligible. How about status on accounts, securities,…
75	Ch 5	27-29	All	Lifecycle types	What is the purpose of this section. Integration effort will require mapping, yet at level of each individual CSD with T2S guaranteeing consistency.
76	Ch 5	30-36	All	Transaction types	What is the purpose of this section. Integration effort will require mapping, yet at level of each individual CSD with T2S guaranteeing consistency.
77	Ch 6	All			According to the URD, information on cash needs includes corporate actions, yet this solution relies on the CSDs to send the related settlement instructions to T2S in advance of the settlement day. This may not always be possible and it will lead to inaccurate cash need information.
78	Ch 6	13	8-13	Single Window Access for liquidity management	The URD states that the Information and Control Module of T2 should be used for liquidity management ('Single Window Access'). What does this mean in practice?
79	Ch 6	20 21	8-24 1-12	Collateral Management	CCBM2 will outsource part of its collateral blocking process to T2S, allowing it to benefit from an apparently more integrated processing of collateral selection and blocking. Whether this is desirable or more efficient is perhaps debatable, but it is definitely arguable whether collateral selection and blocking should be part of the T2S project or whether there is an extension to the original scope of the T2S project which was limited to settlement.
80	Ch 6	4	19	Currency	Can one single securities account in T2S be linked to cash accounts in different currencies?
81	Ch 6	8	10	Buying limit	What is the exact meaning of 'buying limit'? This needs to be detailed.
82	Ch 6	8	18	Ability to limit use	'Alternatively' should be replaced by 'consequently'

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				of cash	
83	Ch 6	9	25	Information on cash needs for following settlement days	Important amounts can be due on coupons and market claims. These are not covered, as this is settlement-related reporting. Is this correct?
84	Ch 6	All	All	Information for Payment Banks	What information do Payment Banks have to allow them to anticipate limit problems with one or more of their clients? How can they intervene? Both for intra-day and overnight settlement.
85	Ch 6	13	9-14	"Single Window Access"	Please clarify this rule and the operational implications.
86	Ch 6	13	22-27	CSD acting on behalf of a payment bank	Why is this needed?
87	Ch 6	16	19	Partial execution of predefined liquidity…	Why do these settle partially? (versus 'immediate liquidity transfer orders)
88	Ch 6	16	10-15	Execution of predefined liquidity transfer orders	Is not this a repetition? (10-12 v 13-15).
89	Ch 6	17	4	Pro rata rule	Why a pro rata rule for predefined liquidity transfer orders?
90	Ch 6	18	13	Partial execution of standing liquidity…	Why do these settle partially? (versus 'immediate liquidity transfer orders)
91	Ch 6	18	26	Pro rata rule	Why a pro rata rule for standing liquidity transfer orders?
92	Ch 7	13-15		Prioritisation	From the URD, we understand that only 2 priorities will be available to non CSD-CCP users. We believe that is not sufficient for users to define their priority management with sufficient granularity.
93	Ch 7	17-24		Provision checking requirements	T2S foresees provision-checking on several layers of securities and/or cash previously reserved- what is the purpose of this?
94	Ch 7	20 21	4-5		Is the reservation described in that section also used for conditional security deliveries? In that case, is it sufficient to reserve only the available position at the time the reservation is submitted to settlement?

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95	Ch 7 9	23 17 18	33-34 29 1		Could you confirm that the provisional checking applies also to mirror a/c in an investor CSD, representing its holding on the omnibus?
96	Ch 7	8	23-24	Prioritisation	Implications on settlement should be clarified. What if pending CA instruction and pending settlement instruction for a lower amount. Lower amount becomes available in the account. Will CA instruction prevent smaller one from settling or not?
97	Ch 7	8	All	Prioritisation	Will T2S enforce similar prioritisation of instructions across different CSDs?
98	Ch 7	10	26-27	Sequence	Will, during the night time, recycled instruction of earlier cycles be attempted with a higher priority than those of more recent cycles, i.e. will within a given cycle a prioritization be done based on the nature of the transaction?
99	Ch 7	11	7-8	Sequence	Will, during the night time, recycled instruction of earlier cycles be attempted with a higher priority than those of more recent cycles, i.e. will within a given cycle a prioritization be done based on the nature of the transaction?
100	Ch 7	11	13-14	Sequence	Will, during the night time, recycled instruction of earlier cycles be attempted with a higher priority than those of more recent cycles, i.e. will within a given cycle a prioritization be done based on the nature of the transaction?
101	Ch 7	15	2	Use of priority	How to ensure clients to know what settlement pattern to expect if there is no harmonisation across CSDs?
102	Ch 7	16	17	Exclusive control of T2S on the booking process	Why this requirement? What is exactly meant by this?
103	Ch 7	17	15-18	Consequences of an unsuccessful provision-checking	This section would need to be further detailed to get a clearer view on the mechanics of provisioning and the actions taken in case of unsuccessful provisioning.
104	Ch 7	17	20-25	Consequences of an unsuccessful provision-checking	How does this work from a technical viewpoint? Are these processed in a separate process and then presented together with the other provisionally booked positions in the next settlement cycle?

Nbr	Chapter Annex	Page	Line	Topic	Comments
105	Ch 7	20	4-6	Consequences of an unsuccessful provision-checking	The loop seems to imply that several provisioning are attempted before attempting the booking. Does this happen in a different system?
106	Ch 7	20	9-12	Provision checking for transactions linked by T2S Actors	This implies linked transactions must have the same settlement date. What if a different settlement date is given (with all settlement dates equal or prior to today): is this possible or not? How is it managed?
107	Ch 7	21	1-4	Provision checking for reservation purposes	Unsuccessfully reserved position should be kept track of and executed once additional securities arrive (to avoid undue use of securities for settlement purposes as a new reservation can only be sent after a new position has arrived and that position can be used by a pending transaction and will result in another failed reservation).
108	Ch 7	21	22-30	Provision checking on several layers	This is unnecessarily complicated due to the point raised with regards to partial reservations.
109	Ch 7	22	14-16	Procedure for unused cash and securities reserved positions at end of day	Will this be reported? This is in contradiction with processing of CoSD (as detailed in annex 8 - p.4 line 7).
110	Ch 7	23	5-6	Provision checking with individual net buying limit.	This phrase should refer to the net amount of all purchase and sales.
111	Ch 8	4	14-16	Objectives	What's the related importance of the settlement efficiency by volume and by value. They are always listed in that sequence without any particular emphasis on one of them while it is likely that both goals (maximise volume/maximise value) can not be reached at the same time.
112	Ch 8	4	21-23	Objectives	We would like to understand whether the one settlement attempt for each transaction encompasses potential optimisation in night time settlement?

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113	Ch 8	4	13-14 19-25	Objectives	What is the loop time in daytime, i.e. time before injection of transaction to positioning and the first feedback (status report)? Loop time is a critical factor for understanding the potential/way of reshaping CSD applications.
114	Ch 8	4	27	Objectives	What is the loop time in night-time, i.e. time before injection of transaction to positioning and the first feedback (status report)?
115	Ch 8	5	21-23	Objectives	What's the frequency of the optimisation during daytime settlement?
116	Ch 8	10	14-15	Optimisation in the daytime settlement window when additional securities are available	The optimisation aims at identifying back-to-back transactions. Will it do this across priorities? What if insufficient securities available, will priority then play in the deselection process?
117	Ch 8	10	23	Optimisation in the daytime settlement window when additional securities are available	Is there an effective 'reservation'?
118	Ch 8	12	7-8	Optimisation in the daytime settlement window when additional cash is available	Usage maximisation of the cash, will this be across priority or not? What if there still is a lack of cash, how will instructions be deselected?
119	Ch 8	18-19	All	Thresholds on partial settlement	These thresholds will lead to confusion, as there is no harmonisation between CSDs and CCPs.
120	Ch 8	24-42	All	Auto-collateralisation	We would like to know what is reported to the CSD in case of autocollat so that the CSD can do proper reporting and perform other processes properly.
121	Ch 8	27	1-16	Conditions for triggering auro-collateralisation	Does T2S foresee upon request or based on specific criteria to exclude several transactions/instruments from the auto collat process?
122	Ch 8	27	14-16	Conditions for triggering auro-	The autocollat feature described in the URD may lead to numerous autocollat transactions and may not be optimal in terms of performance.

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				collateralisation	
123	Ch 8	31	2-10	Agreement to use collateral on flow at an instruction level	How does this work? Does settlement bank go into the instruction to define this? How does this affect the optimisation process (esp. If the update is done after selection in an optimisation chain. Will this be reported back to CSD? What is the point of this?
124	Ch 8	32	16	Reservation of securities used a collateral for autocollateralisation	What if at the end of the day the positions are not adjusted? Will the reservation still be lifted? This reservation will be one that cannot be ended by a CSD or Member instructions? How does this work in practice? How to ensure that payment in T2 is completed?
125	Ch 8	35	16-19	Net buying limit	In case of multi-currency activity, will the net buying limit still be applicable?
126	Ch 9	All		Specific settlement processing requirements	Chapter 9 is rather vague at the level of the requirements. These remain high-level and will require further detailing. This is the case for: linked transactions, baskets of collateral, multilateral and borrowing and lending operations in securities instructions on how they will need to be instructed, will be processed and will eventually settle. This requires a lot of attention.
127	Ch 9	5	1-17	Coupon stripping process	Is there a specific reason to have a specific focus on coupon stripping and coupon reattachments since they should be processed as any other Corporate Action that has multiple exercise / proceed securities and cash?
128	Ch 9	6 8			How will the linking service affect the priority management done by the delivering party which has not performed the linking?
129	Ch 9	6	16-18 14-16		In case of 'all-or-none' linking, how will T2S ensure that it has received all the transactions of a link before starting to settle them. Which consequences does it have for the instructing CSD?
130	Ch 9	4	11-15	Increases/decreases in funds shares volumes	This needs to be further detailed. It also needs to take into account the funds that have primary deposits in several markets under the same ISINs (e.g. ETFs)

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131	Ch 9	6	all	Settlement of linked transactions	How will fails be reported? Will the 'chain' be known to all parties involved and reported? How?
132	Ch 9	6	16-18	Settlement of linked transactions	What is the point of a 'linked securities receipt'? Will it be exempt from partial settlement (esp. Against CCP). Won't this feed speculations or doubts regarding credit issues?
133	Ch 9	6	13-15	Settlement of linked transactions	What is the point of a 'linked securities redelivery'? Will it be exempt from partial settlement (esp. Against CCP). Won't this feed speculation or doubts regarding credit issues? Has a mistake (delivery should be receipt).
134	Ch 9	7	19-22	Linked securities redeliveries	Further clarification is needed on the requirement for 'redelivering' securities.
135	Ch 9	8	17	Transfer of baskets of collateral	More details should be provided regarding the transfer of baskets of collateral.
136	Ch 9	10	1-3	Deletion of a reservation	What about non-used reservations by Close of Business? Cancelled or not? See Chapter 7 p. 22 on reservation
137	Ch 9	11	11-12	CoSD Settlement Process	What about non-used reservations by Close of Business? Cancelled or not? See Chapter 7 p. 22 on reservation
138	Ch 9	13-17		Corporate Events settlements	Can a CSD force a blocking reference or is it automatically generated by T2S and then captured by the CSD in the feedback?
139	Ch 9	17-29		Cross-CSD settlements	Although the cross-CSD settlement seems to work functionally, it imposes important restrictions on CSDs. The CSDs will therefore not be able to use T2S if they wish to be active cross-market as easily as announced by the Eurosystem.
140	Ch 9	17-29		Cross-CSD settlements	Please clarify if the provisional checking applies also to mirror a/c in an investor CSD, representing its holding on the omnibus account in the Technical Issuer CSD.

Nbr	Chapter Annex	Page	Line	Topic	Comments
141	Ch 10	4 5	18-19 1-10	Rebuilding Securities Positions	Is this related to managing reconciliation issues between T2S and connected CSDs? Given the complexity from operational point of view, the different scenarios should be explained including the actions needed to ensure that the appropriate records are taken into account. Given the legal implications, this should also be covered seperately in the relevant contractual documentation between CSDs and T2S.
142	Ch 10	5	19	Earmarking	Could you give a practical example about how earmarking could be use to separate positions eligible for 2 different processes as it is not clear to us how this will work in practice?
143	Ch 10	5	1-10		Could you give examples of how the securities positions within securities account in T2S will allow CSD to assign their specific balance types? CSDs need to define specific balance types due to their working environment hence this question.
144	Ch 10	11-16			How could a settlement bank limit the (cash) activity of one of its client if this activity is spread amongst several CSDs?
145	Ch 11	7-8		Closing day calendar	The non business date for currency should probably be a date and a year rather than just a date as described in the data type in the URD.
146	Ch 11	8-9		Tolerance amount	Tolerance values are a sensitive issue. Have all markets agreed to the proposed amount? Will T2S support other options like relative values or a more granular approach based on a combination of instrument type, settlement amounts, currency?
147	Ch 11	9-18		Attribute domain management	The definition of value per table is fine but the lengths are not always fixed and makes the validation somewhat more difficult
148	Ch 11	32-35		CSD-specific restriction types	CSDs can define their own restriction types. But there is a need to define what the scope of the restrictions is and how they apply.

Nbr	Chapter Annex	Page	Line	Topic	Comments
149	Ch 11	38-39		Conditional Securities Delivery parameters	CoSD parameters are also very flexible which can lead to many rules and difficulties to manage them in a coherent way. Have any coherence checks been foreseen? Is the parameter "country of issuance" relevant? What, in the context of CoSD, is the delivering and receiving location?
150	Ch 12	8	1-13	Communication standard and protocol	ISO20022 implies timing dependencies on ISO working groups and mandatory migration will imply costs for all users moving from 15022 to 20022. Will the market be ready to do this migration within the T2S time horizon?
151	Ch 12	7	15-19	Data storage and retrieval	12.020 - Instructions sent by directly connected members (DCM) will contain important information for the CSDs for non core settlement processes. How can the CSD retrieve this information such as the tax data from the instructions sent by DCM using retrieval? It seems that what is today one interaction - will be cut in two sets of messages which CSDs will need to map onto each other?
152	Ch 12	All			Archiving requirements need to be more defined, esp. for cross-border settlement with different legal requirements for both sides of the transactions.
153	Ch 12	8--11		Interface Access	On the access (12.060), what does "query in exceptional situation" mean because it is not used in the table?
154	Ch 12	8-11		Interface Access	Is it possible for CSDs to also receive the instruction from the DC member directly as a copy sent by the DCM (rather than a copy sent by T2S)?
155	Ch 12	8-11		Interface Access	Will CSDs be able to query cash accounts?
156	Ch 13	40	12	General report requirements	The URD refers to the possibility of having proprietary messaging for some aspects of the T2S interface. Euroclear strongly believe that, given the time lapse between now and T2S going live, the ECB should make every effort to liaise with SWIFT (as ISO registration authority) to ensure that the ISO20022 standards are fit for the purposes T2S aims to fulfil.

Nbr	Chapter Annex	Page	Line	Topic	Comments
157	Ch 14	23		Securities reference data	14.530 - securities reference data are sometimes sold by CSDs or, in some markets, distributed by entities other than the CSD. Please clarify how T2S will handle data ownership i.e.. will it buy the data from the owner and how will it restrict access to it and/or remunerate the rightful owner for use of the data?
158	Ch 15	4		Billable events	Reference is made in that section to allowing "potential billing" - is this the potential for T2S to bill or the CSD?
159	Ch 15	5	18	Invoice cycle	Would be helpful to note whether this will be in arrears or not - CSDs will need time to prepare their own invoices for onward charging to clients.
160	Ch 16	9	12	Approval Status	Can you confirm this is equivalent to a dual-control type of function?
161	Ch 16	10	16/17	Data revision	It is not clear from the URD who will be able to view these revisions.
162	Ch 16	16	17/18	Physical deletion	The archiving section states that it is possible to physically delete. Can you clarify what this means and how this will be operated?
163	Ch 16	16	2	Validation & logical deletion	It may be required to delete a security or participant with unsettled/active positions if, for example, a security has reached the end of its life or a party has gone bankrupt and the liquidator has sorted the positions outside the CSD. Will T2S allow for these situations? How will T2S handle the deletion of a currency?
164	Ch 16	17	11	Currency ref data	We are not sure of the relevance of the trading currency. Apart from anything else, it might be possible to trade a security in more than one currency on a given trading venue.
165	Ch 16	20	13/14	Securities name	Standard practice is (or should be) to assign a new ISIN in the event of a merger or takeover, or to use the ISIN of the predator company.
166	Ch 16	22	4	Change of ISIN	What requirement is being supported here? We don't see the need for this.
167	Ch 16	23	1	Securities CSD Link	Can a CSD appoint more than one technical issuer for a given security?
168	Ch 16	26	1	Settlement restrictions	Settlement should only be blocked in a corporate event if something is happening to the underlying security. Then settlement stops on record date or expiry date. Most corporate actions simply require a close of business position on record date with no need to block settlement.

Nbr	Chapter Annex	Page	Line	Topic	Comments
169	Ch 16	26	0.75	Securities valuation	There is a also a need for prices for non-ECB eligible assets that could be used by a settlement bank to offer secured credit lines?
170	Ch 16	31	10	Party code	Could other identifiers be considered e.g. CSD equivalents for the party code
171	Ch 16	31	2	Party Mnemonic	For clarity, could this be the current proprietary market identifier?
172	Ch 16	31	12	Party address	For Irish registration purposes, name and address will be required (plus the ability to identify multiple investors for one account).
173	Ch 17	7	17	Online response time	This requirement should also include a target for complex queries as well.
174	Ch 17	8	12	File transfer time limit	Which targets does T2S set for File Transfer (including message-based communication)?
175	Ch 19	3	17-19	Logical independency	Will it be a physical independency as well i.e. will it be running on the same machines as T2, or is it replicating the architecture on new machines?
176	Ch 19	All		General comment	We would like to have some targets be set for failover and resilience.
177	Ch 19	8	4-5	Language	T2S screens may need to support a wider range of languages than just English.
178	Ch 20	8	5	Change manager	It is not clear from the URD, who will be the change manager.
179	Ch 21	5	10	Testing Environment Calendar	Only 5 consecutive days of testing is forseen. Should be significantly more than that, given the scale of the changes that need to be made.
180	Annex 4	All			T2S on T2 is interesting concept, however it raises the question of which elements can be really re-used for T2S . It seems that the reuse is limited to same hardware and project management skills Synergies are welcome, but it must be ensured that no cross-subsidisation takes place between the 2 systems. This can also lead to dependencies which should be avoided e.g. business continuity
181	Annex 6	All	All	Overall	Much more detail on account structure and on how account mapping will have to occur is required.

Nbr	Chapter Annex	Page	Line	Topic	Comments
182	Annex 7	6	footnote 3	Reconciliation	The URD states that Liquidity can be moved from T2 to T2S (through a transfer to a T2S dedicated cash account), but that the T2S account holder can be different from the T2 account holder. Does that mean that any T2 client could transfer liquidity to a T2S dedicated cash account immediately, even if it is not one of its account? Or is it only in case the T2S account belongs to a third party that has appointed the T2 account holder as its payment bank?
183	Annex 8	3	12-19	Activation CoSD functionality	On top of the functionality described in the URD, why not also provide a single field allowing the CSD to indicate whether an instruction should be processed as a CoSD or not?
184	Annex 9	6	5	Cons of night time settlement	In Ireland (and the UK) most participants are not banks with access to Eurosystem credit facilities (or, for GBP, access to the BoE credit facilities)
185	Annex 10	5	17-18	Number of Technical Issuer CSD	A CSD may require to hold a given security at more than 1 Technical Issuer CSD. This is especially required for those markets where important local market specifics will remain outside the scope of T2S in the domestic CSD's systems.
186	Annex 10	6	5	Static data	What information will need to be provided by CSDs and/or their Members.
187	Annex 10	All	9-11		CSDs wishing to access foreign markets will need to cover all local CSD functionality, incl.: a. local market settlement specifics; b. Transaction management; c. Corporate actions and tax; etc T2S functionality in itself therefore, is not enough to allow a CSD to act as 'agent' for its clients and settle instructions in foreign securities. Covering these aspects will moreover have a cost impact for the end-investor, directly affecting the cost of settlement as well.

Nbr	Chapter Annex	Page	Line	Topic	Comments
188	Annex 10	All	All		As T2S does not cover all services, it means that Investor CSDs will have to access Issuer CSDs outside T2S as well their regular T2S access and they will need to access the Issuer CSD as a regular CSD Member (not as a T2S CSD). Are the 2 different accesses easily manageable in parallel?
189	Annex 10	All	All		For non-T2S processes (value-added settlement, corporate actions, etc.), the Issuer CSD will only know the Investor CSD, and not the underlying Member of the Investor CSD, i.e. it will not be able to process this in T2S. How should this be managed by Issuer and Investor CSD to get the necessary updates in T2S.
190	Annex 10	All	All		In the current proposal, there is no possibility for a CSD to hold its assets through a local custodian on other T2S markets, unless settlement in T2S is abandoned
191	Annex 11	All	All		Direct connectivity has been represented as enabling market participants to move from multiple interfaces to one interface and as enabling CSDs to decommission their interfaces. This is incorrect on both counts. Participants will need to continue to operate interfaces to the CSDs for all the functions which T2S does not perform (e.g. corporate actions, collateral management etc). As there is a cost associated with the number of interfaces maintained, no meaningful cost reduction will be achieved in this area.
192	Annex 11	All	All		It is also critical to draw out the link between the effect of the direct connectivity proposal and the "Lean T2S" proposal when considered in combination: • Whereas today participants send one message to a CSD which contains all the information required for settlement, regulatory reporting, registration, tax purposes etc, direct connectivity means that in future they would need to send two messages: a settlement message to T2S and a "settlement-related" message to CSDs containing all the other information; • This splitting of one existing message today in to two messages in the future creates clear operational inefficiencies and increases risk and increases the messaging cost.

Nbr	Chapter Annex	Page	Line	Topic	Comments
193	Annex 12	All	All	Overall	How will Corporate Events be processed Cross-CSD (for elective events)? Assuming that the Investor CSD will instruct the Issuer CSD on behalf of its underlying client, bookings at the Issuer CSD will occur on the account of the Investor CSD i.e. this Investor CSD will be credited / debited with cash and/or securities on its account at the Issuer CSD and its NCB. Specifically for the cash processing on one hand, and the securities booking on the account of the end-investor on the other hand, how will T2S support this?
194	Annex 12	All			For the processing of some Corporate Actions, real time collection of balances is required. How will T2S support this and specifically what is the expected loop time for this collection?
195	Annex 12	All			Investor CSDs will need access to Issuer CSDs for Corporate Actions processes, i.e. T2S in itself is not enough as a technical platform to allow CSDs to offer comprehensive services on foreign securities.
196	Annex 12	All			CA bookings and settlement instructions have different lifecycles. T2S architecture assimilates these 2 types of instructions which could be sub-optimal. Why does T2S not consider a clear distinction between CA bookings and settlements (and the related processes)?
197	Annex 12	All			The processing of some CA requires the movement of securities to a sequestered balance (different from a blockage). How is this handled in T2S?
198	Annex 12	9		Message interface	In Flow 1, what does "in addition to the existing balances report" mean?
199	Annex 12	8		Message interface	The impact of static data changes on pending instructions in T2S should be further detailed. e.g. How will T2S behave when pending instructions become invalid due to closing of an account by CSD? e.g. How will T2S handle changes in quotations or changes in credit/liquidity arrangements between members? e.g. What will be the impact of static data maintenance during the day?

Nbr	Chapter Annex	Page	Line	Topic	Comments
200	Annex 13	All			If a CCP uses DC, it will bypass country-specific validation rules that are especially applicable on CCP counterparts. This will create operational risks for CSDs. E.g. check on presence of mandatory tax certificates for Italian securities. This risk needs to be mitigated somehow.
201	Annex 14	All			The Eurosystem will need to accommodate the direct holding models but such accommodation requires many technical changes in the local markets and possibly legal changes as well. The efficiency of the solution proposed on CoSD is not optimal as it will lead to many flows and generate costs.
202	Annex 15	All			It is indeed true that T2S system relies on common features. Many of these features are built on existing previous harmonisations efforts by other parties (e.g. matching – ESF/ESCDA). Harmonisation is understood by the ECB as the set of single features of the T2S system commonly applicable to all CSDs connected to T2S. In contrast, by harmonisation, Euroclear generally refers to the intensive ongoing work to achieve agreement on common market practices, from an end to end perspective. For example the T2S URD proposals to support direct holding markets are a good example of where T2S provides a common tool without there being actual harmonisation of direct holding market practices.
204	Annex 17	All			'Lean' T2S leads to CSDs having to cope with national specifics. The CoSD procedure is not the most efficient means of allowing CSDs to achieve this.