



*Banco de Portugal*

EUROSISTEMA

## TARGET2-Securities (T2S) - Summary of the Portuguese NUG meeting

**Place:** Banco de Portugal (Room 0.2.3)

**Date:** 6th May 2011 – 10:30 am

---

<b>Institution:</b>	<b>Participants:</b>
Banco de Portugal:	
Departamento de Sistemas de Pagamentos (DPG)	António Garcia
Departamento de Sistemas de Pagamentos (DPG)	Nazaré Correia
Departamento de Sistemas de Pagamentos (DPG)	Fernando Chau
Departamento de Sistemas de Pagamentos (DPG)	Anabela Mendes
Departamento de Mercados e Gestão de Reservas (DMR) – SITEME	Jorge Mourato
Comissão dos Mercados de Valores Mobiliários (CMVM)	Paula Redondo Pereira
INTERBOLSA	Marta Calado
	Rui de Matos
CGD	João Paulo Libório
	Ricardo Ribeiro
Banco Santander Totta/Santander Negócios	Paulo Bruno
Banco Espírito Santo	António Coutinho
Banco Português de Investimento	Carlos Ferreira Machado
BNP Paribas	Alexandre Canadas
Citibank International PLC, Sucursal em Portugal	Giselle Toloí
Deutsche Bank AG	Pedro Campos
LCH.Clearnet SA	Ana Paula Carreira

---

### **Absent:**

Banco Comercial Português

APB - Associação Portuguesa de Bancos

---



*Banco de Portugal*

EUROSISTEMA

**1. T2S project progress:** presentation by Banco de Portugal

- **Current Developments;**
- **Public consultation on UDFS v1.0;**
- **VAT regime on T2S services;**
- **Public tender for 2 licences to NSPs offering the full set of connectivity services to T2S (*value-added*);**
- **Information on the gap analysis of T2S standards for Corporate actions on flow.**

T2S Programme Board (PB) approved and submitted, on 23rd of March, for public consultation until 27th of May, the version 1.0 of *User Detailed Functional Specifications* (UDFS), fulfilling a milestone of the T2S Programme. After May, a new public consultation will be carried out, including the full set of T2S messages, which will be incorporated in version 1.1 and finalised by next October/November (version 1.2). Interbolsa is planning for the next T2S *Interbolsa Portuguese Market Forum* (PMF) meeting, among other issues, a debate concerning the adaptation effort according to market needs. It was recommended that participants should consult the UDFS and provide possible *feedback*.

In the last NUG-PT meeting (January), members requested BdP to analyse the VAT regime on T2S services, since as a non-existence of a “*level playing field*” will have serious impact on the competitiveness of the national market. Banco de Portugal Payment Systems Department prepared a internal Information Note on this issue, based on which the Bank’ Legal Services is currently preparing a legal evaluation. BdP view on this issue will be coordinated with CMVM, and, afterwards, a legal opinion (Parecer) will be asked from the competent authorities. As this VAT issue is under the purview of national authorities, the above mentioned process seems to be an efficient one for the clarification and possible solution of this issue. At the Eurosystem level, this issue is being conducted by LEGCO. On the other hand, tax authorities of 4CB countries confirmed that there is no VAT on services of 4CB to the Eurosystem as they are “out of the scope of the VAT regime”.



*Banco de Portugal*

EUROSISTEMA

The public tender for licensing 2 *Network Service Providers* (NSPs) will start in short order by the Banca d'Italia. Later, a new tender will select 1 NSP for dedicated lines. Since the CSDs had not had access to the tender documentation, the price range of NSP services for different markets are not known, which can affect the “level-playing field”; the cost of T2S services in the national market could be affected. On the other hand, the delay in the connectivity tender is another difficulty CSDs have in dealing with their assessment of the Framework Agreement.

Under the framework of the *Market Implementation Group*, a “gap analysis” begun on standards for *Corporate actions on flow*, namely on *market claims*, proposed by CASG (*Corporate Actions Sub Group*) – the end of this analysis is 16th September. Market harmonization is very important to the proper functioning of T2S, but it should take into account the needs of the national market. Interbolsa and SITEME will contact banks to prepare replies to the “gap analysis” and will inform NUG-PT on this issue. Interbolsa will, soon, promote a meeting of the Portuguese MIG concerning the “gap analysis”.

## **2. Framework Agreement:** presentation by - Interbolsa

Interbolsa representatives mentioned the strenuous efforts in the recent past in the negotiations, but with little progress. There are still many open issues (about 98). The main non resolved dossiers are: *Directly connected parties*; *Connectivity – NSP*; *Liability* and caps (compensation for negligence, profits, loss revenues); compensation for delay of the *go-live* or migration of CSD to T2S; *Information management*; *Programme planning*; *Exit management*.

The dossier on *Termination clauses* was closed. 2 of 14 *Schedules* were closed.

Still in negotiation: contract duration and the rule for adopting changes in the FA (unanimity or double majority). It was agreed that “settlement finality” will be present in T2S, with participating CSD changing their regulations on this issue.



*Banco de Portugal*

EUROSISTEMA

### **3. CSD Contact Group (CCG):** presentation by - Interbolsa

CCG activities were mentioned in point 2 dedicated to FA negotiations.

### **4. Project Manager Sub-Group (PMSG) activities:** presentation by - Banco de Portugal e Interbolsa

PMSG activities have ended in this phase. However, as further negotiations in CCG are carried on, PMSG could be called to close the open issues.

### **5. Other business**

DPG staff undertook a working meeting in Banco de España in April, learning from BdE experience in T2S related issues, namely auto-collateralization and the VAT regime on T2S services.

Some participants mentioned the issue of “reshaping” of existing systems, an issue debated in some European forum. In the Eurosystem view, the potential of social gain will be maximised if quick and extensive adaptation of current systems will be pursued – as they are expensive to run and update – in tandem with the go-live of T2S. Another issue was Interbolsa plans in terms of services in the T2S environment. Interbolsa will start a review of this and other issues with participants of T2S *Interbolsa Portuguese Market Forum*.

Migrations plans of Interbolsa and SITEME were also mentioned. So far, no decision was taken concerning their migration wave.

The next NUG-PT meeting is set for 15th July 2011, by 10h30m.