



Banco de Portugal

EUROSISTEMA

TARGET2-Securities (T2S) – SUMMARY OF THE PORTUGUESE NUG MEETING

Place: Banco de Portugal (Meeting Room 0.2.3)

Date: 31st of October 2011 at 10:30 A.M.

Institutions:**Members:**

Banco de Portugal:

Departamento de Sistemas de Pagamentos (DPG)

Jorge Egrejas Francisco

Departamento de Sistemas de Pagamentos (DPG)

Fernando Chau

Departamento de Sistemas de Pagamentos (DPG)

Anabela Mendes

Departamento de Sistemas de Pagamentos (DPG)

Fabio Michelli

Departamento de Mercados e Gestão de Reservas (DMR) – SITEME

Anabela Cardoso

Comissão dos Mercados de Valores Mobiliários (CMVM)

Manuel Ribeiro da Costa

INTERBOLSA

Marta Calado

CGD

João Paulo Libório

Banco Comercial Português

Luís Moreira Fernandes

Banco Santander Totta/Santander Negócios

Rita Roque

BNP Paribas

Alexandre Canadas

Deutsche Bank AG

Pedro Campos

Absent:

LCH.Clearnet SA

Banco Espírito Santo

Banco Português de Investimento

Citibank International PLC, Sucursal em Portugal

APB - Associação Portuguesa de Bancos



Banco de Portugal

EUROSISTEMA

1. Current status of the Framework Agreement (FA) and other aspects relevant to the T2S Programme: presentation – Banco de Portugal and Interbolsa

The ECB Governing Council of 20th of October took a set of decisions necessary to complete the FA; approval of the FA offer of the Eurosystem to CSDs should be made only at the next Council meeting on the 17th of November, when the LEGCO Committee presents its Opinion on the FA. However, negotiations between the Eurosystem and the CSDs on the FA have not yet concluded. A meeting of the CCG (CSD Coordination Group) is scheduled for the 29th of November. Open issues remain, namely: the Eurosystem's responsibilities for gross negligence (a limit of 500 million euros per year is being considered and ESMA's opinion will be relevant on this issue), the issue the compensation of delay of "go-live" date to the CSDs, CSDs' rights to terminate "for cause" before migrating to the T2S platform, as well as the definition of "material breach" by the Eurosystem. On the other hand, CSDs agreed to sign, without imposing further conditions, the FA, following the completion of their evaluation of the technical feasibility of adopting T2S; thus, the Eurosystem and the CSDs agreed that the date of signing the FA to be the latest June 2012 (following the release of the latest version of the User Detailed Functional Specifications - UDFS - which will allow a more substantiated evaluation).

ESMA has allocated significant resources to post-trading, in particular the issue regarding the T2S and the technical standards of EMIR. The meeting of the Presidents of the Regulators of European stock markets on the 7th and 8th of November will consider the issue of the FA, so that it was not possible to anticipate the position of this organ. The ECB is invited to this meeting as well as for meetings of the Committees for the post-trading. CSDs, as T2S stakeholders, will soon meet with the Presidents of the authorities of the securities markets.

In the context of the decisions of the Governing Council, the T2S governance structure was presented, after the signing of the FA, which was agreed with the CSDs. An important and not yet solved issue is the connectivity to the T2S platform. The tender of VAN NSPs is ongoing and three companies/consortia submitted valid bids (SWIFT, BT, CIS/Colt),



Banco de Portugal

EUROSISTEMA

however, the solution to the "Dedicated Link" is not yet defined: the two options are: (1) Specific T2S solution (to be built by the 4CB), or (2) CoreNet (already operating), as long as legal competition issues are overcome.

2. New launch date of T2S: presentation – Banco de Portugal and Interbolsa

The ECB Governing Council approved on the 20th of October the new launch date of T2S - June 2015 instead of September 2014. The main reasons for this decision relate to: accommodate the Change Request approved by the AG last June; extending, at the request of the CSDs, the testing period for the first group of the migration of CSDs; delay in the connectivity solutions to T2S, namely the definition of Dedicated Links; include a buffer (safety) margin/ project contingency. The new "go live" date implies a cost of about 7 million per month; the implications of this increase in costs should be examined briefly, probably early next year.

3. Information on the gap analysis of T2S standards for Corporate actions on flow: presentation – Interbolsa

Interbolsa actively participates in CASG (Corporate Actions Sub-Group) and has contributed to the gap analysis of the T2S standards. A formal presentation of the results of this exercise will be made at the next meeting of the T2S Portuguese Market Forum (PMF) on the 21st of November.

Regarding the question of HSG (Harmonisation Steering Group) on the Omnibus Accounts in Portugal, the representative of the CMVM said that there are no intentions to amend the existing legal framework. Recent experience seems to advise some caution in this matter, with the aim of defending investors' interests. The transposition of a significant number of directives to national law will be preceded by public consultation. Some participants noted the importance of a preliminary interactive dialogue, prior to the procedure of public



Banco de Portugal

EUROSISTEMA

consultation, allowing a more productive exchange of ideas between participants and the CMVM.

Regarding the request of the HSG on the use of physical quantity or nominal value of securities transactions, Interbolsa is evaluating this topic, and should respond as soon as possible. Participants indicated that the adoption of European practice (nominal value) seems to be more advisable, but it may not be easy for Interbolsa (which currently allows the two alternatives and must choose only one within the T2S).

4. Summary of the T2S pricing services: presentation – Banco de Portugal and Interbolsa;

A summary of the T2S services pricing and some examples of charging contained in a report of the Workshop on pricing have been presented. The issue of the additional costs of connectivity as well as of services provided by CSDs has been highlighted.

5. Other issues

The Chair of the NUG-PT mentioned a request of SIBS to participate in T2S NUG-PT, as an observer. SIBS provides services to banks that support their cash management information (AT2 application) and, considering the "Dedicated Cash Accounts" in T2S, it would be reasonable for SIBS to participate as an observer in order to help their customers get a consistent solution in the management of cash between TARGET2 and T2S, when it comes into operation. The members of the meeting agreed on the participation of SIBS as an observer in the NUG-PT, but noted that it is an exception and that the meeting should limit the inclusion of institutions that are not members of the group of custody and settlement.

For the CCBM2 project, the BdP/SITEME representative said that the project is being reviewed by the Eurosystem and that the next status assessment of the project should only occur in late 2011/early 2012. From a conceptual standpoint, the collateral management systems of the Central Banks should move towards more harmonized solutions, and so the



Banco de Portugal

EUROSISTEMA

issues such as of scope and timing of the development of these solutions should be evaluated again.