Feedback to consultation paper

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Proposal Nr.	Category	Proposal	Explanation by the Eurosystem	Responsible Clearstream	Statement by Clearstream	Comment by Clearstream	Confidential
Disclaimer:						As long as direct access definition is not sufficient, scope and functionality of comments might change. Clearstream suggests to publish a common glossary to reach a common understanding of terms.	
1	*Account Structure*	**T2S will have a single and uniform securities account structure.**	*For T2S to offer settlement services efficiently across different markets, it must have a uniform account structure at the central operational level, in order to provide efficient checking and booking of securities balances via the T2S Settlement Engine. The determination of a single uniform account structure refers to the account codification and not to the level of segregation of the securities accounts. This codification should allow for, but not impose, a one-to-one mapping relationship between accounts legally opened at the CSDs, and the securities accounts technically operated in the T2S environment. Section 5 of the T2S Operational Feasibility Study includes a first proposal on how this uniform account codification could be structured. Further elaboration of the details of this proposal will be presented and discussed during the forthcoming drafting of the User Requirements. The feedback expected at this stage should focus on any major concerns foreseen for the adoption of a uniform securities account structure at the centralised level. In particular, the concerns and sp*	**Karla Amend**	I agree	We agree in principle to the uniform account structure as long as it will be possible to satisfy all currently supported business processes and customer requirements, e.g. T2S must allow to keep beneficial owner accounts, omnibus accounts, technical accounts. For example, special account set-ups like 'matching only accounts', 'Reg-über' and 'Abweichendes Depotkonto' must be supported. Segregation of assets to allow special custody processes like taxation must be supported. The need for end-investor accounts in some markets and the related high number of accounts to be managed must not negatively impact end-to-end performance of settlement processes. The account codification should have a single identifier by legal entity so that accounts at different CSDs can be recognised as belonging to the same legal entity.	No
2	*Account Structure*	**TARGET2 real-time gross settlement (RTGS) accounts or sub-cash accounts shall be used as cash accounts for T2S.**	*For each user settling in central bank money, the TARGET2 RTGS account or a sub-cash account dedicated to T2S settlement activities will be used. This sub-cash account may not be that of the securities account holder. It is foreseen that in the daytime, due to intraday settlement associated with over-the counter (OTC) transactions or liquidity and collateral management, a real-time functionality for moving cash balances in and out of the cash sub-accounts is required. During the night-time, mostly for pending or expected settlement transactions, such a high level of liquidity interaction is not required. For the sake of simplicity, the sub-cash account of the TARGET2 RTGS main account that is used as a cash account for T2S is called the "T2S cash account", whereas the TARGET2 main account is called the "T2 RTGS account"*	**Karla Amend**	I do not agree entirely	From Clearstream's perspective, night time processes for settlement are mandatory. These processes must be implemented as high performance processes. Clearstream's proposes, that T2C and the underlying processes have to serve T2S, not the other way round - So cash settlement processes should be adjusted to T2S requirements. Clearstream **supports the reccomendation of ECSDA in their report dated October 2006 which states that 'for efficient cross border DvP settlement it would be of great benefit if all daylight procedures would also be available at night-time in future releases of TARGET 2.' From Clearstream's perspective T2S night-time processing should be able to include intranight cash liquidity coming from custody coupon and redemption payments** The T2 functions for providing dedicated liquidity should remain available in the T2S context	No

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3	*Account Structure*	**The cash balance on the "T2S cash account" (in TARGET2) may be used for all T2S CSDs.**	*Users will have the option to use one cash account to cover all their settlement processing in T2S. The cash balance on this account can then be used for settlement processing in all participating CSDs. However, users might want to use more than one cash account to segregate cash balances*	**Karla Amend**	I agree	Optimisation of liquidity held on one single T2S cash account is required if to be applied to several securities accounts at different CSDs. Fair treatment of all participating CSDs must be ensured. A user should be able to prioritise the usage of cash between different activities and CSDs	No
4	*Account Structure*	**Participants can directly open a "T2S cash account", or they can participate indirectly, as per the TARGET2 rules.**	*The cash accounts are sub-accounts of the TARGET2 main RTGS accounts. Therefore, the same TARGET2 rules for direct and indirect participation and access apply.*	**Karla Amend**	I do not agree entirely	A combination of cash sources in support of a single securities account should be possible to allow the combination of own liquidity and third party liquidity	No
5		**The "T2S cash account" will allow proprietary and non-proprietary holdings to be segregated.**		**Karla Amend**	I do not agree entirely	Please clarify the concept of 'non-proprietary holding' on cash accounts as generally T2 participants are banks	No
6	*Account Structure*	**Direct participants can further segregate liquidity on the cash accounts to differentiate between proprietary cash liquidity and the liquidity assigned to indirect participants.**		**Karla Amend**	I agree	A prioritisation of liquidity assigned to different indirect participants should be possible as well as the combination of multiple liquidity sources for an indirect participant.	No
7	*Account Structure*	**T2S securities accounts shall differentiate between investor and intermediary accounts.**	*This is required to enable T2S to cover the demands of end-investor countries.*	**Karla Amend**	I do not agree entirely	Overall we propose a even more generic approach: Securities Accounts should have flags which can be defined by the CSDs. These flags can be used to define the securities account type, e.g. one specific flag such as "I" could indicate that an account is an "investor" account. The overall processing logic of the T2S System has to be able to recognize these flags and to apply different business rules to accounts depending on the flag identifier.	No
8	*Account Structure*	**The T2S securities account structure shall differentiate between different intermediary roles, including direct participants, indirect participants, end-investors, issuers, paying agents, other custody-related roles, and technical CSD accounts.**	*The different roles will have to be worked out in more detail in a later phase. Direct participants have fully operational accounts with their respective CSDs. Indirect participants do not have fully operational accounts, but at least partially use the accounts of direct participants. Issuers and paying agents may take certain roles in the field of asset-servicing which require specific accounts to be set up to support these activities. Additional technical CSD accounts will be required to support the CSDs' asset-servicing function, and their value-added services. Participants may have accounts relating to different roles. This includes CSDs which will have the option to open inter-CSD accounts to support cross-border settlement in T2S.*	**Karla Amend**	I do not agree entirely	This should be an optional feature to be used by CSDs that are required to make such a differentiation, see proposal 7	No
9	*Account Structure*	**The T2S securities account structure shall allow proprietary and potentially several non-proprietary holdings to be segregated.**	*T2S will allow for segregation of proprietary and non-proprietary holdings. In the latter case, participants could open multiple accounts in order to allow full flexibility in segregating holdings.*	**Karla Amend**	I agree		No
10	*Account Structure*	**The T2S securities account structure shall allow for segregation and/or identification of holdings eligible for self-collateralisation (i.e. pledge accounts).**	*Generally, the account structure should support the existing levels of segregation that exist in the different markets. Moreover, it should also be able to cover the existing variety of account types and balance types, and should allow all participating CSDs to map each current domestic account to one unified T2S securities account. More details on this will be provided in a dedicated market consultation regarding the account set-up.*	**Karla Amend**	I agree	Segregation must also be possible for other specific processes related to asset services supported by CSDs (e.g. tax treatment, blocked collateral for use outside of T2S, blocked positions due to corporate actions).	No

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11	*Static Data*	*Securities reference data in T2S will be restricted to, but will include all, the data required for settlement and auto-collateralisation.*	*The scope of securities reference data in T2S does not cover the full scope of securities reference data required in a CSD. Participating CSDs will have to maintain for business purposes securities reference data that are not directly relevant for their core settlement businesses. These may include corporate action reference data as well as information on the issue price, issuer classification, etc.* *T2S securities reference data shall contain all necessary information for settlement purposes, and in particular end-investor data where relevant.*	**Karla Amend**	I do not agree entirely	Direct access needs more data to allow validation of incoming instructions in lifecycle and settlement	No
12	*Static Data*	*Changes in the securities reference data can only be initiated by CSDs.*	*The Securities Reference Database will be exclusively fed with data provided under the responsibility of participating CSDs. Only CSDs will be able to access the Securities Reference Database via the Authorisation Interface. They will be able to check and amend the reference data of the securities that are eligible for settlement in the respective CSD. However, a security can only be issued in its primary issuer CSD. Therefore, the reference data might overlap for securities that are eligible for settlement in more than one CSD, and mechanisms to ensure consistency between these data need to be defined.*	**Karla Amend**	I agree	Security reference data should contain "core" attributes which are maintained centrally and "additional" attributes which can be maintained by each CSD individually in order to e.g. provide value-adding services. The issuer CSD should be the only CSD allowed to update the "core" security reference data attributes for all those securities for which it is acting as "issuer CSD". This updated "core" security reference has to be replicated throughout the T2S system and made available to all those "investor CSDs" or other entities using T2S, which are authorized to subscribe to the relevant reference data. Therefore a reference data authorization concept as well as a concept for invoicing for the provisioning of reference data has to be foreseen. The investor CSDs (or other user of T2S) should be allowed to update the "additional" security reference data attributes; however these "additional" security reference data attributes are only available for the respective investor CSD and are not propagated to third parties outside the sphere of the respective investor CSD. "Additional" security reference data attributes should not be commod	No
13	*Static Data*	*CSD participants' reference data in T2S will be restricted to data required for settlement and auto-collateralisation.*	*The scope of these reference data does not cover the full breadth of participants' reference data to be maintained in a CSD. T2S will only require a subset of these data to be operational, e.g. data on the account set-up, on access rights and authorisation as well as some basic data on the company. Additional data may be required when users are authorised to instruct T2S directly.*	**Karla Amend**	I agree	Participants reference data is "private" reference data of the CSDs which might even be related to the regulatory obligations of the CSDs. Therefore such reference data has to be maintained by each CSD individually based on the individual contractual agreement between the relevant CSD and the relevant participant. Even if one participant is using several CSDs its legal status might be different with each CSD depending on the contractual arrangements. Therefore such information can only be maintained CSD individual. This data should not be made available to other CSDs as this is proprietary customer information of each CSD.	No
14	*Static Data*	*Changes to CSD participants' reference data can only be initiated by CSDs.*	*Each CSD will be responsible for the reference data pertaining to the users of its securities accounts. For users which are participants in more than one CSD, the respective reference data will overlap, and mechanisms to ensure consistency between these data need to be defined.*	**Karla Amend**	I agree	Participants reference data is "private" reference data of the CSDs which might even be related to the regulatory obligations of the CSDs. Therefore such reference data has to be maintained by each CSD individually based on the individual contractual agreement between the relevant CSD and the relevant participant. Even if one participant is using several CSDs its legal status might be different with each CSD depending on the contractual arrangements. Therefore such information can only be maintained CSD individual. This data should not be made available to other CSDs as this is proprietary customer information of each CSD.	No
15	*Static Data*	*For their securities accounts, only the CSDs can change the set-up, access rights and other rules relating to the settlement process.*		**Karla Amend**	I do not agree entirely	It has to be decided, which entity has the responsibility to change reference data regarding Direct access rights.	No
16	*Static Data*	*For their cash accounts, only the NCBs can change the set-up, access rights and other rules relating to the settlement process.*	*All CSD participant categories benefiting from settlement services should be in a position to utilise the same services once T2S is in place.*	**Karla Amend**	I do not agree entirely	From Clearstream's perspective the settlement process, the related securities, etc. must be in governance of the liable CSD. However, it seems that the set up rules are highly cash related and T2C driven.	No
17	*Static Data*	*Reference data on harmonised deadlines and schedules will be maintained in T2S.*	*Once harmonised, these data cannot be changed by CSDs, except by means of addressing a formal change request to the system operator.*	**Karla Amend**	I agree	From Clearstream's perspective, ECB must separate the requirements regarding data explicitly. Differentiation should at least be done between static data, system parameters, reference data as well as data regarding rules and regulation. From Clearstream's viewpoint, Clearstream is the responsible owner of the data and must have the power and control and the ability to change data. (see also: 18). Deadlines should always be under the control of the issuer CSDs. Changes to the reference data may be needed for continuity situations	No

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18	*Static Data*	***Reference data on non-harmonised deadlines and schedules can only be changed by the respective CSD.***	*The deadlines and schedules refer to the non-settlement processing and value-added services of the CSDs, or to their cross-border settlement processing outside T2S. Presumably, these deadlines will differ between different CSDs, as they might want to schedule their value-added services in a different way, or because they might have different deadline agreements with third parties outside T2S, for example with regard to settlement deadlines for cross-border settlement.*	**Karla Amend**	I do not agree entirely	From Clearstream's perspective, ECB must separate the requirements regarding data explicitly. Differentiation should at least be done between static data, system parameters, reference data as well as data regarding rules and regulation. From Clearstream's viewpoint, Clearstream is the responsible owner of the data and must have the power and control and the ability to change data. (see also: 17) The impact of direct access on managing non harmonized deadlines must be clarified	No
19	*Static Data*	***T2S static data shall comply with the relevant ISO standards.***	*T2S static data will comply with all the relevant standards – e.g. for currencies (ISO 4217 currency codes), countries (ISO 3166-1 country codes) and users (SWIFT/BIC Code ISO 9362).*	**Karla Amend**	I agree		No
20	*T2S Time Schedule*	***T2S operating hours will be a sub-period of TARGET2 operating hours.***	*The operation of T2S depends on the availability of TARGET2. The opposite is also true. Being a payment system, TARGET2 needs the securities and collateral services of the T2S platform in order to function smoothly. Therefore, the operating days and hours of T2S will be oriented according to the structure of the TARGET2 day. Presumably, the operating hours will be a sub-period of the TARGET2 ones.* *Harmonisation of operating hours is a precondition for equal treatment of CSDs. Otherwise, there would be differences with regard to access to central bank money liquidity, whereby CSDs that open earlier would have preferred access to liquidity, for example.*	**Karla Amend**	I completely disagree	*The architecture must be sufficiently flexible to allow that different functions or processes can have different business requirements in relation to the operating day. From Clearstream's perspective, the T2S pklatform as a whole should be operating on a 24/7 Basis and the settlement process itself should be operating almost 24 hours on settlement days while allowing for various configurations over weekends and bank holidays. This should be assumed as standard for any transaction platform in the financial industry in 2013.* *The assumption made is that T2S will be processed in a "sub-period of the Target2" hours. Clearstream's position is, that the opposite is required.*	No
21	*T2S Time Schedule*	***The T2S operating day will comprise a night-time settlement period, and a daytime settlement period.***		**Karla Amend**	I do not agree entirely	*The concept of night-time and daytime settlement period is probably an outmoded concept. Settlement is evolving to be a continuous process throughout the settlement day with periodic events designed to optimise settlement efficiency occuring at frequent intervals and especially at the very start and end of the settlement day. It is also becoming accepted practice for the customer to be able to choose when to move cash in or out, whether and when to trigger certain settlement functions (i.e unblocking) or receive reports according to their own operating preferences .Clearstream can not agree on detailed timelines until all relevant processes and procedures are known in detail. However, Clearstream needs to achieve a greater understanding of the full requirements and the dependencies. One has to consider, that not only the CSDs but also their supporting infrastructure providers are involved in the day-to-day process and effects have to be analysed carefully.*	No
22	*T2S Time Schedule*	***The night-time period will start with the change of business day in the evening in line with TARGET2 on the previous day, and will end at 7:00, including a maintenance window. The daytime period starts at 7:00 and ends in line with TARGET2.***		**Karla Amend**	I do not agree entirely	We agree that settlement has to start after the change of the business day. However, Clearstream can not agree on detailed timelines until all relevant processes and procedures are known in detail. Clearstream needs to achieve a greater understanding of the full requirements of the process chain and the dependencies. We will not be able to comment upon the start and end times of the processing day until a greater understanding of the full requirements is known.We need to understand the impact on the flow of securities between CSDs and ICSDs'.	No

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23	T2S Time Schedule	**The use of night-time settlement is optional.**	*The night-time and daytime periods, as well as the change of business day and the change from night time to daytime periods, are in accordance with the respective TARGET2 timings.* *It is proposed that the use of night-time settlement facilities is optional. Each CSD should assess with its users whether they want to opt for night-time settlement. In particular, they should assess whether they would experience any disadvantages by not using night-time settlement compared to markets which already use it. From the user's perspective, it is highly probable that some major markets will continue to offer night-time settlement, which already creates the need to reflect this situation in the business organisation. A situation where all connected CSDs provide this option to their users would be the optimal outcome.*	**Karla Amend**	I do not agree entirely	The objective of an integrated market requires an alignment of opening hours in order to avoid an intraday distortion of liquidity flows and to increase efficiency. Without a mandatory night time settlement of all T2S CSDs, a netting of funding requirements between markets is impossible and an artificially high liquidity consumption is the result. *T2S should consider implementing a settlement discipline which will promote early settlement. In particular, T2S should prevent customers abusing the system. This would be difficoult to implement if night time settlement is optional.*	No
24	T2S Time Schedule	**Internal T2S core settlement deadlines will be harmonised for all CSDs.**	*The system will attempt to settle instructions that arrive before these core settlement deadlines at least once. In particular, this covers the deadlines for same-day DvP and FoP settlement. Internal deadlines refer to deadlines relating to domestic settlement within one participating CSD, or cross-border settlement between two participating CSDs, i.e. still within T2S. Ideally, these domestic and internal cross-border deadlines would not differ.*	**Karla Amend**	I do not agree entirely	*T2S needs to think beyond only the settlement instructions that arrive before a core deadline but also consider optimisation processes related to these deadlines. These optimisation processes, including interaction with CSDs will need further elaboration. In addition,a clean up period in the late afternoon should allow to settle individual specifically agreed transactions to achieve a controlled close down of the business day.This clean-up period will include a number of iterations to include optimisation processes, interaction with CSDs and elimination of backlog transactions and avoidable fails which can arise through chaining.* The harmonisation of deadlines is highly welcome in the respect of the removal of Giovannini Barriers. However, harmonisation of deadlines of all concerned CSDs and their infrastructure providers as well as their different infrastructure must be analysed carefully in respect of a stable and reliable process chain.	No
25	T2S Time Schedule	**CSDs can introduce additional deadlines or cut-off times within the operational hours of T2S, provided that these deadlines do not interfere with the harmonised core deadlines.**	*These deadlines might be settlement deadlines for cross-border settlement with non-participating CSDs. The related arrangements and contracts would be bilateral between the participating CSD and any other CSD, which leaves the possibility that different participating CSDs might have different deadlines. Each CSD should have the flexibility to negotiate different service levels, and T2S should support this. Furthermore, these deadlines can relate to value-added services that are related to settlement but exceed the core T2S settlement scope. Lending services are an example of this, whereby a CSD might want to introduce a deadline making all instructions received up to this deadline eligible for the lending service.* *The only potential restriction for these additional cut-off times and deadlines is that that they do not interfere with the core deadlines, i.e. that they do not restrict the applicability of these deadlines. This means that they must relate to a different business scope, and must be earlier than the T2S core deadlines.*	**Karla Amend**	I agree		No

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26	*T2S Time Schedule*	**CSDs can schedule the interactions with T2S for their non-settlement business freely within the settlement periods of T2S.**	*CSDs will have access to identical functionalities to support their non-settlement business. Nevertheless, they might want to schedule these services at different times or at a different frequency, or to deploy them with a different scope. T2S aims at achieving market neutrality with regard to the design and provision of these services on the one hand, but seeks to provide the necessary flexibility for the CSDs to compete in providing this service on the other. For example, a CSD might want to provide lending services continuously during the day, or only at specific times during the day, or alternatively might decide not to provide them at all. T2S will provide the required flexibility in this regard.* *To do so, T2S will maximise its operating hour availability (see also Section F) for the related interactions (instructions and reports) with the CSDs. Within these hours, CSDs can schedule their services wherever they deem it appropriate. With regard to the service level, T2S will attempt to process the related requests and settlement instructions as fast as possibl*	**Karla Amend**	I agree		No
27	*Matching and Lifecycle Management Functionality*	**T2S will provide a lifecycle management functionality (including matching and instruction maintenance).**	*Lifecycle management is an indispensable part of a securities settlement platform. It covers the lifecycle of an instruction, the different paths through the system that it can take, and the related lifecycle status attached to these paths (validated, matched, unmatched, blocked, settled, etc.). Depending on its current lifecycle status and on the underlying market rules, an instruction will be moved into one of the various functional modules. As already outlined in the T2S Operational Feasibility Study, these include validation, matching, settlement instruction maintenance, settlement eligibility and purging functionalities.*	**Karla Amend**	I do not agree entirely	However, a significant effort will be needed to 1) define the actual transaction types and their respective lifecycles (which will be different) and 2) agree the actual products and services to be available and the impact these will also have on the transaction lifecycle. It also needs to be determined what the transaction lifecycle architecture will be for a) transactions subject to direct input (where there are stages that occur in CSDs/local markets that could be migrated to T2S) and b) transactions input via screen/terminal (where there are specific stages that occur before release). It should also be noted that the CSDs themselves will need to validate before sending transactions to T2S and that if validation in T2S is minimal then the CSDs may be required to perform additional validation. T2S must also clarify to what extent the transaction lifecycle and matching functionality will service a) Transactions input for matching only - for example where settlement is outside of T2S, 'Grey Market' transactions and matching at trade level before splitting into instructions for settlement. b) Transactions input for regulatory reporting purposes only but not for settlement (i.e. FSA Reporting) - Regarding the transaction lifecycle T2S needs to clarify whether functions which could remain at th - T2S needs to elaborate if there are any requirements of a potential future market discipline regime Prematchhing has to be clarified	No
28	*Matching and Lifecycle Management Functionality*	**Lifecycle management and in particular instruction maintenance are real-time processes which are to be continuously available (except for maintenance windows).**	*Users will have the possibility to enter new instructions throughout the day, i.e. without restricting the input to specific periods. The same holds for the maintenance of instructions.*	**Karla Amend**	I agree	Real-time must be taken in the context of end to end processing including CSD processing and enrichment and repair processes. Continuous availability means 24/7. The real-time lifecycle management must be fully synchronised with the account balance coming from settlement. No manual repair or amendment of the instruction by T2S. Connectivity is a key issue in this context. It is noted that all events which occur in a transaction lifecycle must be date and time stamped. - Real-time processes also relate the retrieval of archive information including a complete history of the transaction	No
29	*Matching and Lifecycle Management Functionality*	**T2S will have one harmonised set of settlement eligibility rules.**	*These rules will be identical for all participating CSDs. This is required to ensure equal treatment of all participating CSDs, i.e. to exclude the possibility that different eligibility rules might for example provide preferred access to liquidity. A single cut-off time is needed for submitting and processing DvP settlement instructions in order to ensure a level playing-field for participating CSDs (see also Section II.C).*	**Karla Amend**	I do not agree entirely	In principle I agree. However there may be exceptions in the following cases which will need further examination 1) Instructions directly input by users 2) Instructions for specific business purpose controlled by the CSD or CSD/NCB- i.e. custody based on end of day positions, re-alignment, central bank money operations/collateral management etc.3) Transactions in securities which are not domestic to member CSDs. 4) Transactions in currencies other than the euro. In addition this principle must also be controlled within the settlement algorithm. The rules should also prevent backlog / 'avoidable fails' (balance available at the end of the settlement cycle but no further settlement has taken place). See also possibility of services to include/exclude transactions from settlement which require clarification.	No

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30	*Matching functionality*	***Instructions can either be matched in T2S, or they can enter T2S already matched***	*Matching could be executed either in T2S or at the CSD level. Instructing parties would have the option to choose (limited by the fact that both instructing parties have to designate the same location for matching). Different instructing parties are expected to choose different options depending on their business and operational models. Instructions already matched at the local CSD will enter T2S as matched records of instructions.*	**Karla Amend**	I do not agree entirely	Matching must normally occur at the place of settlement (T2S) and must be verified before transactions enter settlement. In the case of direct input, the CSD may determine that transactions are matched locally but this matching must be verified by T2S before transactions are released for settlement (in practice this may be no more than a basic validation of the content of the transaction file). Under no circumstances should a user, as customer, of the CSD, be able to determine where matching takes place, this must be subject to the control of the CSD based on agreed rules and principles. It should also be noted that transactions for settlement in external settlement systems will be matched outside of T2S and be subject to local market rules. Further analysis is needed concerning matching of FoP transactions and the conditions under which some services will be administerted (e.g splits/partial deliveries, revocable/irrevocable matching and the 'Affirms/Confirms' process).	No
31	*Matching functionality*	***T2S will have one harmonised set of matching rules.***	*The same set of matching rules should apply to all participants, independent of their location, whether or not they instruct directly. This set of rules will be defined in T2S. The recent ECSDA report on matching would be used as the benchmark for establishing these rules. A more comprehensive consultation document will delineate the related proposals in more detail.*	**Karla Amend**	I do not agree entirely	Although ECSDA is a good benchmark we agree that the actual rules require more detailed definition and analysis. Realistically, this could raise further issues that need to be resolved. Harmonisation may mean that there is still the possibility for individual CSDs to configure some functionality, for example, in the case of matching of FoP transactions, by, for example, using different transaction types. It also seems probable that customers may be able to opt to be automatically included or excluded from some activities where matching may be relevant, for example, Irrevocable matching and split transactions. In these cases transaction flags or standing instructions may be used by the customer to as a means to indicate different preferences. We should also note that Harmonisation cannot be enforced in the case of transactions for settlement with external CSDs.	No
32	*Matching functionality*	***Instructions which enter T2S already matched must comply with the T2S matching rules.***	*Matching should follow a minimum set of harmonised rules whether it is taking place on the T2S platform or locally. When matched instructions reach T2S, the matching must comply and will be validated against the T2S matching rules, i.e. the matched instructions must fulfil at least the minimum T2S conditions for proper matching. This does not exclude that CSDs might want to retain additional matching rules for their local matching activities.*	**Karla Amend**	I do not agree entirely	However, matching outside of T2S should be limited to direct input by the CSDs. T2S will need to verify that the already matched transactions are complete. Technically, transactions for settlement in external markets will also be matched outside of T2S and these may not comply with T2S matching rules.	No
33	*Matching functionality*	***Matching is binding in T2S. Matching rules will follow the ECSDA standards.***	*This does not exclude that domestic markets might have different rules for instructions that have not yet entered T2S.*	**Karla Amend**	I do not agree entirely	This is contrary to ECSDA Matching Standard 7 which states that Matching instructions should only become locked-in at the time of the start of the ettlement process. Market consultation has indicated that matching which is binding can deter early customer input. Therefore, matching should allow that 1) transactions can be rematched if subsequently a better match is found (i.e. on tolerance, third party or trade details) 2) customers can unilaterally cancel or amend a matched instruction up until settlement 3) that both customers can optionally request that a matching is irrevocable so that both customers must agree to any cancellation or amendment. 4) Transactions matched for settlement in external markets may not be binding. In principle, we should allow the customer the option to control whether a transaction is liable to be binding (irrevocable) through the use of standing default instructions on an account and the use of transaction flags. We should also note that there is the issue about whether a binding instruction can be blocked from settlement, or not. Cancelation of matched instructions by mutual agreement of the counterparties should be possible	No

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34	*Matching functionality*	**Instructions sent to T2S which are not yet matched will be matched as quickly as possible.**	*It is proposed that unmatched instructions are sent for matching immediately after the validation checks have been performed. Instructions are then proposed for settlement according to their attached settlement date.*	**Karla Amend**	I agree	As quickly as possible' is an inexact criteria. ECSDA Standard 3 stipulates 'real-time and continuous throughout each business day'. It has to be real-time and 24/7.	No
35	*Matching functionality*	**Instructions can be enriched either before or after matching.**	*The processing of settlement instructions in countries with a direct holding structure requires a functionality to perform enrichment. Matching is attempted in T2S, independent of whether the instruction has been already been enriched or not.*	**Karla Amend**	I agree	However, the condition regarding enrichment in the transaction lifecycle are to be defined. Any enrichment relevant to the counterparty must be agreed and/or reported. The situation regarding novation or splitting of a trade (i.e. re a broker/client (s) needs further elaboration. We must avoid that enrichment entails unauthorised changes to the transaction, say in repairing an invalid instruction. T2S must be able to handle standing instructions for settlement over accounts which are not part of the actual matching (i.e. direct settlement to a different account). One aspect of transaction enrichment is the instruction / transaction reference. The instruction must carry the reference of the customer inputting the instruction, the reference of the CSD processing the instruction and T2S own instruction reference. In some cases it may be required also to carry the counterparty reference (or narrative) input by the customer for identification purposes an	No
36	*Matching functionality*	**2S will provide settlement allegement functionality.**	*In case an instruction cannot be matched in T2S, it will provide a functionality to inform the expected counterparty of the alleged missing settlement instruction through settlement allegements.*	**Karla Amend**	I agree	ECSDA Standard 16 states 'Matching standards, attributes and availability of data should also be available for counterparty trade allegements'. It must be available in real-time although customers may choose to process this in batch mode. T2S should also be able to organise reporting of unmatched transactions and allegements to show 'possible/near matches'.	No
37	*Settlement Functionality*	**T2S will provide a functionality for sequencing instructions, for provisioning them, for executing debits and credits on the securities and the cash accounts, for fails management and recycling, and for optimisation.**	*This defines the general scope of services to be provided. In this consultation paper, some fundamental proposals on the proposed settlement functionality are presented. In the forthcoming detailed market consultations, the exact functionality will be further elaborated.*	**Karla Amend**	I do not agree entirely	From Clearstream's perspective, T2S should provide functionality for managing transactions flows (e.g. linking transactions).	No
38	*Settlement Functionality*	**T2S will provide a common set of rules for sequencing and prioritisation which will apply to all participating CSDs.**	*Sequencing and prioritisation rules must be fully harmonised across all participating markets. This is required to ensure equal access to liquidity across all participating markets. Differences in sequencing rules could create situations which could be interpreted as giving preferential treatment to some participants or CSDs, and must therefore be avoided.*	**Karla Amend**	I do not agree entirely	From Clearstream's perspective, T2S should provide a toolbox for sequencing and prioritisation but not impose the same usage of this toolbox to each CSD. It needs to be defined and clariefied what is meant by "forcing" in the operational feasibility study.	No

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39	*Settlement Functionality*	**T2S shall have common settlement process for all participating CSDs.**	*This process will cover settlement processing in all participating CSDs. It is not foreseen to introduce specific settlement processing, e.g. specific optimisation runs at particular points during the day that would only apply to a subset of all participating parties. Instead, the settlement process will be applicable to all parties. Furthermore, all participants will use the same core settlement functionality for sequencing, provisioning, optimisation and recycling. This does not however exclude that some specific functionalities might have to be provided. For example, the auto-collateralisation functionality could need to be implemented via repo or pledge mechanisms. This is imposed by different legal set-ups,.Other examples of differences would be settlement on end-user accounts, which requires a specific functionality for enrichments or corporate actions. Here the functionality would be available to all markets. This service would not however be useful for markets which do not settle on end-user accounts.*	**Karla Amend**	I agree	Clearstream agrees. However, this approach requires continuous optimisation to cater for the timing differences between CSDs of processes requiring provisioning across multiple accounts in the context of collateral management and securities lending. One has to consider different types of transactions, processes and services. These differ from CSD to CSD.	No
40	*Settlement Functionality*	**T2S will provide a common set of rules for recycling which will apply to all participating CSDs.**	*Recycling rules must be fully harmonised across all participating markets. Again, this is required to ensure that all participating markets are treated equally. Situations where instructions from different markets would be treated with different service levels for recycling, for example, could be interpreted as treating some participants preferentially and must therefore be avoided.*	**Karla Amend**	I do not agree entirely	Recycling rules differ from type of transaction (SA-trades; OTC, etc)	No
41	*Settlement Functionality*	**The settlement model will support auto-collateralisation. This functionality is available for all participating markets.**	*This implies that auto-collateralisation will be introduced in the markets which currently do not have this functionality. Collateralisation of stocks and flows will be supported. Although it would be preferable to provide auto-collateralisation based on one legal model, presumably two different models will need to be supported: Repo and pledge mechanisms.*	**Karla Amend**	I agree	Collatarisation of stocks has an implication on custody(to be analysed)	No
42	*Settlement Functionality*	**The optimisation functionality will comprise multilateral technical netting algorithms that cover at least back-to-backs, circles, chains, nettings across all instructions with one ISIN, as well as nettings over all eligible instructions.**	*Technical netting over all eligible instructions (for a single ISIN as well as for all ISINs) will extend across all participating CSDs, including T2S internal cross-border trades. The algorithms to be used for optimisation, as well as the level of depth and sophistication to be used, will be elaborated in the subsequent consultation phase. The optimisation functionality will cater for the specific settlement requirements of central counterparties (CCPs).*	**Karla Amend**	I agree	The optimisation functionality should feed into the CSD's security lending services	No
43	*Settlement Functionality*	**T2S will aim to settle instructions as early as possible.**	*Instructions which are eligible for settlement will be attempted as early as possible. This includes attempting to settle all instructions relating to T+X settlement in the night-time settlement period, if possible. Furthermore, eligible instructions that arrive during the daytime will be attempted as soon as possible (i.e. in real-time during the real-time period).*	**Karla Amend**	I agree	This proposal should not be seen as contrary to the ECSDA matching standards requiring a hold / release option for settlement instructions	No

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44	Settlement Functionality	The multilateral technical netting algorithm pursuing netting over all eligible instructions will be processed at least three times per day: at the start of night-time processing, before the end of night-time processing, and before the end of daytime processing.	The first technical netting run will aim at settling as many instructions at the beginning of the night-time processing period as possible. The other technical nettings will be introduced to maximise settlement efficiency both at the end of the night-time settlement period and at the end of the daytime period.	Karla Amend	I do not agree entirely	This approach requires continuous optimisation to cater for the timing differences between CSDs of processes requiring provisioning across multiple accounts in the context of collateral management and securities lending. From Clearstream's perspective optimisation only 3 times per day is insufficient. Furthermore a continuous netting cycle should be implemented. There seem to be inconsistencies with proposal 49.	No
45	Settlement Functionality	The settlement model will be deployed in two modes, a real-time mode, and a batch mode. The batch settlement mode will be used for full netting runs.	In the time intervals between the batches, the real-time process will run. The real-time mode will provide settlement functionality with netting restricted to a subset of instructions.	Karla Amend	I agree		No
46	Settlement Functionality	Failed instructions will be continuously recycled throughout the settlement day.		Karla Amend	I agree	Recycling rules differ from type of transaction (SA-trades; OTC, etc)	No
47	Settlement Functionality	T2S will support shaping and partial settlement functionalities.	Rules defining shaping and partial settlement will be harmonised amongst the CSDs participating in T2S. This might apply in particular to CCP settlement instructions, which will include the possibility to use shaping with harmonised thresholds.	Karla Amend	I do not agree entirely	Partial settlement should be optional, depending on the transaction type	No
48	Settlement Functionality	Instructions which did not settle at the end of the settlement day may be carried over into the next settlement day and reattempted.	Not only should new instructions settle as early as possible, but also instructions that failed at the first attempt but where a second attempt might be successful. Recycling does not stop at the end of the settlement day. All instructions which are still pending may be carried over into the next settlement day when they can be reattempted.	Karla Amend	I agree	A maximum number of recycling days for an instruction should be defined. Recycling rules for CCP settlement can be different from standard recycling	No
49	Settlement Functionality	T2S will attempt optimisation throughout the day.	The objective is to settle instructions as early as possible, and therefore to provide a high level of optimisation even on an intraday basis. This implies that the optimisation functionality is not purely switched at a few specific times during the day, but that the system will rather attempt optimisation at various levels of sophistication throughout the entire T2S day.	Karla Amend	I agree	This proposal seems to be inconsistent with the "netting" proposal 44 which says that optimisation will only happen 3 times a day.	No
50	Settlement Functionality	T2S will provide the functionality to perform cross-border settlement between all participating CSDs.	Functionally, the process of settlement through CSD links will be internalised within T2S. From a technical point of view, all steps of the provisioning, booking and reconciliation processes will be effectively processed simultaneously within a single platform. The decision whether to use these services and to act as an investor CSD is at the discretion of each CSD. Functionally, when deciding to act as an investor CSD for a certain category of securities, the CSD in question will make these securities eligible for settlement on its participants' accounts through a change in securities reference data.	Karla Amend	I agree		No

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51	*Settlement Functionality*	**T2S will provide functionality for cross-border settlement links between participating and non-participating CSDs.**	*The exact processes needed to perform these settlement activities have to be elaborated in the subsequent consultations. From the perspective of scope, it would be desirable to cover existing arrangements between CSDs with as few processes as possible, and optimally through a minimum set of common harmonised processes. The legal set-up of these links is, however, based on a bilateral agreement between involved CSDs. Furthermore, the participating CSDs might want to compete with regard to access to nonparticipating CSDs. The optimum balance between harmonising the service and keeping the flexibility to compete is one of the open topics that need to be resolved in the detailed consultation process.*	**Karla Amend**	I agree		No
52	*T2S Interfaces*	**T2S will provide interfaces to users and CSDs. Users will be able to input, query, maintain settlement and cash instructions and to query balances. In addition, CSDs will be able to update static data and to provide settlement reporting.**	*The scope of the cash instructions covers the cash settlement that relates to settlement activities and the asset-servicing business of the CSD, e.g. interest payments or market claims processing. TARGET2 payments lie outside the scope and are covered by TARGET2 interfaces. Similarly, cash transfers will be processed through TARGET2.*	**Karla Amend**	I do not agree entirely	Clearstream's position is that CSD's will also need updates when status of a life cycle changes - i.e. rather than issuing a query against all messages CSDs may need updates to be "pushed" out by T2S. Ditto changes in positions (cash and securities). The text mentions "queries" which may not be sufficient - messages will need to be generated. The interface must be able to transfer the transaction status	No
53	*T2S Interfaces*	**Only CSDs will be allowed to update and change static data through the Authorisation Interface. Non-CSD users can perform read-only queries.**	*The data to be maintained through these interfaces legally belong to the CSDs, and therefore only the CSD should be allowed to change them. Users will receive limited read-only access to query the data pertaining to their account set-up, as well as some basic securities reference data.*	**Karla Amend**	I do not agree entirely	Clearstream asks to provide more information about how non CSD participants may be notified of changes made to the static data. The allocation and prioritisation of cash liquidity use by different activities within a CSD should be under the responsability of the CSD.	No
54	*T2S Interfaces*	**Only NCBs are allowed to update and change cash account static data through the Authorisation Interface.**	*The data to be maintained through these interfaces legally belong to the NCBs, and therefore only the NCBs should be allowed to change them.*	**Karla Amend**	I do not agree entirely	From Clearstream's perspective the settlement process, the related securities, etc. must be in governance of the liable CSD. However, it seems as if the rules are highly cash related and T2C driven.	No
55	*T2S Interfaces*	**T2S interfaces will allow CSD participants to access T2S directly. Access is granted by the CSDs for settlement processing pertaining only to their accounts in T2S.**	*In case a customer has accounts with more than one CSD and opts for direct access, this access must be granted separately by each CSD where the customer has opened accounts. The access rights are then restricted purely to settlement that refers to these accounts. For example, a customer with direct access in one CSD can only directly query balances held with the respective CSD, and instructions that are supposed to settle on the securities accounts belonging to this CSD.*	**Karla Amend**	I do not agree entirely	Clearstream asks for more information, esp. whether separate access permissioning will be given for instruction matching status checking and those for other settlement and position queries. T2S shall allow users to have direct technical access to its platform under the conditions that T2S (1) will perform all relevant validations defined by the CSD, (2) will inform the CSD immediately on all transactions for which the CSD is legally responsible, (3) enables the CSD to step into the process if deemed necessary due to its legal obligations or other procedural reasons, (4) fulfils all legal, regulatory and supervision reporting requirements on behalf of the CSD for whch the CSD is responsible, (5) facilitates potential auditing and inspection rights by third parties to which the CSD is obliged. The CSD should have the option to configure the access resp. the user rights.	No
56	*T2S Interfaces*	**T2S interfaces shall be continuously open to accept new instructions, queries or requests throughout the T2S day (except during maintenance windows).**	*This is required to ensure maximum flexibility to users as well as to CSDs with regard to the input of instructions, to queries, as well as to the scheduling of interactions relating to non-settlement business of the CSDs.*	**Karla Amend**	I do not agree entirely	There may be some inconsistencies to proposal 20	No

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57	T2S Interfaces	Specific queries, instructions and requests to support the non-settlement business processing of the CSDs shall be made available to the CSDs through the instructions and balances interfaces. This functionality is only available for CSDs.	This relates to interactions required for processing corporate actions, primary market activities, lending and borrowing business, collateral management and other non-settlement business such as billing, where either information on balances or instruction status or settlement activity is required. The exact queries, instructions and requests will be defined as part of a detailed technical consultation. It has to be verified whether access should be granted to non-CSDs as well to the functionality required to support non-settlement processing. For example, corporate actions might be directly processed by a paying agent, and not by the CSD. The potential implications of this will be assessed in the consultation phase.	Karla Amend	I agree		No
58	T2S Interfaces	All T2S interfaces shall allow for user-to-application (U2A) as well as for application-to-application (A2A) interaction.		Karla Amend	I do not agree entirely	Clearstream can not comment the statement, due more details regarding the interfaces must be provided.	No
59	T2S Interfaces	T2S interfaces will be based on ISO 15022, ISO 20022, or any subsequent relevant standards, as well as on the proprietary XML messages implemented in the TARGET2 ICM/ASI.		Karla Amend	I do not agree entirely	Clearstream questions why there are different formats used for developing the interfaces.	No
60	Non-functional High-level Proposals of T2S	T2S shall be able to handle a daily average settlement volume of 2.1 million settlements per day.	This figure is based on the assumptions made in the feasibility study.	Karla Amend	I do not agree entirely	Clearstream is not able to comment the figures of the feasibility study. Overall, T2S must be able to the sum of all expected transactions of all connected CSD plus a buffer. A contingency plan must be in place. It should be foreseen to cover peak-loads.	No
61	Non-functional High-level Proposals of T2S	T2S shall be able to handle settlement peak day capacities without degradation of service levels.	Peak day capacity is defined as 200% of the average settlement volumes in the euro area. Peak days primarily relate to the input of instructions. Secondary requirements arise through the need to store and maintain these instructions up to the settlement date (typically T+3), and then finally to settle them.	Karla Amend	I do not agree entirely	Capacity is also determined by the period of time historic instructions and positions are to be made available for - this needs to be defined (see also point #65). Further the volume of expected current and historic static data to be held needs to be defined/understood	No
62	Non-functional High-level Proposals of T2S	T2S capacity shall be sufficient to cover the settlement volumes of peak hours.	The peak settlement demand per hour will be defined in accordance with the distribution of volume between the night-time and daytime activities, after consulting the market.	Karla Amend	I do not agree entirely	Clearstream is not able to comment the figures of the assumption. Overall, T2S must be able to the sum of all expected transactions of all connected CSD plus a buffer. A contingency plan must be in place. It should be foreseen to cover peak-loads.	No
63	Non-functional High-level Proposals of T2S	Concurrent TARGET2 peak hours shall not affect service levels in T2S.	The system should be sized in such a way that it can cover concurrent peak hours of both TARGET2 and T2S.	Karla Amend	I agree		No
64	Non-functional High-level Proposals of T2S	The operator of T2S will provide IT operations support.	Settlement business support will remain with the CSDs, as per the general principles delineated above. This set-up has already been described in the Operational Feasibility Study. The more detailed consultation will define the technical monitoring tools that CSDs will be provided with, as well as the role and responsibilities of the operator of T2S in contingency situations.	Karla Amend	I agree		No
65	Non-functional High-level Proposals of T2S	T2S shall provide archiving functionalities.	In particular, archiving functionalities shall allow CSDs to fulfil their regulatory obligations. Online data storage will be provided. Detailed archiving functionalities will be further elaborated upon.	Karla Amend	I agree	Archiving functionalities need to be further discussed both the archive access period and access method(s) as well as the range of data to be held for the "current" data, including the lifecycles.	No

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66	*Non-functional High-level Proposals of T2S*	*Migration to T2S will be performed on a market-by-market basis.*	*This is considered as preferable to the alternative migration path, whereby migration would be performed on an asset class - by - asset class basis. In the latter case, duplicate infrastructures would have to be maintained in the migration phase on all involved markets. The general migration approach will follow the approach taken in the case of TARGET2, whereby migration will be performed in several groups, with each group migrating as a whole to the new system, followed by the next group a few months later.*	**Karla Amend**	I agree	Clearstream agrees. However, Clearstream asks to get more information about this proposal. The criteria for the timeframe, the method and the sequence of migration must be defined.	No
67	*Non-functional High-level Proposals of T2S*	*Harmonisation and standardisation decisions shall be guided by the principle of minimising the overall market impact*	*Where harmonisation is introduced, a balance should be struck between solutions that limit the changes imposed on the different markets and those that support an efficient centralised platform. On one hand, there are currently local requirements which cannot be discarded. On the other hand, the solutions and functionalities to be provided by T2S must be harmonised to the greatest extent possible. It would be complex and costly to develop a common platform that contains all local functionalities which may have been developed for specific purposes in different historical backgrounds. Such functionalities may where necessary be developed and offered as optional services. However, where possible a harmonised procedure is preferred that aims at promoting market interoperability and integration. Such a policy will also enhance users' possibilities to streamline their post-trading operations across the EU.*	**Karla Amend**	I agree	Clearstream agrees to the objective expressed. However it must be recognised that flexibility by CSD is a prerequisite. Therefore a governance and decision process for such decision must be implemented.	No