

### 1.1.1.1 Configuration of Securities CSD Links

Once the responsible CSD has created a new security in T2S, data defining the eligibility of this security for cross-CSD settlement and external-CSD settlement must be configured in T2S, i.e. enabling T2S to process Settlement Instructions where the two involved counterparts belong to different CSDs (external-CSD settlement scenario involves at least one CSD not participating in T2S). For a given Settlement Instruction, irrespective of the scenario, a CSD can be:

The issuer CSD, when it is the CSD in which the security was issued and distributed on behalf of the issuer;

The investor CSD, when it is the CSD of at least one of the two counterparts; or

Both, when it is the CSD in which the security was issued and the CSD of at least one of the counterparts.

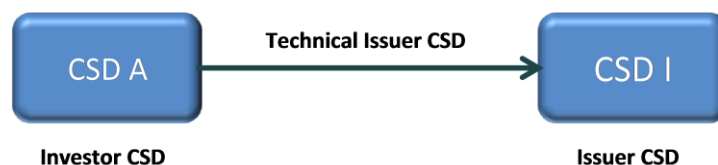
In this respect, each investor CSD has the choice between:

- I Opening one (or more) omnibus account(s) (See section [Securities accounts](#) [▶ **Error! Bookmark not defined.98**]), reflecting the holdings of its participants for the given financial instrument, in the books of the issuer CSD or
- I Opening one (or more) omnibus account(s) in the books of any other CSD being already an investor CSD for the same financial instrument.

In both cases, the CSD where the omnibus account is opened is defined as the technical issuer of the investor CSD for the given financial instrument. This is the reason why each investor CSD has to define, for each financial instrument it intends to define as eligible for settlement, the technical issuer CSDs for this financial instrument. This results in the creation of a [default and/or alternative link\(s\)](#) between the investor CSD and its technical issuer CSD(s) for a given financial instrument. For a given investor CSD, the technical issuer CSD may be different for each security, being in most cases the issuer CSD of the securities.

The following diagram illustrates the basic scenario in which an investor CSD (CSD A) defines the issuer CSD (CSD I) of a given financial instrument as the technical issuer CSD for that instrument. This results in the creation of a direct [default](#) link between the two CSDs:

**DIAGRAM 5\_- DIRECT [DEFAULT](#) LINK BETWEEN INVESTOR CSD AND ISSUER CSD**



[It is also possible that an investor CSD creates alternative links for the same financial instrument of Diagram 5 defining different technical Issuer CSDs. This link should be used in case it is not possible to build the realignment chain via default links, or if the default links reach an external CSD or two different issuer CSDs \(multi-issuance scenario\). Only one link, whether default or alternative, can be set up towards a given technical issuer CSD for a given investor CSD and a given ISIN.](#)

[As an alternative](#)In addition, the Investor CSD may define any other Investor CSD (for the same financial instrument) as its Technical issuer CSD. E.g., in the example illustrated in [Relayed link between investor CSD and issuer CSD](#) [▶ 281], CSD A (Investor CSD) defines CSD B (Investor CSD) as its Technical Issuer CSD [via a default link](#). In the same manner, CSD B defines CSD I (Issuer CSD) as its Technical Issuer CSD [via a default link](#). As a result, CSD A establishes a relayed link with CSD I. The relayed link chain may consist of

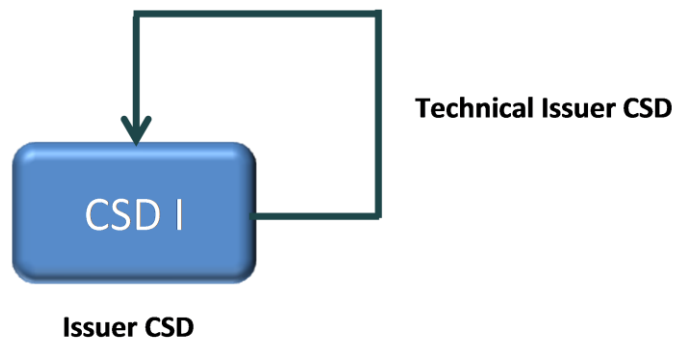
one or more intermediary CSDs between an Investor CSD and an Issuer CSD. Each intermediary Investor CSD is defined as a Technical Issuer CSD for the previous element of the relayed link chain.

**DIAGRAM 67 - RELAYED DEFAULT LINK BETWEEN INVESTOR CSD AND ISSUER CSD**



In this respect, the issuer CSD of a given security can be considered as being its own technical issuer for this security from a technical set-up point of view:

**DIAGRAM 78 - TECHNICAL ISSUER CSD OF AN ISSUER CSD**

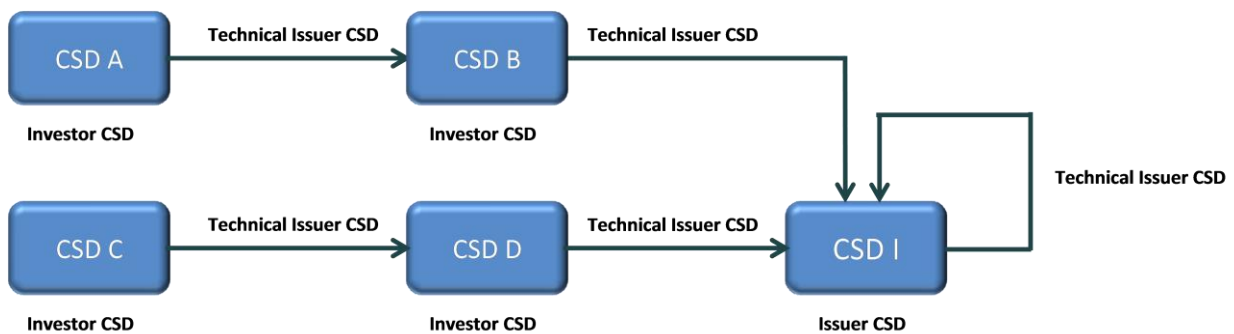


Note that for this configuration the Issuer CSD does not need to define an additional Security CSD Link defining itself as Investor and Technical Issuer at the same time. Defining itself as Issuer automatically implies that the CSD also acts as Technical Issuer for itself.

In this case, the account reflecting the holdings of its participants is the issuance account (See section [Securities accounts](#) [▶ **Error! Bookmark not defined.98**]). When linking itself to a security, the issuer CSD can optionally specify one or more of its issuance accounts and one or more of the issuance accounts of its CSD participants for the same security. If any Issuance accounts of the issuer CSD are specified, one of them must be selected as the default Issuance account to be used for realignment for the given link.

The rest of this section provides a couple of examples of configuration of investor-technical issuer links between CSDs. The first two examples refer to default links, while the last one to an alternative link.

**EXAMPLE 136 - CONFIGURATION OF INVESTOR-TECHNICAL ISSUER DEFAULT LINKS BETWEEN CSDs (A)**

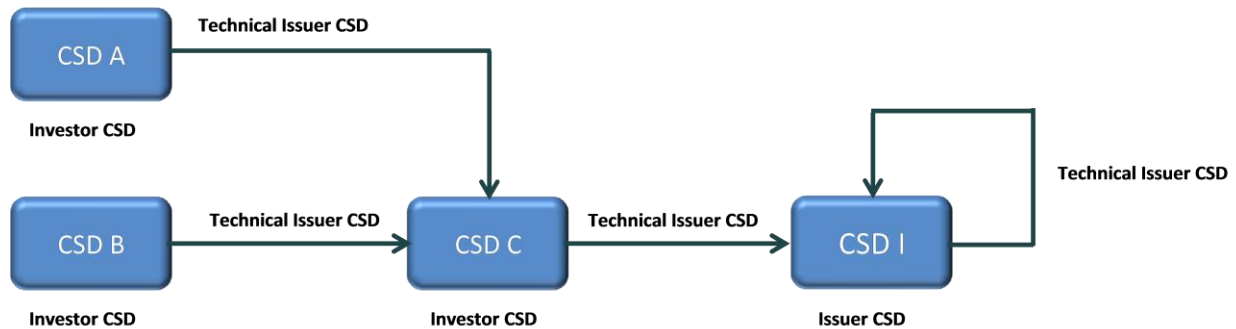


As shown in the example, CSD B and CSD D, investor CSDs for a given financial instrument, both define CSD I, issuer of the same instrument, as technical issuer CSD for this instrument. This results in the creation of two direct links between CSD B and CSD I and between CSD D and CSD I, respectively.

On the contrary, CSD A and CSD C, investor CSDs for the same financial instrument, define CSD B and CSD D respectively, both already defined as investor CSDs for the same instrument, as technical issuer CSD for this instrument. This results in the creation of two links between CSD A and CSD B and between CSD C and CSD D and, consequently, in two relayed links between CSD A and CSD I and between CSD C and CSD I, respectively.

Finally, as explained before, CSD I, as issuer CSD for the given financial instrument, is also by definition its own technical issuer CSD for the same financial instrument.

**EXAMPLE 237 - CONFIGURATION OF INVESTOR-TECHNICAL ISSUER DEFAULT LINKS BETWEEN CSDs (B)**

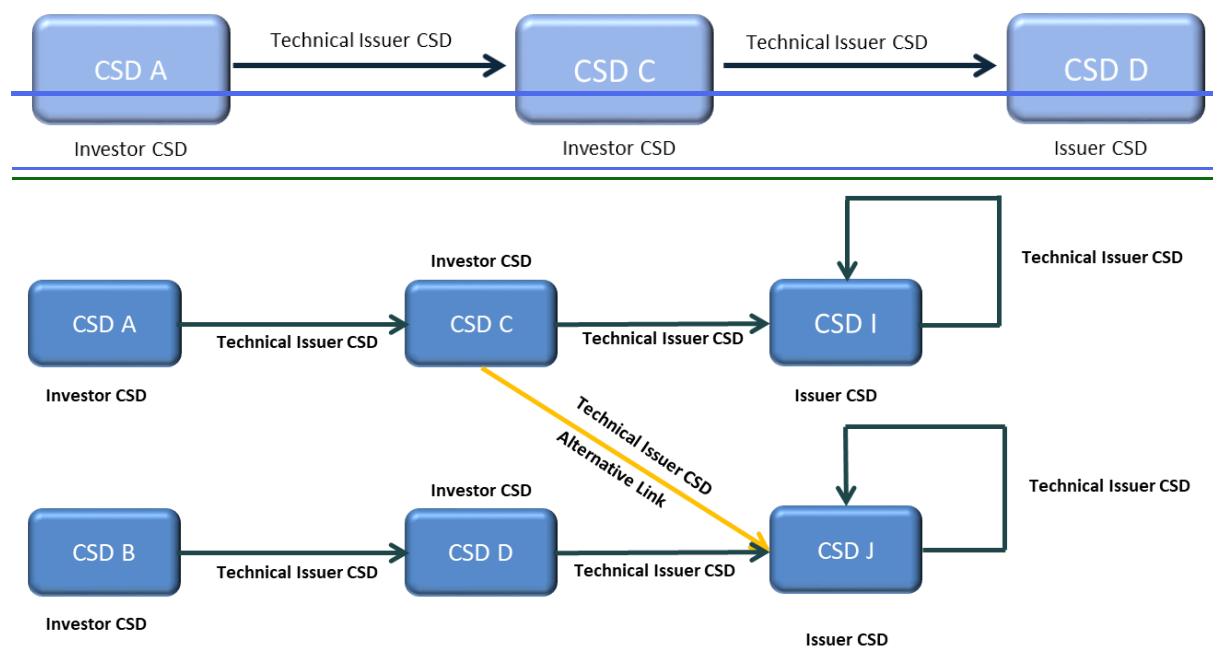


This second example shows a similar configuration of links, the only difference with respect to the previous example being that only one direct link exists between an investor CSD and the issuer CSD for the given financial instrument, i.e. the link defined between CSD C and CSD I.

As to CSD A and CSD B, they are defined as investor CSDs and have the same technical issuer CSD, i.e. CSD C, already defined as investor CSD for the same financial instrument. This results in the creation of two links between CSD A and CSD C and between CSD B and CSD C and, consequently, in two relayed links between CSD A and CSD I and between CSD B and CSD I, respectively.

Again, CSD I, as issuer CSD for the given financial instrument, is also by definition its own technical issuer CSD for the same financial instrument.

**EXAMPLE 38 - CONFIGURATION OF INVESTOR-TECHNICAL ISSUER DEFAULT AND ALTERNATIVE LINKS BETWEEN CSDs (C)**



This third example shows the case of alternative links. On the one hand, CSD A is defined as investor CSD having CSD C as technical issuer CSD via a default link. In the same manner, CSD C defines CSD I (Issuer CSD of the financial instrument) as its Technical Issuer CSD via a default link, but also defines CSD J as technical issuer CSD via an alternative link.

As a result, there are two possible chains based on default links, one from CSD A to CSD I, one from CSD B to CSD J. If CSD J is the counterpart of CSD A in the business settlement instructions, then T2S gives the preference to the alternative link, avoiding the complex configuration of double issuance.