

# **T2S Consultation Paper: General Principles and High-Level Proposals for the User Requirements:**

## **A response from the Association of Private Client Investment Managers and Stockbrokers**

The Association of Private Client Investment Managers and Stockbrokers (APCIMS) is the organisation that represents those firms in the UK who act for the private investor and who offer them services that range from no advice or execution-only trading through to portfolio management for the high net worth individual.

The majority of APCIMS member firms are members of CRESTCo (Euroclear UK & Ireland from 1 July 2007) and are currently involved in the Euroclear harmonisation project. I attach a list of our member firms for your information.

APCIMS has completed the Excel spreadsheet on the various high-level functional proposals and this is attached. In addition we would like to highlight the following general points as well as comments on the 20 principles outlined in the ECB's consultation.

### **General comments**

- The ECB's primary current role is to oversee EU monetary policy. The development of T2S as an IT settlement service brings with it a new role for the ECB. Currently regulation of CSDs is overseen by their domestic regulators. Who will oversee the regulation of T2S?
- T2S is a potential outsourced settlement solution. We are concerned that a number of proposals within the consultation paper will result in duplication between T2S and the CSDs and therefore lead to additional complexity, inefficiency and additional cost. Proposals 9, 11, 50 are all examples;
- APCIMS member firms are particularly concerned about the potential impact of T2S on Euroclear's harmonisation project and potential impact on costs for UK firms who will be using its non-Euro denominated settlement system. There are also the potential implications for the existing CRESTCo Euro denominated settlement service.

## **Comments on the 20 principles**

**Principle 1: The Eurosystem shall take responsibility of delivering T2S by assuming full ownership, and by undertaking the development and operation of the platform.**

Further details on what is meant by “fully owned and operated by the Eurosystem” would be helpful along with the structure to be defined by the Governing Council.

**Principle 3: T2S shall not involve the setting up and operation of a CSD, but instead will serve only as a technical platform for providing settlement services to central securities depositories (CSDs).**

Whilst it is clear that T2S is intended purely as an IT settlement service, there needs to be clarification in respect of, for example, corporate actions that involve both a T2S and non-T2S currency (such as the Euro and Sterling).

**Principle 5: The T2S service shall allow CSDs to offer their participants, at a minimum, their current level of functionality and coverage of assets.**

Whilst the objective of T2S is to provide a level of functionality that frees CSDs from maintaining securities balances on a separate platform, this will not be possible for those CSDs such as Euroclear who settle in non-Euro denominated currencies (assuming that Euroclear joins T2S).

**Principle 10: T2S shall be technically capable of settling currencies other than the Euro.**

Whilst T2S will in time be technically capable of providing settlement in non-Euro central bank money what are the implications for those CSDs that settle trades in both Euro and non-Euro in respect of the same ISIN?

**Principle 11: T2S shall allow users to have direct technical access to its platform.**

Allowing users to have direct technical access to the platform appears to be duplication of effort on the part of CSDs which is inefficient and could result in increased costs for participants?

**Principle 14: All CSDs connecting to T2S shall have equal access conditions.**

Whilst we welcome provision of a single, transparent and publicly available fee schedule, what are the implications for participants' overall fees paid to CSDs? Is there not a danger that the costs of settlement will increase as a result of this additional leg in the process? This will be a major issue to be fleshed out if the ECB decides to proceed to the next stage of this project.

**Principle 17: T2S settlement rules and procedures shall apply to all participating CSDs.**

Whilst this is a worthy objective in principle, the aim of harmonising rules and procedures amongst so many CSDs is an ambitious one. What impact would harmonisation of rules and procedures have on a participating CSD that also continues to provide a service to those participants who settle in non-Euro central bank money?

**APCIMS  
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