

Jean-Claude Trichet: Introductory remarks at the signing ceremony for the T2S Memorandum of Understanding

Speech by Mr Jean-Claude Trichet, President of the European Central Bank, at the signing ceremony for the T2S Memorandum of Understanding, Frankfurt, 16 July 2009.

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Dear Ladies and Gentlemen,

We are gathered here today to mark the signing of a Memorandum of Understanding on T2S between the Eurosystem and the CSDs of Europe for the next stage of the T2S project.

T2S will create a single European, borderless, settlement platform, offering highly secure delivery versus payment for the settlement of securities, using central bank money. By combining cash and securities settlements in one shared platform, it will create a single pool of securities available to market users through their chosen CSD, irrespective of the location of the issuer, the security or the settlement counterparty. As a result, cross-border transactions will become as simple as domestic ones. Through economies of scale, the cost of settlement on both a domestic and cross-border basis will be substantially reduced.

Like an airport servicing various airlines, T2S will provide a basic public infrastructure that can be leveraged by CSDs to offer, for example, a mix of value-added products and services to their customers. By creating a single pool of securities that is accessible from any CSD regardless of its location, it will naturally lead to more competition in the settlement industry, more transparent and efficient pricing, and create new opportunities for cross-border trading venues. On top of this – and this has moved more to the forefront in recent months – through its reduced liquidity needs and its operational robustness, T2S will also contribute to the stability of the financial system. Overall, this dynamic process is likely to create substantial gains for the European financial industry.

Furthermore, by helping to overcome the fragmentation in the European market for securities settlement, T2S reinforces many other European Union initiatives, such as the Code of Conduct for clearing and settlement, the Giovannini harmonisation process and of course the MiFiD Directive. In this way, T2S helps to drive forward the single market objectives set out by the Lisbon agenda.

Today's signing of the Memorandum of Understanding, which sets out the mutual obligations of the Eurosystem and CSDs, brings us another step closer towards realising this goal. The presence here of settlement houses operating not only in the euro area but also from across Europe, is evidence of the widespread support in the market for the project. Not only have the CSDs of all euro area countries signed the Memorandum of Understanding, but also the CSDs of seven EU countries outside the euro area – Denmark, Estonia, Latvia, Lithuania, Romania, Sweden and the UK – and two CSDs from countries outside the EU – Iceland and Switzerland. Furthermore, the CSDs of Denmark, Lithuania and Sweden have – with the consent of their central bank and with the support of their markets – also confirmed their intention to provide for settlement of their national currency in T2S, in addition to settlements in euro.

We are grateful for the support of the CSDs and market participants more widely. This support has helped us to define a product which is fully in line with market needs. I am aware that it translated through all levels of the institutions – political as well as operational levels – and it has generated a momentum which makes me confident that we will also achieve the future milestones of the T2S project in good time.

In the coming months, many of the key decisions will have to be made in preparation for the start of the Development Phase of the project which is scheduled for early next year. The signing of the Memorandum of Understanding will therefore pave the way for these

decisions. We will need to discuss not only the governance of the platform and the contractual relations between the Eurosystem and the CSDs, but also of course the pricing structure. I am confident that the discussions will be as diverse and fruitful as they have been so far, and that today marks another important milestone for the success of T2S project.

Thank you for your attention.