

Peter Praet: The TARGET2-Securities Framework Agreement

Address by Mr Peter Praet, Member of the Executive Board of the European Central Bank, at the event marking the first signatures to the T2S Framework Agreement, Frankfurt am Main, 8 May 2012.

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Ladies and gentlemen,

It is no exaggeration to say that today is a historic date for the T2S project. It marks the end of more than two years of negotiations on the T2S Framework Agreement, one of the most critical legal documents underlying the whole project.

The President reminded us in his address of how important it is to cooperate if we want to achieve our Single Market objectives. T2S is a clear example of the very good cooperation amongst stakeholders in the post-trade industry: as of today, the spirit of the project will move on from negotiation to cooperation. We shall work together with the CSDs to implement T2S – for the benefit of the European financial markets.

I would now like to congratulate the CSDs that signed the Framework Agreement today. They have demonstrated their willingness to adapt to change. They will play a central role until T2S goes live by preparing and conducting the testing of the system, and they will help us to ensure that the operations of T2S run smoothly from the beginning. This is especially true for those CSDs that will transfer their operations to T2S as part of the first migration waves. It is in acknowledgement of this contribution that those CSDs will be entitled to financial incentives reserved for the early joiners. I am delighted to welcome them to T2S.

The CSDs that signed the Framework Agreement today represent about two-thirds of the total settlement volume in the euro area. In addition, several other CSDs are expected to join over the next few weeks, once their feasibility assessments are complete. In total, we expect to reach more than 90% – possibly 100% – of the euro settlement volume by June 2012.

T2S is a truly European project, which is capable of generating great economies of scale and of bringing benefits to its users and to Europe as a whole. It is a network business: the larger the volumes settled in T2S, the more benefits for all of its participants, in terms of cost reduction and collateral savings. A large participation in T2S will also result in a wide harmonisation of practices and procedures across Europe – harmonisation, which will, in turn, bring significant efficiency gains for T2S participants.

The close involvement of CSDs has been a crucial factor throughout the project so far, and it will become even more crucial from now on. I wish to join the President in congratulating those who have been involved in the project's governance.

T2S is an entirely new concept. It is unique and nothing comparable has ever been done before. From the inception to the go-live, it will have required the engagement and collaboration of numerous different stakeholders, from the industry, from central banks and from other public authorities. Effective cooperation is key to the success of T2S. Decisions need to take into account several different points of view, while ensuring that the final outcome meets the objectives set in pursuit of deeper market integration in Europe.

This complexity is the reason why we had to develop a specific governance structure to manage the project. Let me dedicate a few words to the governance bodies that have made the T2S Framework Agreement a reality: the T2S Programme Board and the CSD Contact Group.

The T2S Programme Board has run the daily management of the project up to now, regularly reporting to the Governing Council of the ECB. I would like to thank the members of the T2S Programme Board for their dedication and commitment over the past three years. They

have coordinated effectively the several work streams constituting the project and fulfilled the mandate they were given by the Governing Council. They have made an enormous contribution to making the project a success.

My gratitude also goes to the members of the CSD Contact Group, the main forum for the Framework Agreement negotiations, which has played an instrumental role in ensuring that a mutually satisfactory agreement could be reached.

Following the signatures of the T2S Framework Agreement in June, the role of these two governance bodies will be assumed by their successor bodies: the T2S Board and the CSD Steering Group.

In this new phase of cooperation, the T2S Board will concentrate on the implementation and testing of the T2S platform, and then on the CSD migration to the new settlement environment. The CSD Steering Group will articulate and coordinate the views of the participating CSDs within the T2S governance. A major change to the current setting is that the Chair of the CSD Steering Group will be a CSD representative. Together, the two groups will cooperate to make sure that T2S delivers on its promises. I trust they will continue the good work accomplished so far.

I would also like to thank the T2S Advisory Group. In the next phase of the project, this group will retain its important function of ensuring that T2S delivers in line with market needs. The group has provided invaluable advice to the Programme Board and to the Governing Council over the past few years. The level of transparency on the T2S project through the Advisory Group has been – I believe – unprecedented. This has certainly been one of the key drivers of the project's acceptance amongst CSDs, market participants and political authorities.

Finally, I wish to thank the High Level Group T2S as well as the T2S teams both at the ECB and the 4CB. Their work is not always visible, but it is invaluable.

Indeed it is thanks to their work “backstage” that the construction of the T2S platform is well on track. The system is now over halfway to delivery point and the development and testing of the application are proceeding on a firm footing.

On this basis, and with the signature of the T2S contracts, we now have the solid foundations to continue building T2S and to transform post-trading in Europe, making it both more efficient and safer.

We have taken a major step today towards making T2S happen. In years to come, we will see the Eurosystem, participating CSDs, and market participants more widely working together to make this project a success.

Thank you very much.