

31 January 2007



**Target 2-Securities  
Governance of Target 2-Securities  
Comments on ECB Working Document dated 26 January 2007**

Responding to the invitation of DG Payment Systems and Market Infrastructure of 26 January 2007, the European Securities Forum, based on discussions with its members, would like to make the following preliminary comments on the Working Paper 'Governance of Target2-Securities: A Possibility', dated 26 January:

**1. Main principles**

We endorse the four main principles guiding the setting up of the T2S governance framework.

**2. Feedback from the market**

- As outlined in our comments on the feasibility study of 19 January 2007, the possible **co-financing** of T2S by the market and the idea of a separate legal entity for T2S are in our view important questions to be explored further at a later stage, i.e. subsequent to the decision on the scope and the structure of T2S.
- Nevertheless, it would be helpful in this context to learn whether the decision of the Governing Council in regard of full ownership and operation of T2S by the Eurosystem mentioned in 3. of the Working Document could be revised at all. Without this being a real option, the question of a possible co-financing of T2S by CSDs or market users would not need to be pursued.
- In any case we think it is vital for market acceptance of the project that the linkage between financing, risk-taking and decision making is fully explained.
- As we believe that the likely impact of the T2S project on the post trading landscape in Europe is substantial for **both CSDs and their users**, we take the view that both constituencies should adequately be involved in the decision-preparing process.

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### 3. A possible governance framework

- We therefore agree in principle with the proposed set-up of the **Advisory Group**, in particular with combining therein the representatives of Central Banks, CSDs and market participants. As indicated, this would also provide for the possibility to have specific issues dealt with in smaller sub-groups with representatives of the relevant constituencies.
- However, we disagree with the proposed **designation of market participants** by the three European Credit Sector Associations. We believe that organisations like the European Securities Forum, representing major international banks – investment banks, universal banks, regional and global custodians – operating in the European securities markets, are better qualified to designate such representatives than the European Savings Banks Group or the European Association of Co-operative Banks whose core business is hardly focused on securities markets. We would like participants with an in depth knowledge of the international securities business as well as securities industry associations to be included in the Advisory Group, i.e. a representation similar to the CESAME Group.
- We welcome the proposed **High Level Group** and the possibility to address its views directly to the Governing Council. However, we take the view that (i) this should be **one group** of very senior executives from both the CSDs and market participants and (ii) **securities industry organisations** rather than credit sector organisations should be mandated with nominating the representatives of market participants.

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