10 January 2007

Target 2-Securities

Assessment of importance of individual aspects of the impact analysis contained in the Economic Part of the Feasibility Study
Additional input for the Pre-Project Team of the European Central Bank

The ESF deems the following aspects of the impact analysis very important or important; elements deemed of lesser importance are not listed.

- **Impact of T2S on the efficiency of post trading in Europe as a whole**
  - comparison of T2S cost benefits vs. comprehensive costs of change at the level of CSDs and market participants: *very important, should be quantified to the extent possible*
  - promotion / enforcement of harmonisation and standardisation through T2S and the influence of the ECB including the removal of the nine Giovannini Barriers for which public sector is responsible: *very important*
  - impact on post trading efficiency of consolidation and competition at the levels of (i) trading, (ii) CSDs, (iii) CCPs: *important*

- **Impact of T2S on the Eurosystem**
  - change of risk profile caused by (i) project risks, (ii) operational risks, (iii) systemic risks, (iv) securities lending activities (‘failed lending’): *important*

- **Impact of T2S on CSDs**
  - cost of change to T2S environment vs. cost reductions resulting from decommissioned settlement functionality: *very important, should be quantified*
  - risk of delaying implementation of solutions aimed at dismantling Giovannini barriers: *important*
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- Adverse change of risk profile caused by adding services across multiple markets: **important**

- Increase of market share as a result of (i) increased service offering across multiple markets, (ii) consolidation at CSD level: **important**

**Impact of T2S on market users**

- Cost of change to T2S vs. cost reductions resulting from lower settlement fees for domestic and cross border transactions: **very important, should be quantified**

- Benefits from increased competition between CSDs / ICSDs / agent banks: **very important**

- Benefits from accelerated process of harmonisation and standardisation: **very important**