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Comments on the T2S Consultation Paper

The Norwegian Central Securities Depository (VPS) would like to give some comments related to possible consequences regarding participation in T2S may have for the Norwegian market. We also refer to previous feedback from the Norwegian market regarding high-level proposals for the user requirements.

We have the understanding that one of the main rationale to establish T2S is to reduce the settlement costs, especially for cross border settlement. The Eurosystem's proposal to establish T2S is to achieve an efficient and integrated securities infrastructure to contribute to the development of a more efficient Euro market infrastructure. As far as we can see the proposal gives CSDs an opportunity to use the T2S settlement services for clearing and settlement and operation of the securities account system.

A key characteristic of the Norwegian securities infrastructure is the single investor account setup which provides the backbone of a number of current very efficient "end-to-end" value chain functionalities. We are concerned how this infrastructure may play together with the T2S in order to allow us to maintain at least the current level of functionality.

VPS operates approximately 1.5 million investor accounts. On their accounts, investors may keep holdings of various financial instruments, including securities that are not part of the central settlement system, like mutual funds. All corporate actions take place at the end-investor level. Restrictions to ensure limited rights, like collateral, may be put on accounts, or limited to holdings or fractions of these. On a daily basis, approximately 120,000 transactions, involving 12,000 investor accounts, are carried through the system. Banks and brokers take part in the central settlement system of the Central Bank of Norway and obtain DvP in central bank money.

Based on the given information and our understanding of the T2S concept, we are in doubt about the possibility to obtain the economic effects expected t from T2S. In order to maintain the current service level it is necessary to both invest in real time interfaces to T2S and to maintain and develop parts of the present systems. Furthermore, we believe it will be necessary to keep vital parts of the existing local infrastructure to be able to maintain

settlement services related to all types of securities and for management of corporate actions. As far as we can see, it is a risk that this duplication of functionality will result in higher costs, rather than reduced cost for the operation of account systems and clearing and settlement.

We acknowledge the need to harmonize the markets, and make cross border activity more efficient and attractive. Possibly, the T2S can accomplish this and the VPS will follow with interest the further development of the project.

Yours sincerely,



Jan Hellstrøm
President & CEO