



MINISTRY OF FINANCE  
MINISTRY OF JUSTICE  
FINLAND

27 June 2007

Dear Sirs

The Ministry of Finance and Ministry of Justice, Finland would like to thank the European Central Bank for the opportunity to participate in the consultation phase of Target2 Securities project. The ministries would like to present the following comments as set in the annexed feedback form, and furthermore to raise the following points concerning the principles presented in the T2S consultation paper:

The Ecofin Council conclusions on 27 February 2007, stressed the importance of the principle that T2S should allow, as a core function at no additional cost, services with the same efficiency for all kinds of securities account structures. Yet, there is at present very vague information on how varying securities account structures will be taken into account due to the early stage of the T2S project. Either way, the Council conclusion on different kinds of securities account structures has to be taken fully into account in the further preparations. All statutory requirements and tasks related to securities accounts need to be taken into account as core services. Any duplication of systems would cause additional costs to participants, and in the long run would not bring any savings.

The T2S platform has, at least indirectly major effects on the whole securities trading and holding infrastructure. The ECB describes the T2S service only as a technical outsourcing service for CSDs, and by that view legal questions relating to legal implications, aspects concerning conflicts of laws and legal certainty are omitted. But as we consider it, T2S cannot be built on vague analysis of law and on a principle of flexible interpretation of law. Therefore, we urge the ECB to follow the Council conclusions and to perform the required analysis of national laws.

In the Council conclusions, the ECB was invited to consider whether a separate legal entity would be a suitable governance model for T2S in order to avoid conflict of operation and supervision of the system. We ask the ECB to consider this issue alongside with the technical specifications of the project. Even though we support the view of fully exploiting the synergies with the TARGET2, we see that the use of central bank money should not preclude the legal separation of the settlement function.

As a starting point, the principle of primarily focusing on euro settlement can be supported, Yet, in relation to the integration of the European securities markets in whole, this principle is not acceptable. The system should also be able to settle transactions in non-Euro currencies. These other currencies should be taken into consideration already in the early phases of the project. In addition, this could facilitate the migration phase of different multicurrency markets.

In order to create a level playing field in this sector, the clearing and settlement industry's Code of Conduct should fully be complied by the ECB; not just parts of it, as identified in the consultation paper. The ECB should closely follow the implementation of the Code in order to build up T2S to be compatible with it.

In the end, it is not enough that T2S aims at allowing CSDs to comply with relevant regulatory, oversight and supervisory requirements. A full coherence between the legal framework and the technical solutions should be the starting point in designing T2S. Developing a technical platform cannot be decisive factor, but it should enable participation of different kinds of systems, including end-investor structures.

Yours faithfully

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ENCLOSURE