

**ESTONIAN NATIONAL USER GROUP
FOR THE TARGET2-SECURITIES PROJECT
(EENUG)**

23 September 2011, 11:00–14:00
Eesti Pank, Tallinn

Minutes of the Meeting

Chairman of the meeting: Kadri Martin
Secretary of the meeting: Tiina Soosalu

Participants at the meeting: Kadri Martin, Mihkel Nõmmela, Innar Vainre, Tiina Soosalu (Eesti Pank); Marek Pajussaar (Financial Supervision Authority); Ahto Kink, Andres Lips, Julia Segerkrantz, Kersti Kiop, Kristel Vanasaun, Mait Kivimets (Estonian CSD); Kristiina Kaljurand, Lembit Olev (Ministry of Finance); Eha Rudi, Kärt Mets (AS SEB Pank); Elo Tempel (AS Swedbank); Piret Tamm (Marfin Pank Eesti AS); Katrin Kruustükk (Nordea Bank Finland PLC Estonia branch)

Agenda of the meeting

1. **Overview of the meetings and consultations held** (including the T2S AG info session in Zurich, brainstorming session on pricing)
 2. **Impact of the TARGET2-Securities (T2S) project on the Estonian market – EENUG impact analysis** (including the annexes: cost analysis by the Estonian CSD and legal analysis by the Ministry of Finance)
 3. **Preparation for the T2S Advisory Group meeting of September 28-29**
 4. **Organisation of the T2S info session in Estonia and other subsequent events and activities**
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1. **Overview of the meetings and consultations held** (including the T2S AG info session in Zurich, brainstorming session on pricing)

Kadri Martin introduced the agenda of the meeting and gave an overview of the meetings held:

- T2S Advisory Group meeting, June 30 – July 1 in Bucharest

Kadri Martin informed EENUG members that the previous T2S Advisory Group meeting had given an overview of the decisions made by the ECB Governing Council (including entry into the contract between the Eurosystem and 4CB, downpayments of central banks, announcement of the public procurement for network service providers). A proposal was made for the amendment of the T2S General Specifications in order to provide for the multi-currency options of T2S, which were not initially included in the General Specifications. The Framework Agreement was discussed, and presentations were made on technical issues.

- T2S NUG Expert Network teleconference of September 21

Tiina Soosalu gave an overview of the teleconference, which revealed that the Framework Agreement was in its final stages of completion and would be presented to the ECB Governing Council at the beginning of October. The work has been very intense, with close cooperation with the CSDs. The project will be postponed – from a couple of months to a year. An overview of the upcoming events was given, as well.

Representatives of the Estonian CSD added that the signing of the Framework Agreement would, in all likelihood, be postponed to the first half of 2012.

➤ Seminar on pricing, September 12

Kersti Kiop gave an overview of the seminar, which discussed the definition of the direct holding market. Up to 50% of the transactions may be settled at account allocation price. Representatives of Finland would also like to use account allocation for FOP, but this exception is not suitable for Estonia.

It was decided that the subject needed further discussion and that Estonia ought to support the inclusion of DVP transactions among exceptions – otherwise, the Estonian market would not be treated equally, as the share of DVP transactions amounts to 90% of all payments in Estonia. According to Kadri Martin, the application for the exception had been sent to the T2S Advisory Group on September 22.

Ahto Kink added that the lawyers of CSDs had gathered in Frankfurt to review the Framework Agreement. It was decided that the subject needed further specification (e.g. whether or not, how, and under which conditions would the ECB accept responsibility for system malfunction). There were also outsourcing issues that needed to be addressed.

2. Impact of the TARGET2-Securities (T2S) project on the Estonian market – EENUG impact analysis (including the annexes: cost analysis by the Estonian CSD and legal analysis by the Ministry of Finance)

Kadri Martin introduced the amendments in the T2S impact analysis, compared to the previous version, and thanked all those who contributed to the preparation of the analysis.

The analysis concluded, based on the information available, that the Estonian market should migrate to T2S. The final choice with regard to the model will be made later, albeit the available information and the terms and conditions of the June decisions of T2S AG advocate for the all-in model. Should T2S AG change its previous decisions, EENUG will review the choice of model.

Andres Lips addressed the question raised by various parties – why would the Estonian CSD start developing a new system, if migration to T2S is still a viable option? According to Andres Lips, the development of the new system was launched already in 2007 for the primary reason that the old system could not have been interfaced with T2S. The new system is governed by the logic of T2S. The transition was necessary because corporate events, which are not supported by T2S, make up approximately one-third of the entire system.

Kristel Vanasaun introduced the updated version of the Estonian CSD's cost analysis. The analysis now includes scenarios with a 25% increase (optimistic) or 25% decrease (pessimistic) in the transaction volume. The analysis reveals how many times the transaction volume must grow in order for the NPV to be 0. The transaction volume would need to be 29-42% higher. The growth must stem from cross-border transactions, as the volume of domestic transactions is not likely to change.

Kadri Martin added that the Estonian CSD's cost analysis ought to remain a part of the T2S impact analysis, and emphasised that the impact analysis would need to be changed, if the T2S AG introduced material changes in pricing or other matters in the near future.

The deadline for the submission of additions and comments to the T2S impact analysis to Eesti Pank was set for October 7.

3. Preparation for the T2S Advisory Group meeting of September 28-29

Kadri Martin introduced the agenda of the upcoming T2S Advisory Group meeting.

4. Organisation of the T2S info session in Estonia and other subsequent events and activities

Kadri Martin reminded EENUG members of the upcoming T2S info session in Tallinn on October 25 and welcomed any proposals with regard to the agenda. Eesti Pank added the agenda item “Securities settlement in 2020: T2S and beyond”.

Kadri Martin reminded EENUG members that there had been no comments from EENUG and the Giovanni working party on the T2S Corporate Actions Standards Gap Analysis, and the analysis could thus be finalised.

Kristiina Kaljurand informed EENUG members that the Ministry of Finance was planning to order an independent and objective expert analysis of the securities market infrastructure, which would also analyse the impact of T2S on the Estonian market. The analysis would be carried out by law firms, audit firms and other similar survey conductors.

Kristel Vanasaun told EENUG members that the Estonian CSD had scheduled a meeting with Latvian and Lithuanian CSDs.

The next EENUG meeting will be held in November, prior to the T2S AG meeting.