

TRANSLATING A SHARED VISION INTO A WINNING STORY  
T2S LAUNCH CELEBRATION

Welcoming remarks by the Governor of the Bank of Italy  
Ignazio Visco

Milan, 2 July 2015

Good afternoon. President Draghi, colleagues of the European Central Bank, of the European Parliament and the EU Commission, Ladies and Gentlemen,

It is my pleasure and privilege to welcome you all here today, in Milan (the destination of the year, let me say in passing), to share this important moment: the launch of the TARGET2-Securities platform.

For the euro area and the Eurosystem, we are now living through what is, to say the least, a challenging period. This acknowledged, we must nonetheless recognize that T2S is a major achievement. This ambitious project is now reality thanks to the combined effort and cooperation of 21 countries – represented by their central banks, central securities depositories and financial market institutions – together with the European institutions: the ECB, the Parliament and the Commission.

The T2S platform that has been built by four national central banks – Banca d'Italia, Deutsche Bundesbank, Banque de France, Banco de España (the so-called 4CBs) – is now in operation with a first group of securities depositories and their linked-in user communities for the settlement of securities transactions in euro. By February 2017, at the end of the migration period, the platform will be deployed across Europe, covering the vast majority of securities transactions in euro.

The activities that took place over the migration weekend of 20-21 June ran smoothly. They were coordinated by the teams from the 4CBs and the ECB. Since the 22<sup>nd</sup>, Banca d'Italia and Bundesbank have had the responsibility for operating the platform.

The T2S project was large and complex, involving many stakeholders. We have come a long way: from the start of the specification phase to the go-live, the project took seven years. The 4CBs, mandated by the Eurosystem, developed and implemented the platform. This has been a demanding task, one to which our institutions have devoted substantial resources. Aside from the role of developer and operator of T2S, the four central banks have been actively involved in the project through the participation in technical and steering structures with an important role in the governance of the platform.

The participation of securities depositories in T2S is voluntary; it took almost two years of negotiations between the Eurosystem and the European CSD community to achieve a mutually satisfactory contract for the use of the platform's settlement services. The broad participation in the governance of T2S ensured that all parties were given a voice in the project; the complex governance setup will be tested during the operational phase, when decisions will have to be taken swiftly and at times under stress.

Why T2S after TARGET2? I imagine this topic will be addressed by the ECB President in his talk. For now, let me just briefly rehearse some of the efficiency gains that T2S will bring. First and foremost, lower fees. In fact, with T2S the cost of settling cross-border transactions in Europe will be lowered, and more appreciably so with the gradual increase in settlement volumes as migration proceeds. Second, T2S will greatly facilitate transfers of collateral, hence liquidity management.

This has become a critical issue in recent years because of the increasing demand for collateral. Finally, T2S will contribute significantly to making settlement more reliable thanks to its extremely robust business continuity solution, based on the model already developed for TARGET2.

The next important step will be accomplished at the end of August when the Italian CSD Monte Titoli and the Italian banking community bring their securities transactions to T2S for settlement. The Italian market will add operational complexity through a substantial number of transactions, averaging 100 billion euro a day and topping 200 billion on the days of issuance and redemption of government bonds. This requires paying the utmost attention to avoid even the minimal operational risk that may still be related to the many technical procedures of the platform.

And this is the reason why Italian banks are now still actively testing the interaction of their internal IT procedures in the new environment. Banca d'Italia has the job of monitoring trials in the Italian market to ensure successful migration. We participate in the testing both as central bank and as customer of Monte Titoli, focusing on the issuance of Italian government bonds and the related financial services. Banca d'Italia also serves, jointly with Consob, as the supervisor of Monte Titoli.

However, the challenges are not all behind us yet. Very substantial volumes are still to arrive, not only with Monte Titoli at the end of August but also with the major players in the second and third waves. We have to work hard for T2S to be a milestone in the process of building the Capital Market Union.

Finally, I wish to thank the staff of the 4CBs and the ECB for their effort and their commitment to the project's success: they have all been involved in the development of T2S and are now actively engaged in the operational phase. And thanks to all those involved – central banks, CSDs, financial markets – for their unflagging support and decisive contributions.

Once again, let me extend our welcome to everyone present. I wish you all a pleasant evening.