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## Background

Danske Bank has by e-mail dated 19.09.2023 received consultation from the Norwegian Central bank regarding next generation settlement system in Norwegian kroner.

### Consultation response from Danske Bank on T2S.

Input and comments to the TARGET2Securities ('T2S') part of this consultation, must be read in conjunction with the questions raised on TARGET Services (i.e. TARGET2 ('T2')).

We are of the opinion that ECB's TARGET Services (operated by the Eurosystem) not only for T2S, but indeed also T2, TIPS and ECMS are of great importance for the future financial market infrastructures within Europe.

Overall, the unstandardized/unharmonized settlement platforms in specifically the Nordics, the monetary policy days and varying opening hours are significant drivers for our considerable efforts into more harmonised and cost efficient procedures, minimizing risk and create scalability.

Increased demand for settling transactions as late as possible and real-time (not in batches) do call for system harmonisation across and extended technical interoperability.

Inefficient, outdated settlement systems for securities is vital to be replaced with modern technology in order to continuously meet the needs of the market including prevention of cyber security.

Both the payment and securities area will be better off transitioning from current MT formats to new ISO standards, utilizing an ecosystem with proven track record between T2 and T2S.

Furthermore, access to central bank money is critical for the operation of CSDs both for securities settlement and for settlement of corporate events.

As the EU ambitions towards the capital market union materialise, our expectation is that over time Europe will continue to move towards a more integrated market with potentially more cross CSD settlement.

**Question #1:**

We support harmonisation initiatives as a minimum. As Norwegian market participant and a direct participant in the Norwegian financial market infrastructure, we are interested in both the Norwegian market and ourselves benefitting from harmonisation initiatives and activities.

Such actions will enable synergies ultimately to the benefit for the Norwegian end user (be that large corporate institutions or retail customers) and will be well in line with our IT platform strategy. Migrating NOK to T2S is considered a positive step towards this and it creates opportunities.

It is crucial from our perspective that the future securities settlement system is stable, secure, future-proof and that maintenance and developments are done continuously in order to meet future changes in standards e.g. within the SWIFT space and to comply with regulatory requirements from authorities.

A safe and efficient securities settlement system is needed, allowing reduced settlement risk and financial stability by using central bank money for transactions on the T2S platform. In our view, we consider the following synergies of using the T2S platform:

- Standardisation - by using the same European standards (no market specificities)
- Scalability - as there will only be one Securities Settlement System to service
- Settlement efficiency and improved settlement rates
- Technical Interoperability

Further aspects;

- Cost reduction potential
- Risk reduction
- Liquidity & Collateral Management - having T2 and ECMS in mind

If Norges Bank decides to use T2 as new RTGS system, we are of the opinion that it will be obvious also to choose T2S for securities. Arguably, the more CSDs on the T2S platform the more competition in the market via e.g. use of links.

**Question #2:**

Because of regulation and sector/market driven initiatives, the European infrastructure will for the next years be driven by setting new standards for collateral and corporate event handling (e.g. implementation of ECMS), and drive towards higher settlement efficiency rates (i.e. implementation of the CSDR settlement discipline

regime in February 2022), and the ambitions set out in the capital market union activities. Higher degree of harmonisation will continue to drive down costs and increase scale and efficiencies both for domestic and cross border settlement.

Overall, we are expecting further consolidation of the European financial infrastructure where the two large CSD groups (i.e. Euroclear and Euronext) – whereof one is already represented in Norway – will look to continue the consolidation effort. Also in the provision of custody services to facilitate cross border settlement of securities, continued consolidation could be expected, leading large custody providers to request more direct access towards local infrastructures.

In conclusion, we encourage the Norwegian Central bank to keep close dialogue with the financial sector and we welcome future discussion and collaboration.

On behalf of Danske Bank



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