



EUROPEAN CENTRAL BANK

EUROSYSTEM

DG-PAYMENTS AND MARKET INFRASTRUCTURE
T2S DIVISION

Dorien Fransens
Secretary General
EuropeanIssuers aisbl-ivzw
Rue Belliard 4-6
B-1040 Brussels

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Contact person: Mr George Kalogeropoulos

Ext.: 7224

E-mail: george.kalogeropoulos@ecb.europa.eu

Dear Dorien,

Thank you for your thoughtful letter of 15 May about shareholder visibility and, indeed, more generally about the relationship between issuing companies and the financial system.

I was very interested to read your analysis of the different routes to shareholder visibility, depending on whether shares are held in the form of bearer shares or registered in the shareholder's name or a nominee name. As you say, various legal frameworks exist in different EU countries and shareholder identification can happen now in most countries. The difficulty for T2S is that these routes are all different as are the legal responsibilities of the different parties and the formats for the requests and responses.

T2S does, indeed, have the potential to support a simpler, more effective solution, since it will connect together so many of the interested parties, but T2S will not be able to deliver a solution without the legal environment that defines their rights and obligations. This is why we think it is so important that the T2S team works together with issuers and the relevant European authorities to develop a common legal framework for shareholder visibility. Once this is established, we will endeavour to support it through T2S. I hope we have facilitated this process by inviting a representative from the European Commission to the Brussels conference, so that she could hear the views of issuers on this question. We will, of course, continue to support this initiative.

While shareholder visibility is clearly the matter of greatest concern to issuers, I understand that the management of general meetings and corporate actions is also of importance. As you rightly observe, we intend T2S to be a strong catalyst for harmonisation. However, we have no wish to duplicate work that is already under way. Thus, in relation to corporate actions, CESAME2's Corporate Actions Joint Working Group (CAJWG) has been in the lead on defining market practices. The work we are coordinating via the T2S Corporate Actions Sub Group (CASG) is based on these standards although it aims at providing concrete technical proposals on how the CAJWG standards should be applied in the context of T2S.

We are fully aware of the similar work conducted by the Joint Working Group on General Meetings. I hope you will keep us informed of their work and the standards that they bring forward in July. It may be possible for T2S to be of some benefit in their implementation. However, it seems to me that there is an important difference between corporate actions and participation in general meetings. While most corporate actions involve movements of cash or securities and thus result in book entries being passed through T2S accounts, the only point at which the general meeting process touches T2S is in determining entitlement to vote on the record date. I can see that it could be beneficial for T2S to provide a means of transmitting other information, as I know some CSDs do already, but I think this must be a lower priority than completing the delivery of a core settlement system – already a daunting challenge!

Turning to the next steps, you and other speakers raised a number of important points at the Brussels conference that we need to analyse further and discuss with other European bodies. We are therefore taking this work forward and are planning workshop just before or after the summer break with a group of issuers and their agents. I will contact you with further information when our plans are more specific.

Yours sincerely,



Marc Bayle