

AMI-SeCo survey on expectations on future volumes

1. Background

The Market Infrastructure Board constantly monitors the financial situation of T2S from two complementary angles: costs and revenues. After the successful launch of T2S in June 2015, the experience of live operations gives a foundation to update the volume figures of the CSDs that have signed the T2S Framework Agreement (FA-signatories) and to revise once more the expected future evolution of European settlement volumes.

To complement the backward looking part (historical series) with forward looking elements (predictions), the T2S financials team had been regularly interviewing the T2S Advisory Group (AG) members between 2013 and 2016. The AG members, as market representatives, had been asked about their expectations on attracting additional sources of traffic to T2S and the general evolution of the European post-trade industry. In the light of the establishment of the Advisory Group on Market Infrastructures for Securities and Collateral (AMI-SeCo), the AMI-SeCo members are invited to share their views in the present survey.

This note explains the structure of the survey, as well as presents the results of the 2016 round with the T2S AG. The AMI-SeCo members are asked to discuss the new developments and how they have affected their expectations. After the meeting, the members are invited to fill in Annex 1 and to provide it to the AMI-SeCo Secretary personally or, via e-mail to the T2S financials team (T2S-financials@ecb.europa.eu). These questionnaires will be kept anonymous and elaborated in aggregate.

2. 2016 survey on expectations on future volumes

In the AG meeting of February 2016, the T2S financials team conducted a survey among the AG members to obtain the view of settlement industry experts on:

- the probability that additional volumes enter T2S by 2020 based on eight chosen sources; and
- the expected overall evolution of settlement volumes in Europe (irrespective of the T2S share) in the periods 2016--2020 and after 2020.

2.1 Consolidation of input

The answers collected from the AG members contributed to the definition of three scenarios which are considered by the T2S financials team for their volume predictions. These scenarios were built as follows:

- To avoid overly optimistic or pessimistic scenarios, the tails of the distribution were cut (i.e. highest and lowest responses for each question were discarded);
- The remaining answers were divided into three groups of similar size for each question: the most optimistic responses, the most pessimistic, and the others (considered as “neutral” responses);
- Based on the three groups of answers, three scenarios have been built by calculating the average for each group of answers: an optimistic, a neutral, and a pessimistic scenario.

2.2 Results of the 2016 survey

The two tables below show the results elaborated from the 2016 AG survey concerning additional sources of volumes in T2S and the expected general trend for the market volumes in Europe.

Table 1 - Probabilities for and share of additional volumes assigned by the AG members in 2016

What are the <u>probabilities</u> that the following potential additional sources of revenues are settled in T2S CSDs by 2020?	Optimistic scenario	Neutral scenario	Pessimistic scenario	Weighted average
Additional currency (GBP) and CSD	7%	1%	0%	3%
Additional currency (NOK) and CSD	47%	22%	13%	27%
Additional currency (SEK) and CSD	51%	26%	13%	30%
Additional currency (CHF)	33%	17%	2%	17%
Additional currency (PLN) and CSD, and some other smaller markets (CY, CZ, HU, BG, RO, IS)	42%	24%	18%	28%
What <u>share</u> of the following potential additional sources of revenues will be settled in T2S CSDs by 2020?	Optimistic scenario	Neutral scenario	Pessimistic scenario	Weighted average
Business of euro CSDs that have not signed the T2S Framework Agreement (Hexlex, EUI for Ireland)	45%	23%	5%	24%
Eurobonds currently settling in EUR	53%	41%	21%	38%
Investment funds settling in EUR outside national CSDs (both in Luxembourg and Ireland)	52%	32%	13%	32%

Table 2 - Expected evolution of overall volumes in Europe projected by the AG members in 2016

What overall evolution of settlement volumes do you expect in Europe (average annual growth rate, irrespective of the T2S share)?	Optimistic scenario	Neutral scenario	Pessimistic scenario	Weighted average
Between 2015 and 2016	6.5%	3.5%	2.1%	4.0%
After 2016	7.2%	4.8%	3.3%	5.1%

Annex 1: 2017 survey of the members of the Advisory Group on Market Infrastructures for Securities and Collateral on expected new sources of volumes for T2S and the general volumes evolution in Europe

Institution of respondent: _____

Please, fill in and hand over at the end of the meeting or via e-mail to T2S-financials@ecb.europa.eu
You are also invited to provide supporting explanations below the table or on the back of this sheet.

1. Probabilities for and share of additional revenues

What are the <u>probabilities</u> that the following potential additional sources of volumes are settled in T2S CSDs by 2020?	AMI-SeCo member's view
Additional currency (GBP) and CSD	
Additional currency (NOK) and CSD	
Additional currency (SEK) and CSD	
Additional currency (CHF)	
Additional currency (PLN) and CSD, and some other smaller markets (CY, CZ, HU, BG, RO, IS)	
What <u>share</u> of the following potential additional sources of revenues will be settled in T2S CSDs by 2020?	AMI-SeCo member's view
Business of euro CSDs that have not signed the T2S Framework Agreement (Helex, EUI for Ireland)	
Eurobonds currently settling in EUR	
Investment funds settling in EUR outside national CSDs (both in Luxembourg and Ireland)	

2. Expected evolution of overall volumes in Europe

What overall evolution of settlement volumes do you expect in Europe? Please, indicate the expected <u>average annual</u> growth rate, irrespective of the T2S share.	AMI-SeCo member's view
Between 2017 and 2020 ¹	
After 2020	

¹ In the 2016 survey, the question specified the expected average annual growth rate between 2016 and 2020.