



EUROPEAN CENTRAL BANK

EUROSYSTEM

The Eurosystem's role in financial market infrastructures and payments

DIMCG meeting
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ECB-UNRESTRICTED



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Objectives of the Eurosystem in the area of FMIs ECB-UNRESTRICTED

Basic task: Promote the smooth functioning of the payment system

Objectives:

- The objective of the payment system function of the central bank is to make the financial market infrastructures **safe** and **efficient**.
- A sound financial market infrastructure is needed to support **monetary policy** operations, the smooth functioning of the money market and to support the wider economic policies of the EU. It is also needed for the **stability of the financial system**.
- This is how the payment system function contributes to the **ultimate objective** of the central bank, which is to **preserve the value of, and people's trust in, the currency**.

The three roles of the Eurosystem

The Eurosystem **provides infrastructures** for payment and securities settlement, **cooperates with financial market stakeholders** to integrate financial markets in Europe, and **oversees financial market infrastructures** and payment instruments.

1. Provides market infrastructures = **operational role**
2. Integrates financial markets = **catalyst role**
3. Oversees market infrastructure = **oversight role**

The three roles of the Eurosystem

1) The operational role

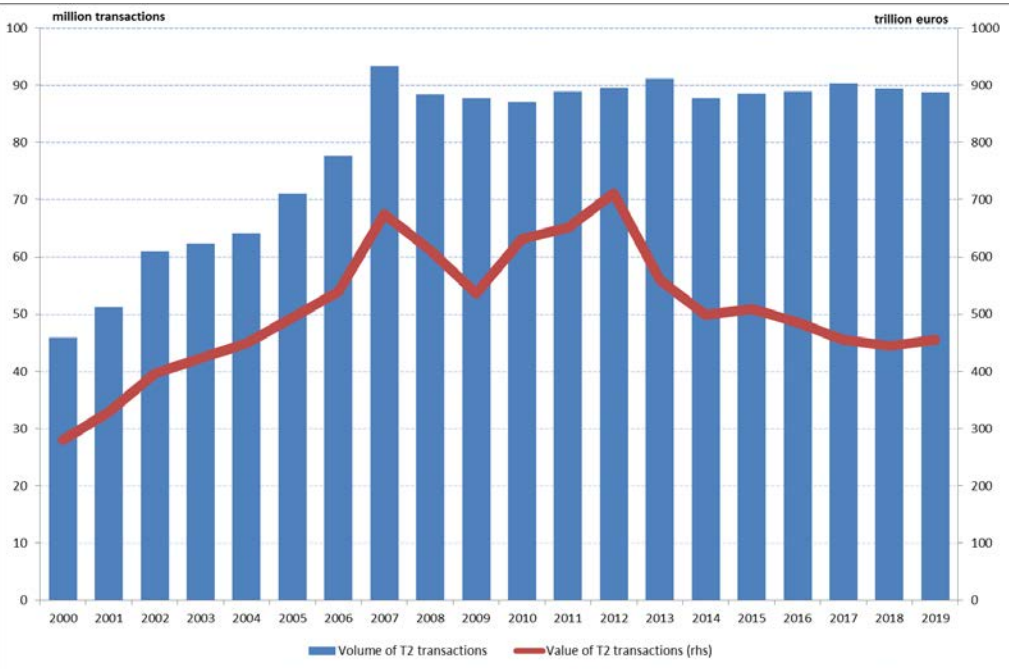
The Eurosystem owns and operates:

- TARGET2 system (T2)
- TARGET2-Securities (T2S)
- TARGET instant payments settlement (TIPS)
- + **Project on Eurosystem collateral management system (ECMS)**
- + **Project on T2-T2S consolidation (CSLD)**

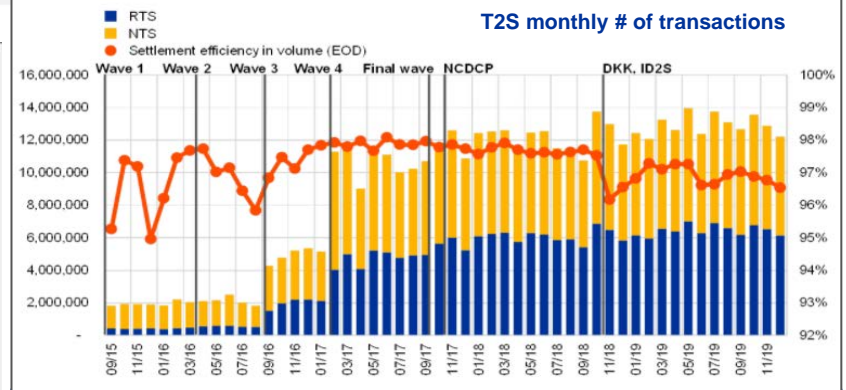
The three roles of the Eurosystem

1) The operational role – T2 and T2S in numbers

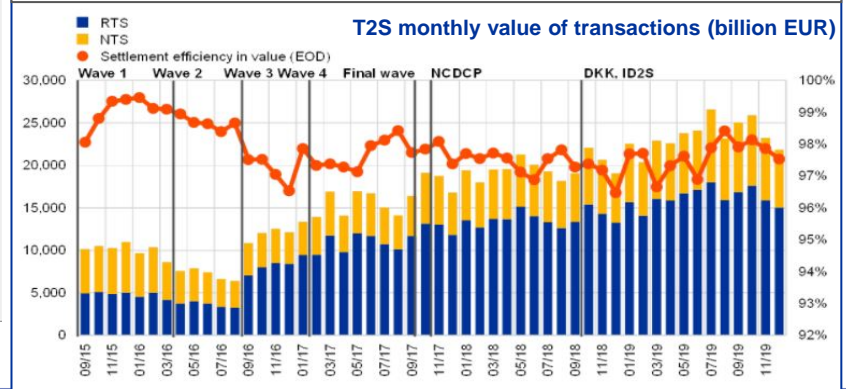
T2 annual volume and value of transactions



T2S monthly # of transactions



T2S monthly value of transactions (billion EUR)



The three roles of the Eurosystem

2) The catalyst role

In line with its Statute, the European Central Bank:

- promotes the smooth operation of payment systems
- favours an efficient allocation of resources in an open market economy with free competition
- ensures efficient and sound clearing and payment systems within the EU and with other countries

2) The catalyst role

The Eurosystem facilitates private sector efforts to improve market efficiency – in all areas (retail and wholesale payments, securities settlement and collateral management)

- Develops strategic policy
- Gives guidance
- Induces / facilitates change by catalysing private sector efforts (crucial in a network economy)
- Promotes harmonisation / standardisation / innovation
- Ensures level playing field

The three roles of the Eurosystem

2) The catalyst role

Harmonisation is a key tool to achieve financial market integration:

- As a catalyst the Eurosystem **builds on the commitment of market participants** to harmonise and integrate processes that were / are usually conducted using different national rules and practices.
- Harmonisation highly **benefits all stakeholders** by reducing costs and improving efficiency over the longer term, creating an environment where competition is in the market and not for the market.
- The development of **common functionalities by the Eurosystem is based on the harmonisation** of key business, technical and operational procedures.
- **Critical success factors** for harmonisation are: a) High commitment of both public sector and private sector; b) solid governance – voice of all stakeholders; c) strong methodology to ensure consistent implementation and monitoring of compliance

The three roles of the Eurosystem

2) The catalyst role

Major ongoing workstreams on harmonisation:

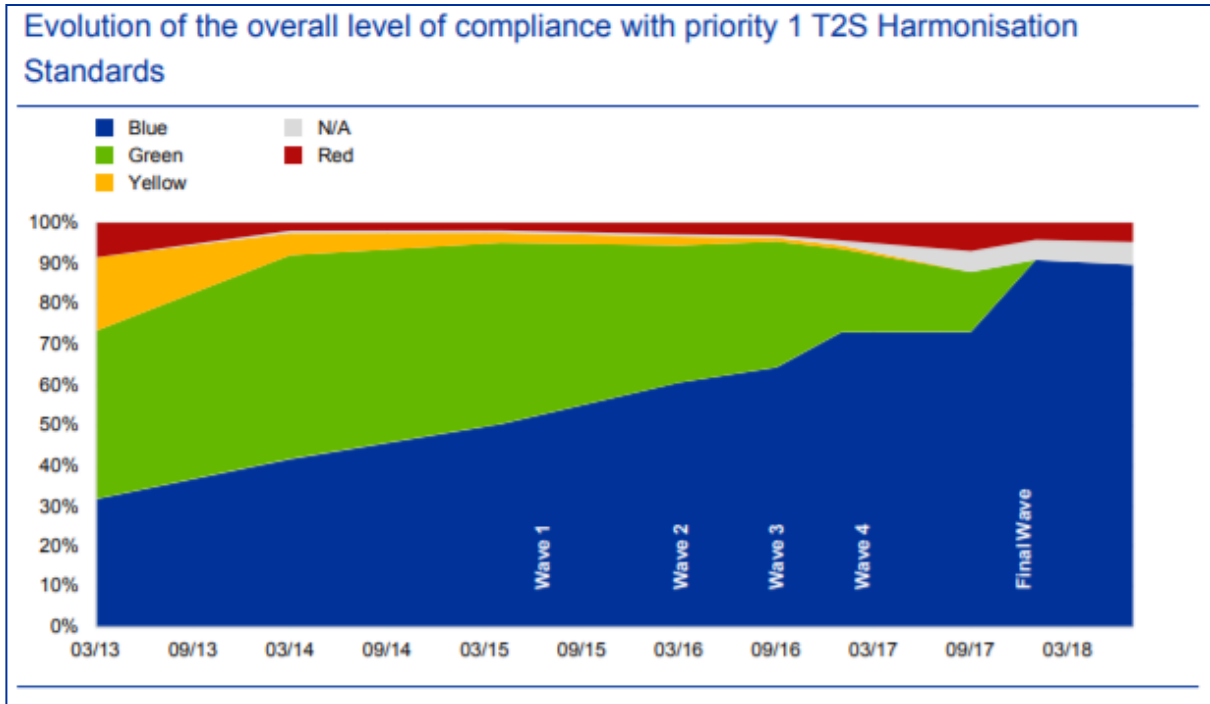
- **T2S harmonisation agenda:** started with T2S project, high-level of harmonisation achieved in securities settlement and related post-trade activities
- **Collateral management harmonisation / SCoRE:** the Eurosystem's Advisory Group on Market Infrastructures for Securities and Collateral (AMI-SeCo) defined a pan-European collateral management rulebook (SCoRE) – adaptation to SCoRE is also critical for the successful roll-out of the ECMS

Potential future workstream:

- **Debt issuance** (covering the pre-issuance and the post trade functions)

The three roles of the Eurosystem

2) The catalyst role – progress in T2S harmonisation



The three roles of the Eurosystem

3) The oversight role

The Eurosystem monitors systems and instruments and critical service providers, assesses them against standards and, when necessary, induces change

- Legal basis – Art 105 (2) of the Treaty and Art 22 of the ECB Statute
- Setting standards
- Scope of oversight
- Allocation of responsibilities within the Eurosystem

Thank you for your attention

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 **ECB: market infrastructure
and payments**

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