



BANCA D'ITALIA
EUROSISTEMA

Banca d'Italia Back Office

Tasks, systems
and crisis impact on operativity

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Reorganization

(8 December 2008)

What's new?

- Concentration of the investment function
 - Euro and currency investment transactions carried out in the same department
- Increased segregation between monetary policy and reserve management
 - Different departments
- FX operations together with monetary policy



Reorganization 2

- BO: what happened?
 - Former BO split into two different BOs:
 - Investment Department (Reserve management - including collateral management – MIC related activities, others)
 - Central Bank Operations Department (Monetary policy, FX, M.P. collateral management)



BO main tasks

Banca d'Italia Back Office tasks:

- Pre-settlement (trade check and confirmation)
- Settlement (instructions to depositaries and correspondents)
- Reconciliation
- Other



Pre-Settlement

– For foreign currency reserves:

- Checking of FO trade tickets against transaction data in internal systems;
- Matching of trade confirmations received from counterparties (Swift, fax, Bloomberg, email);
- Sending of trade confirmations to counterparties (Swift, fax, telex)

– For Euro reserves:

- Matching of trade confirmations received from counterparties (fax, email);
- Sending of trade confirmations to counterparties (fax, email)



Settlement

– For foreign currency reserves:

- Sending of settlement messages to Banca d'Italia correspondents and custodians (Swift)
- Monitoring of 'pending' instructions on CDs
- Real time handling of any problems that may occur

– For Euro reserves:

- Transmission of trade details to Banca d'Italia - Milan branch (internal mail system)
- Milan branch instructs Monte Titoli for settlement (RNI – Interbanking National Network)



Reconciliation

– For foreign currency reserves:

- Real-time manual check of credit/debit receipt/delivery advices (USD)
- Quasi-automated checking of correspondent and custodian statements of account against data held in IT systems (Corona, office automation tools)
- Management of exceptions (settlement errors)

– For Euro reserves:

- Checking of statements of account (this usually happens the next day) against data in SAP
- Management of exceptions (settlement errors)



Other tasks

- Collateral monitoring and management
- Execution of sundry payments
- Preliminary check of accounting data

Financial Investment B.O. Systems

a) Foreign Currencies:



b) Euro – SAP and Office Automation Tools (Excel)



IT Projects

- Extension of WSS *WallStreet Suite* to Back Office and accounting activities (fx reserves only)
 - WS currently used only as a Front and Middle office application for non-Euro reserve management
 - State of the art: advanced negotiation with WSS
 - Expected implementation start date: **before end of 2009**



But...

- Issues still to be solved
 - Different workflow for euro and non-euro denominated transactions
 - High level of manual processing for euro transactions

- Envisaged solution
 - Extension of WSS WS to Front, Middle, Back Office and accounting also for Euro reserve management
 - State of the art: working group already on feasibility study



Financial crisis

– Scenario

- Strong demand of liquidity from commercial banks
- Lack of confidence among operators
- Deterioration of the quality of banks' assets

– Central Banks response

- Massive use of open market operations
- TAF (Term Auction Facility)
- MIC (Interbanking Collateralised Market)
- Swap of securities with Banca d'Italia



Financial crisis 2

- Operational implications
 - Large increase in transaction volumes (Monetary Policy, MIC, Swap of securities)
 - Increased level of operational cooperation among Central Banks



Back Office Implications

- Financial Investment BO
 - New activities (MIC, securities swaps), related collateral management and settlement
- Monetary Policy BO
 - Increase in transaction volumes and changes in standards for eligible collateral put pressure on collateral management procedures (pricing, settlement)



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Question Time