

ECB Operations Managers Group
Frankfurt am Main, Wednesday, 25 March 2020, 14:00 – 16:30 CET
Via WEBEX

Summary of the discussion

1. Tour de table on the Back Office experience with Corona/COVID-19

Emily Witt (Chair of the ECB Operations Managers Group) invited the members to give feedback on the impact of the Corona crisis in their respective institutions, and in particular to reflect on their (i) business continuity plans to cope with the effects of the crisis, (ii) way of performing their business currently and (iii) key lessons learnt.

To cope with the current Corona crisis, all members reported that they rely on teleworking (home office) as a major business continuity tool. In most of the cases at least part of the staff has been teleworking for two weeks or longer. In addition to teleworking, some institutions rely on split teams or operate from their back up or offshore sites. Reprioritisation of tasks and adapting procedures and tools, have helped to cope with the noticeable increase in operational volumes, in particular for OTC derivatives transactions and in the settlement of securities.

The members highlighted that they are working to overcome the following challenges, in particular when conducting operations outside of the office:

- Infrastructure limitations, in particular related to VPN lines or video conferences, require further optimisations, such as the set-up of additional, dedicated VPN lines for critical staff, the use of private devices, restrictions to voice instead of video;
- Some applications are difficult to access from a teleworking environment;
- Replacement of physical signatures with electronical/digital means not always possible;
- Interactions between staff members and staff morale may be negatively impacted, in particular if the current situation persists, and thus require special emphasis on the communication within and between the teams.

Overall, the OMG members observed that the crisis has boosted modifications and improvements to their business continuity processes. Thus, they expect that currently implemented measures will lead to further review and strengthening of the robustness of the business continuity frameworks in place.

2. Collateral management

Kristin Claessens (Belfius Bank) gave an overview of collateral management activities for OTC derivatives. The presentation covered the organizational set up, the internal and external applications used by Belfius Bank, some insights on each of the steps of the OTC derivatives collateral management process flow (activities, challenges, and opportunities for improvement) and the ongoing

projects. She highlighted evolutions and promising initiatives in the OTC market such as: legal documentation standardisation and digitalisation, harmonization of valuation models, shared golden copy of trade data, ISDA best practice for Margin Call Issuance and Response, electronic platforms for the exchange of margin calls, solutions that support collateral selection and optimisation as well as an initiative that aims to extend the clearing infrastructure to the bilateral world. These evolutions and initiatives allow to further increase efficiency but require time to be adopted by the vast majority of market participants and to replace the existing, still mainly customised, procedures in place.

Sara Alonso (European Stability Mechanism) presented the collateral management activities within her institution. The presentation described the ESM operational structure and sourcing model with a special focus on the Back and Middle Office, main collateral related operations conducted by the ESM and on-going changes and projects that may affect the current setup.

João Tiago Mira Duarte Amaro (European Central Bank, DG-Market Infrastructure & Payments Directorate) presented the Eurosystem Collateral Management System (ECMS) which is a single, unified collateral management system replacing the 19 local collateral management systems currently operated by National Central banks as of November 2022 (planned-go live). The ECMS together with other Eurosystem projects, such as TIPS and ongoing consolidation of TARGET2 and T2S systems will further integrate existing Eurosystem market infrastructures, and thereby lead to significant efficiencies to the exchange of cash, securities and collateral across Europe. Currently all relevant project stakeholders are being informed on the project milestones and asked to report on the level of their preparedness to the implementation of the new system.

Following the presentations, meeting participants were asked to share their views, using a real-time voting system, on some of the presented collateral management aspects. Among others, the replies revealed that:

- the majority of the participants performs portfolio reconciliation on a daily basis using dedicated application tools;
- exchanging margin calls via email remains quite popular, whilst new solutions are expected to bring benefits;
- standardisation and automation play a pivotal role in improving collateral management activities;
- participants considered it useful to learn more about the ECMS and, at the same time, they confirmed that their institutions are well set up for its implementation.

3. AOB

The OMG members provided feedback via a real-time voting system on the issues discussed and on the aspects related to the organisation of the next OMG meetings. Some members expressed concerns on the impact of postponements of various regulations, such as SFTR and initial margin requirements due to the Corona crisis. As a result, implementation risks may arise, if major regulatory changes will have to be implemented all in parallel, when the situation is back to 'normal'.