

ECB Operations Managers Group
2 September 2020; 14:00 – 17:30 CET via WEBEX

Summary

1. Introduction

Emily Witt (Chair of the ECB Operations Managers Group) introduced new comers to the Group and debriefed the participants on the status of the T2/T2S consolidation project.

2. Perspectives from SWIFT on Cyber Security

Irving Méreau (SWIFT) gave some insight on cyber security from a SWIFT perspective. In his presentation, Irving provided background information on the overall cyber security landscape, presented the profile of advanced persistent threat (APT) attacks on SWIFT customers and shared some information on the effectiveness of Customer Security Programme (CSP) in preventing/limiting the impact of cyberattacks.

Irving emphasised that the risk of cyber-attacks became a permanent threat, affecting financial institutions across the world, with major cases of cyber-attacks occurring also in Europe. He noted however that the key indicators measuring impact and intensity of cyberattacks on financial institutions' infrastructure recently showed a declining trend. This tendency may be associated with increasing level of "security hygiene", supported among others by the enrolment of the SWIFT CSP. In this context, Irving informed that, although temporarily delayed owing to the pandemic situation (while the CSP attestation for 2019 should be finalised by December 2020, customers are allowed to combine the 2020 with the 2021 attestation exercise), the CSP requirements and set of controls will be further strengthened and raised.

3. FX Settlement Risks

Taking into account the findings of the BIS [triennial survey of FX turnover](#) which highlighted that, aggregate FX settlement risk in the market has grown, both in absolute and relative terms, over last three years, what in turn can impede market functioning in a crisis, the OMG considered FX settlement developments, operational arrangements, risks and related principles, also with an aim to provide some input to the ECB Foreign Exchange Contact Group (FXCG) discussion. OMG members shared their views via a dedicated Mentimeter survey conducted prior to the meeting. The survey revealed that the potential increase of the FX settlement risk, although not observed by the OMG members in their institutions, may be associated with i) growing FX settlement activity involving currencies not covered by CLS and ii) suboptimal use of FX payment versus payment (PvP) services. This situation could be improved by i) extension/development of FX PvP services, to cover a wider range of currencies (in particular main Emerging Market currencies), and ii) by promoting, especially through cost-benefit advantages, the use of CLS and other FX settlement

platforms, making them more attractive for potential participants. The OMG members also noted that there are limited tools that allow intraday monitoring of FX settlement exposure, in particular with correspondent banking.

The majority of the OMG members considered the settlement risk principle 35 in the FX Global Code appropriate, but also saw merits in examining ways to strengthen principle 50, in particular as concerns the usage of PVP settlement.

OMG members suggested that, in addition to the initiatives aimed at elimination of FX settlement risk which are already taken by individual organisations, (i) the public sector could promote the use of PVP, e.g. via supervisory incentives, (ii) new technologies supporting real time transaction monitoring and management (e.g. CLS or SWIFT type services) should be fostered, (iii) novation should be improved and (iv) investments into technologies to monitor intra-day credit risks ought to be encouraged.

4. Fintech solutions in operations

Carlos Salazar, in collaboration with John Whelan and Jorge Ogayar (all representing Banco Santander) provided some insights on the adoption of a Fintech solution (DUCO) allowing for redesigning on a global scale the reconciliation processes in Santander Corporate & Investment Banking (CIB). They emphasised the benefits of the new solution in terms of i) high reconciliation capabilities and ii) its flexibility to accommodate new reconciliation requirements. They also valued the advantages of the project, which allowed for significant gains in terms of speed of developing the new solution, reskilling of the team and scaling up of the solution for other processes and tasks initially not envisaged within the scope of the project. In addition to the features of the new solution, Carlos associated the success of DUCO project with the project team having clear objectives and being open and eager to change and adapt their processes and functional role.

5. Back office digitalisation: Focus on Artificial Intelligence (AI)

Sebastien Bonneton together with Rakesh Venugopal and Murlikrishna Buddepu (Société Générale) presented a project that led to the automation of pairing and matching of OTC confirmations in Société Générale. The project followed a step by step approach, allowing for progressive expansion of its scope in terms of confirmation types, asset coverage and functionalities. The project steps encompassed wide adoption of software tools translating paper content into encoded text (using both OCR and manual handwriting recognition ICR) and machine learning solutions. Overall, the project allowed for a significant reduction of the number of paper confirmations and for additional gains in terms of data processing and machine learning based analysis. As a crucial factor for the project, Sebastien considered close cooperation between IT and operational teams, already from initial stages of the project.

6. Back office Fintech solutions and digitalisation: Tour de table

Referring to the previous presentations, meeting participants underlined the importance of building relevant and well defined business cases for the successful adoption of new Fintech and digitalisation solutions. It

was also concluded, that the two examples presented in the meeting clearly show that Fintech and the use of artificial intelligence can lead to real gains, both in terms of implementation efficiency and process improvements.

7. Tour-de-Table on the back office experience with Corona/COVID-19

The Chair presented the results of a dedicated OMG Mentimeter Survey. In the tour the table that followed, OMG members confirmed extensive reliance on remote work measures. The advantages of this arrangement were linked to better work-life balance, higher operational productivity, increased meeting participation, adoption of new communication technologies and development of new skills by the staff. As concerns disadvantages, OMG members emphasised that missing the social contacts and lack of physical meetings impacts innovation, development and change of business processes. Additionally on-boarding of new staff is more difficult in a remote work environment.

8. Work programme for 2021 and for December OMG meeting

The OMG members were presented with a draft agenda of the December 2020 meeting. They were also invited to comment on the indicative OMG work plan for 2021 and to express their interest in presenting on the topics proposed.