

ECB Operations Managers Group
23 March 2023 14:00 - 17:30 CET Webex meeting

Summary

1. Introduction

Emily Witt (Chair of the ECB Operations Managers Group) welcomed the members and announced the changes to the group's membership. The participants approved the agenda of the meeting.

2. G20 Cross-border payments programme: progress, achievements, and next steps

Thomas Lammer (Bank for International Settlements, Committee on Payments and Market Infrastructures (CPMI)) provided an update on the CPMI activities aimed at enhancing cross-border payments' speed and transparency, increasing access to cross-border payment services, and reducing their costs. Out of 15 priority actions listed in addressing challenges related to cross-border payments, interlinking of Fast Payment Systems (FPS), ISO 20022 and application programming interface (API) harmonisation as well as private and public sector stakeholder groups on payment system interoperability and extension are priority actions led by the CPMI. Major recent deliverables of CPMI include comprehensive reports on i) extending and aligning payment systems operation hours; ii) exploring multilateral platforms for cross border payments; and iii) facilitating increased adoption of Payment-versus-Payment (PvP). The CPMI fosters a consultative approach including industry groups and workshops leading to recommendations and practical guidance published in reports.

3. Eurosystem market infrastructure: digital euro

Evelien Witlox, Programme Manager of the ECB's digital euro project, presented the main features of the digital euro along with the intended outcomes for different stakeholders, and how possible undesired consequences may be mitigated through effective design. The presentation covered the steps taken in ensuring a harmonised customer experience, the incentives designed to induce widespread distribution through intermediaries as a public good, as well as expected benefits of a digital euro.

4. Confirmation and settlement practices

Wolfgang Vogt (Erste Group Bank) presented the confirmation and settlement practices followed in his bank treasury services, detailing the process steps for payments and confirmation handling used in his institution, for three different asset classes (FX/MM/OTC). He elaborated on the difficulties faced in terms of confirmation handling, such as i) mismatches arising due to different presentation of details in settlement instructions or field entries; ii) limitations of reconciliation systems; iii) exchange of confirmations through different systems; iv) UTI handling; v) late confirmation receipts; vi) non-standardised reminder processes and vii) inefficient confirmation handling in case of CLS-based processing combining in and out leg. The presentation also provided insight to improvements which lead to the drastic reduction of matching issues over the past years.

5. CSDR Refit

Massimiliano Sacconi (Intesa San Paolo) provided details on the legislative process, expected timeline and key elements of the CSDR Refit proposal. The key improvements contained in the proposal address: i) settlement discipline; ii) the passport regime; iii) cooperation between supervisory authorities; iv) banking-type ancillary services; and v) oversight of third-country Central Security Depositories. Maria Zekio (ECB) presented data extracted from T2S data and ESMA reporting and noted a lack of visible improvements of settlement discipline after February 2022. However, it was recognised that it may be too early to gauge the effectiveness of the new regime given the market conditions, adjustment period, and other technical or operational factors which must be taken into account in a short-time period. Furthermore, the announcement of CSDR rules led to increased settlement efficiency already prior to its entry into force. A more representative assessment of the regime may emerge as further data becomes available.

6. Eurosystem market infrastructure: an update on the launch of the TARGET Services platform

Sylvain Debeaumont, Head of the ECB Market Infrastructure Management Division, recalled the main objectives of the T2/T2S Consolidation project and summarised the launch of the TARGET Services platform. He emphasised the smooth and timely conduct of migration activities and high availability and performance of the new platform over the initial days in operation, with only minor issues encountered by stakeholders.

7. Tour de table

With reference to the topics presented in the meeting, the participants shared the following observations:

- i. Despite high complexity and initial uncertainties, the migration to TARGET Services:

- Did not result in major issues for impacted financial institutions; and
 - Emphasised a crucial role of the adequate performance and alignment of testing systems, which should be a lesson learnt for the future market infrastructure projects.
 - Congratulated the ECB and Eurosystem for the excellent conduct of the project, the decision to postpone the go live, and especially the testing approach followed.
- ii. Market participants follow the SWIFT timeline for the migration to ISO20022 for cross-border payments and reporting (CBPR+), with:
- The migration activities mainly envisaged for 2024; and
 - particular emphasis placed on the customer's readiness.
- iii. Confirmation matching remains to be a cumbersome and complicated process, involving numerous product-dependent tools.
- iv. One year following the implementation of the CSDR penalties mechanism settlement efficiency has not increased as intended, however:
- Market participants began to proactively monitor their settlement performance to avoid cash penalties.
 - Partial settlement is considered by the majority as the most effective way of improving settlement efficiency (lower settlement fails values, whilst the number may be similar to before), but its effectiveness depends on the ability to apply STP in this process.
 - A significant additional administrative and operational burden is anticipated by the potential introduction of a mandatory buy-in, which is not expected to improve settlement discipline further, particularly if applied to securities which are difficult to source.
 - The implementation of a golden source database for reference data maintained by ESMA could improve the existing situation in terms of creating a comprehensive source of reference data and aligning standards, however the material added-benefit may be unclear, and further details on the scope of the reference data base would be appreciated.

8. AOB

Next OMG WebEx meeting on 22 June 2023.