

ECB Operations Managers Group
Thursday, 30 November 2023

Summary

1. Introduction

Emily Witt (Chair of the ECB Operations Managers Group) welcomed the participants and confirmed the agenda of the meeting.

2. Industry update from SWIFT – FX, Payments and Securities

Joe Halberstadt, Jon Ehrenfeld and Dean Chard (SWIFT) provided an update on coming releases, changes resulting from the implementation of CBPR+ (Cross Border Payments and Reporting) and developments related to the global trend of shortening of the settlement cycle. Special focus was devoted to the overview on the CBPR+ changes made to postal addresses considering FX settlements, as from November 2026, only structured and hybrid postal addresses will be permitted in sending most CBPR+ messages to the SWIFT network. Concerning the settlement cycle, the presenters observed that in the last ten years there is a general trend for its shortening and in 2024 around 30% of the market will settle in T+1. Overall, looking at the current figures on equity settlement transactions, a shorter settlement cycle has adverse effects on settlement efficiency, with observed rates for late settlement of equity transactions being 24% higher in the EU and UK and 27% higher in the US for T+1 compared to T+2. SWIFT support the post trade transformation with initiatives relating to the standards and market practices aiming to implement instant and frictionless payments and reducing settlement risk and improving liquidity for FX transactions.

3. Managing change in Operations (technology and regulations)

Sofie Hartung (Nordea) presented the change management principles and processes at Nordea. To advance prioritization with a long-term strategic perspective, Nordea designed a change management process which emphasises the ownership and empowerment at all levels. It focuses on product and business and is eliminating silos across value chains. The process is based on a value stream approach, where an operational Value Stream (VS) is an autonomous, self-organising and cross-functional team which is responsible for a delivery of a defined product(s) – in line with related business domain strategy.

Sara Alonso, David Blazquez Vila, and Josselin Hebert (ESM) outlined an ESM framework for business strategy implementation and project management. ESM project portfolios are steered by an ESM wide Corporate Project Committee, and each project is subject to various periodic reviews allowing for an early identification of possible problems or issues.

As a prerequisite for a successful project realisation, the presenters underlined the importance of adequate quality on both, technical and staff side, to be supported by project and change management disciplines. Using an example of digital innovation projects, the presenters described a holistic approach which is applied from the sourcing stages to qualifying and testing and encompasses elements related to the governance, environment, ecosystem, process, and institutional culture.

4. EU Issuance & European Issuances Services

Stella Matakidou, Martin Koehler and Siegfried Ruhl (European Commission) outlined the current status of the EU Issuance and gave some insights on the European Issuances Services.

The value of EU outstanding bonds has been increasing in particular in the last four years and it reached EUR 435 billion at the end of October 2023, with the majority of bond proceeds allocated to the Next Generation EU programme. The EU issuance is based on a unified funding approach and dedicated activities are initiated to support the secondary market liquidity of EU-Bonds, such as quoting arrangements and repo facility for EU primary dealers (as of mid-2024). A new EU issuance service (EIS) has been created with the aim to reduce the risk across the entire issuance process by switching to central bank money (with the ECB as paying agent) and the National Bank of Belgium Security Settlement System as issuer CSD and ensuring a level playing field access for (I)CSDs and investors. The go-live of the new service is expected in January 2024.

5. FX Global Code – status & experiences

Leigh Meyer (Citi) presented main features of the FX Global Code and the experience with its implementation. Looking at the most recent changes of the Code, made to elements such as 'Access to Confidential Information', 'Intraday' and 'End-of-Day Funding' and 'Managing Operational Risk', Leigh outlined key issues related to their implementation and corresponding solutions proposed. With a special focus on settlement risk Leigh analysed associated principal and operational risks, and the possibilities to reduce them by means of various settlement solutions.

6. Tour de table questions and Work Programme 2024

Based on the draft ECB OMG Work Programme for 2024, the members expressed their interest in the presentation.

In the tour the table, the OMG members discussed main topics of the meeting emphasising the following aspects:

A. Managing change in operations (technology and regulations)

- Projects are mainly driven and selected based on regulatory requirements, followed by competitive opportunities, such as efficiency, security, stability, client satisfaction. Key changes impacting post-trade operations reported, besides meeting regulatory requirements, were relating to further process or system improvements or mandatory system replacements; T+1 settlement cycle; optimisation of data usage and artificial intelligence, especially to improve liquidity forecasts, reduce risks and improve Know Your Customer; further digitalisation and experimentation with digital assets.
- Main challenges in project management are linked to the compliance with changing regulatory rules and effective management of all stakeholders across the chain.

B. FX Global Code – status and experiences

- Several OMG members reported that their organisation subscribed to the FX Global Code and ensures internal awareness and compliance.
- Main advantage of FX Global Code is the mitigation of risks, including reputational risk in the relationship with other financial institutions and customers, as well as more effective payment management linked with baseline minimum standards.
- Some of the issues related to the FX Global Code:
 - lack of mandatory form, with no envisioned oversight of a dedicated regulatory body, and
 - market inefficiencies, such as insufficient automatization of processes, which impedes upon the practical implementation of some of the Code's principles.