



EUROPEAN CENTRAL BANK

EUROSYSTEM

Dual connection to ESMIG



AMI Pay meeting
19 May 2022

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Background

- When the T2/T2S consolidation project was launched in 2015, the MIB adopted the same approach, which it followed for T2S, which consisted of it **selecting several NSPs**.
- This approach was mainly motivated by the necessity for the system to be **independent** from any NSP and by the **financial benefits** expected for T2 participants.
- The consultative report released in 2015, however stated that *“further benefits might be expected in terms of **resilience**, in particular if participants connect to the system via more than one provider. Such a connection, **using more than one network provider**, may result either from a voluntary decision on the part of the participant itself or from possible future system rules applicable to certain categories of (critical) participants.”*

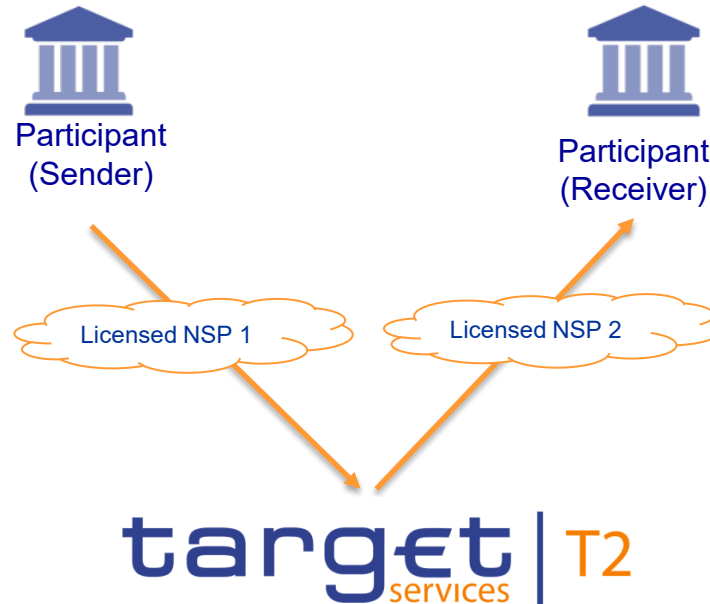
Background

- Meanwhile 2 NSPs had been selected and are now used to connect **Central Banks and participants** to T2 via ESMIG for testing purposes. The Eurosystem knows which entity has selected which NSP and has analysed the operational implications of an **NSP outage** on T2.

WHY ?

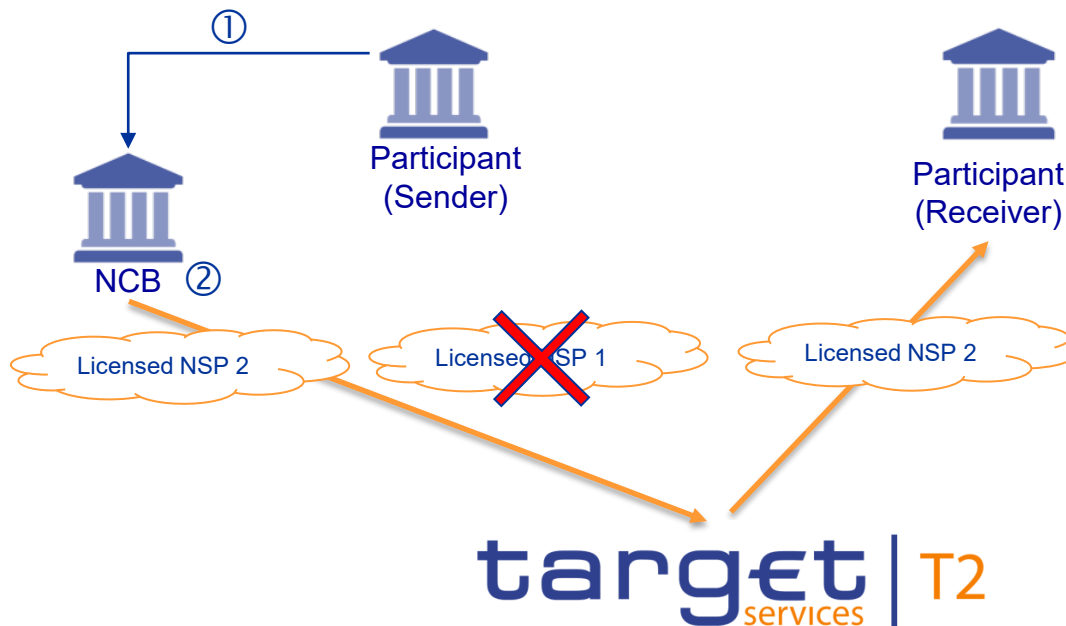
- ✓ The outage of an NSP is seen as an **extreme but plausible scenario**, which the **overseers** recommend to address.
- ✓ Despite all efforts undertaken by NSPs to maintain a highly level of resilience on their respective networks, there were several cases of **service interruptions**, which affected either T2S or TARGET2 (5 incidents lasting at least 60 minutes since 2015).
- ✓ The recent **geopolitical developments** increase the likelihood (risk of cyber attack).

NSP outage: operational procedures in place



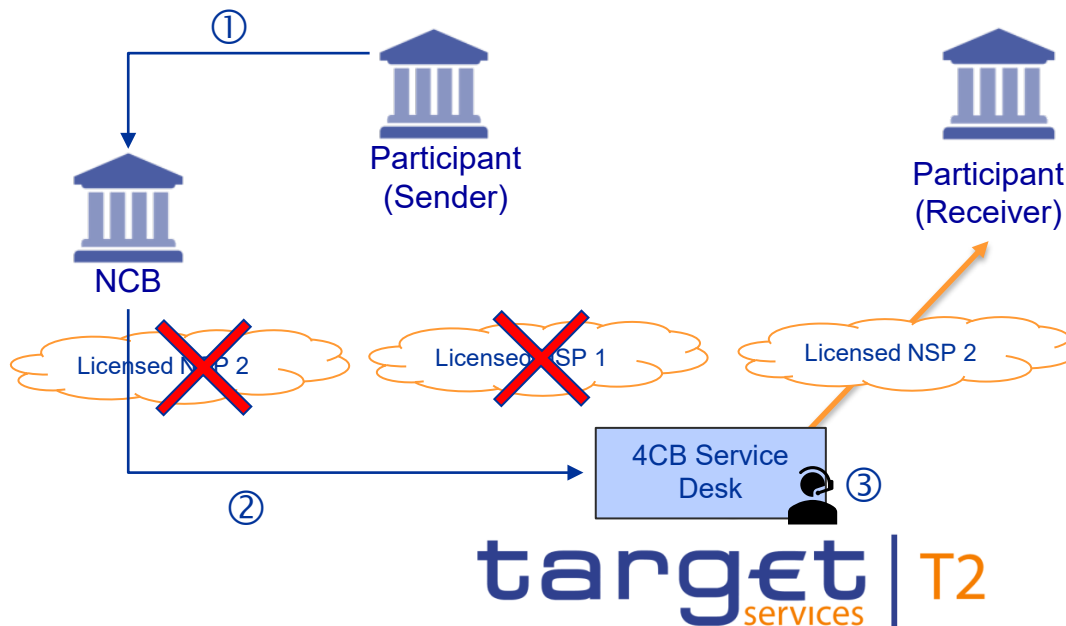
NSP outage: operational procedures in place

1. The participant transmits payment details via alternative means to the NCB.
2. The NCB keys in the payment details (acts on behalf).



NSP outage: operational procedures in place

1. The participant transmits payment details via alternative means to the NCB.
2. The NCB forwards the payments details via alternative means to 4CB.
3. The 4CB key in the payment details (act on behalf).



Analysis of an NSP outage

- Based on the NSP selection made by Central Banks and participants, the MIB looked at the number of **critical transactions** that would have to be **processed manually** either via Central Banks or via the 4CB Service Desk in the event of an NSP outage.
- The outcome showed that the number of transactions eventually falling on the 4CB Service Desk is **largely exceeding** their capacity, making it **impossible** to process all critical transactions within a reasonable time.
- Further **mitigating measures** therefore have to be found to limit the impact of an NSP failure on T2 operations.

Possible mitigating measure

Imposing a dual connection to ESMIG

- *Which type of connection ? i.e fully-fledged (A2A) or contingency (U2A) ?*
- *Applying this obligation to which actors ? i.e. Central Banks, critical participants or all participants ?*
- *Which service would fall under this rule ? i.e. T2, T2S or TIPS ?*



- ✓ Increased resilience
- ✓ Participants do not need to rely on third parties to execute their critical transactions in case of failure of their main NSP



- Implementation and running costs

Decisions and current considerations

- **Central Banks have** agreed to establish a dual contingency connection (U2A) to a second NSP at the latest 2 years after the go-live of T2.
- The MIB believes this dual contingency connection (U2A) should be extended to **T2 critical participants** in the medium term.
- This rule would **only apply to T2**. The scenario of an NSP outage shall be looked at separately for the other TARGET Services.

AMI Pay members are invited to provide their views on the plans of the MIB to limit the impact of an NSP outage on T2 operations