

## Outcome

### Joint meeting of the Advisory Groups on Market Infrastructures on Payments and on Securities and Collateral

Wednesday 6 December 2017, 2017, 14.00 – 17.30, Room C2.01  
European Central Bank, Kaiserstrasse 29, 60311 Frankfurt am Main

#### 1. Welcome and adoption of the agenda

##### **Outcome:**

The Chair welcomed the participants to the first joint meeting of AMI-SeCo and AMI-Pay and recalled that the raison d'être of this joint session is to discuss issues of common interest to both AMI-Pay and AMI-SeCo.

The members agreed on the agenda.

The ECB updated the participants on the Eurosystem work on cyber-resilience, with in particular the Eurosystem's cyber resilience strategy for FMIs, which is intended to support implementation of the CPMI-IOSCO guidance. This strategy is centred on three main pillars:

- i) the work with financial firms and FMIs to ensure they build their defences and enhance their level of cyber maturity;
- ii) strengthening the resilience of the sector, through cross-regulatory collaboration, information sharing, improved threat intelligence, close collaboration with European law enforcement agencies, market-wide exercises based on cyberattack scenarios, and a deeper understanding of third parties and the supply chain; and
- iii) the establishment of a strategic dialogue between the industry and regulators to catalyse joint initiatives and develop effective solutions.

## **2. T2-T2S consolidation: impact on liquidity management and triparty collateral management functionalities**

The Eurosystem launched an investigation phase on the T2-T2S consolidation aiming at consolidating and optimising the provision of the TARGET2 and T2S services and the overall provision of liquidity also to other services like TARGET Instant Payments Settlement (TIPS). On the basis of a presentation from the ECB, AMI-Pay and AMI-SeCo members are invited to consider (i) the impact of the project on liquidity management, with a particular focus on the Central Liquidity Management and (ii) and triparty collateral management functionalities in the new environment.

### **Outcome:**

The ECB presented the status of the T2/T2S consolidation work and envisaged next steps should the Governing Council support engaging in the realisation phase.

One member questioned how the triparty collateral management functionalities would work in the new environment including ECMS and in reference to the TCMS. In particular he referred to the TCMS that allow reallocating collateral coming from Triparty cross border or collateral held in an ICSD outside T2S as collateral for ECB credit operations.

The ICSDs representatives noted they have done a number of steps to connect the ICSDs to the CSDs world for different types of use allowing them to choose where to hold their main account of collateral. Other representatives noted a number of other commercial offerings are evolving following the final T2S migration wave considering in particular ECMS impact assessment and collateral management harmonisation work.

The Chair of the CMH-TF noted they have so far analysed the existing models, but the interaction from CSDs to ICSDs world will have to be taken into account in the next round of the TF work.

## **3. T2S calendar: T2S on T2 closing days**

The T2S harmonisation mid-year update following the T2S Migration Wave 4 highlighted that eleven out of the eighteen already migrated CSDs were closed on three T2S opening days when T2 is closed, namely Good Friday, Easter Monday and 1 May. As per the T2S harmonisation standard on the calendar that establishes that T2S markets should comply fully with the T2S calendar, a red status (i.e. non-compliant) should be assigned for the T2S markets of those CSDs closed on the above-mentioned days. In addition, AMI-SeCo supported having a strategic discussion of the matter. Considering the possible

impact of this discussion from both a T2 and T2S perspective, AMI-Pay and AMI-SeCo will be invited to have an exchange of views on this topic.

Document:

*T2S calendar – T2S on T2 closing days*

**Outcome:**

The Chair of the HSG presented the status of the HSG discussion on the T2S harmonisation standard on the T2S calendar following the findings of the T2S harmonisation mid-year update highlighting that eleven out of the eighteen already migrated CSDs were closed on three T2S opening days when T2 is closed, namely Good Friday, Easter Monday and 1 May.

The HSG considered a number of options considering for each if it i) contributes to the removal of Giovannini Barrier 7, ii) facilitates cross-border settlement during currency closing days and iii) accommodates currency opening days. To complement this analysis, the CMH-TF, following the HSG request, further considered the business case for opening on these three days from a collateral perspective. This analysis showed that the needs are not as high as anticipated when defining the standard originally as firms found workaround solutions to accommodate the CSD closure on those days. This collateral need may however raise and the evolution should be observed.

The ECB stressed that option iic (maintaining the standard and opening TARGET2) is not an option that can be decided upon only by the AMI as it has wider ramifications, in particular on money market activity. Following the question raised by some members on the situation in the context of the T2/T2S consolidation, the ECB clarified that the T2/T2S consolidation does not mean a merger of services and each service has by definition its specific business day.

The discussion highlighted the need to combine principles and pragmatism linked to the operational dimension of this issue.

On this basis, AMI participants supported maintaining the standard but changing the T2S calendar by closing T2S if all of the T2S currencies' RTGS are closed. The ECB will consult with the CSDs if this arrangement would be implemented already from 2018 or in 2019 and communicate the result of the investigation as soon as possible.

#### **4. Update on T2 and T2S operations**

AMI-Pay and AMI-SeCo will receive an update on the latest developments of T2 and T2S operations.

**Outcome:**

The ECB provided an update on the TARGET2 and T2S traffic.

The members took note of the update.

## **5. Update on the post-trade harmonisation agenda**

The members will be updated on the post-trade harmonisation agenda, both from the perspective of EU public authorities and AMI-SeCo.

**Outcome:**

The HSG Chair updated the members on the AMI-SeCo post-trade harmonisation agenda, and in particular the 8<sup>th</sup> harmonisation progress report, the AMI-SeCo response to European Commission consultation on EPTF report, the AMI-SeCo work on DLT and the AMI-SeCo work on collateral management harmonisation.

The members took note of the update.

## **6. Any other business**

**Outcome:**

The ECB raised the attention of AMI participants on the upcoming Focus Session in Paris on 13 December that will cover discussions on:

- retail payments with TIPS
- large value payments with the T2/T2S consolidation both from a cash and securities perspective
- collateral management.