

AMI-PAY / AMI-SECo

DRAFT

10 December 2020

OUTCOME

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

3 December 2020, 10.30 – 12.30 (CET)

WebEx teleconference

- 1. Welcome and adoption of the agenda**
- 2. Update on recent TARGET2 and T2S incidents and follow-up measures by the Eurosystem**

The ECB provided an update on recent incidents in T2 and the respective follow-up measures the Eurosystem is taking to address the lessons learnt.

Documents:

- *Presentations on recent TARGET2-T2S related incidents*

Outcome:

The ECB gave a detailed overview of the root causes, the mitigating measures, and the immediate impact of the TARGET2 incidents (also having impact on T2S) of 11 August, 23 October and 13 November 2020. The presentations also covered the lessons learnt so far.

The Eurosystem is aware of the seriousness and the implications of the series of incidents that took place in recent months and decided accordingly to also seek an independent external review of its payment infrastructure services. The review will also take into account other incidents that affected TARGET Services during 2020, including those affecting directly and indirectly TARGET2 Securities (T2S), the securities settlement platform operated by the Eurosystem. The review will look into (inter alia) the robustness of the business continuity model, the adequacy of the regular recovery tests, the efficiency of the change management procedures, the governance and the communication protocols. The independent review was announced to the public on 16 November. The main findings of the review, as

well as the responses of the Eurosystem, will be shared with market participants and made public by the second quarter of 2021.

AMI-Pay and AMI-SeCo members welcomed the detailed reporting by the ECB. Several AMI-Pay and AMI-SeCo members highlighted that they perceive room for improvement in particular on the timeliness, the content and the consistency of communication from individual NCBs and CSDs to stakeholders in relation to the incidents. It was also highlighted that further discussions and potential coordination may also be useful to help direct TARGET2 participants to communicate on such major incident to their customers. The ECB highlighted that it is open to further discussions on improving communications going also beyond the enhancements already planned as presented.

Follow-up:

The ECB will organise a workshop with AMI members on the communication aspects of incidents of TARGET services.

3. Update on the T2-T2S consolidation and ECMS projects

The ECB presented the updates on the T2-T2S consolidation and ECMS project and on the financial implications of rescheduling the T2-T2S consolidation project.

Documents:

- *Presentation – update on T2-T2S consolidation*
- *Presentation – update on ECMS*
- *Presentation – financial implications of the rescheduling of the T2-T2S consolidation project*

Outcome:

The ECB gave a brief status update on the T2-T2S consolidation project. T2-T2S consolidation key milestones for participants have been approved by the MIB and published on the [ECB website](#). These milestones were presented to the members of the AMI-SeCo and AMI-Pay as a roadmap. The next reporting cycle is Q4 2020 and responses are expected by mid-January 2021. No milestones for participants are due in this reporting cycle but the participants will be asked to report on the status of the milestones pending completion from previous reporting cycles as well as on the upcoming milestones.

The ECB gave a high-level timeline status update on the ECMS project. Following the Governing Council decision to reschedule the ECMS project to November 2023, the baseline project plan has also been revised. All the work is progressing according to the plan. The members of the AMI-SeCo and AMI-Pay were informed about the [Connectivity guide](#) describing the different steps for establishing Value Added Network (VAN) connectivity for ECMS Actors. The Guide was published in October 2020. In addition, the

members were introduced a second dedicated TPA-CSD workshop scheduled for 9 December 2020. The workshop plans to provide key highlights of the ECMS project and further clarification materials.

The ECB, on behalf of the MIB, shared some key messages with regard to the financial implications of the rescheduling of the two projects to the market participants. The rescheduling of the projects, in line with market's request, leads to additional costs. These additional costs will be partially absorbed by the Eurosystem and partially included in the financial envelopes and recovered via market fees following the Eurosystem full cost recovery principle. There will be a marginal increase in the T2 pricing envelope. In addition, it was highlighted that the T2 pricing policy will not be revisited before 2024, in line with what was previously shared with the market, and that T2S and TIPS pricing envelopes will remain unchanged.

4. Fintech Task Force reporting and future work

The joint AMI-Pay / AMI-SeCo Fintech Task Force presented a report on “the use of DLT for Issuance and Post-trade Processes”. The report investigates the lifecycle of securities in DLT, discussing various models of their issuance as well as custody and safekeeping and clearing and settlement, by reference to practical examples from the market.

In addition the ECB shared its initial reflections in relation to the Fintech-TF mandate and the organisation of its work going forward.

Document:

- *Report by the Fintech Task Force - The use of DLT for Issuance and Post-trade Processes*

Outcome:

The Chair of the joint AMI-SeCo and AMI-Pay Fintech Task Force presented the report on the Use of DLT in Issuance and Post-trade Processes. As a follow-up to the previous work of the Task Force, the group has prepared a draft report, which by leveraging practical examples highlights key implications and requirements for the use of DLT in Issuance and post-trade processes. An executive summary of the report was circulated to the members of the AMI-SeCo and AMI-Pay for comments ahead of the previous joint meeting, and the current version of the report has been produced following the received comments. The report tries to set common understanding on how DLT can be used in the current regulatory system and highlight the key impacts on harmonisation and interoperability. The members widely welcomed the report and thanked the work done by the Task Force. The members agreed to launch a short written consultation to finalise the document which thereafter will be shared with the Joint AMIs community for final approval and later published.

The ECB informed the members on the ongoing resources prioritisation exercise which will impact also the future work of the Fintech Task Force. The opportunity to have a direct involvement of NCBs is being investigated. The views of the members in regard of the future expectations of the Task Force work will be collected via written consultation.

Follow-up:

The AMI-SeCo and AMI-Pay Secretariat will launch a written consultation to invite the members to comment on the report.

The AMI-SeCo and AMI-Pay Secretariat will launch a written consultation to invite the members to share views on the organisational aspects and expectations of the Task Force future work.

5. Any other business

Outcome:

The Secretariat announced that the time has come for the regular biennial review of the functioning and set-up of the AMIs and it would welcome any observations from members on this.