



EUROPEAN CENTRAL BANK

EUROSYSTEM

Christine LAGARDE

President

Mr Markus Ferber
Member of the European Parliament
European Parliament
60, rue Wiertz
B-1047 Brussels

Frankfurt am Main, 21 January 021

L/CL/21/7

Re: Your letter (QZ-070)

Honourable Member of the European Parliament, dear Mr Ferber,

Thank you for your letter, which was passed on to me by Ms Irene Tinagli, Chair of the Committee on Economic and Monetary Affairs (ECON), accompanied by a cover letter dated 25 November 2020.

Promoting efficient and rapid payments and settlements is a very important task of the Eurosystem, as I highlighted during my hearing before the ECON Committee on 19 November.¹ In response to your first question on the number of incidents that affected the TARGET2 system in 2020, let me clarify that there were four incidents in total. The first occurred on 16 March and caused a complete service interruption of two hours. The second, on 11 August, caused a complete service interruption of six hours and the third, on 23 October, lasted for approximately ten hours. There was a fourth incident on 16 November, but this incident did not cause a complete service interruption. The first three incidents prevented many transactions from being settled immediately. All these transactions were nevertheless processed once the system resumed operations.

I can confirm that the root causes of each of these four different incidents were thoroughly investigated and have been identified. Investigations showed that each of these incidents had a different cause and thus that

¹ See *Transcript of Monetary dialogue with Christine Lagarde*, President of the ECB, Committee on Economic and Monetary Affairs, 19 November 2020, available at: https://www.ecb.europa.eu/press/key/date/2020/html/ecb.sp201119_transcript~353ee9966e.en.pdf?2d3c28180ae9e954238c36f2ab0b2f0f.

Address
European Central Bank
Sonnemannstrasse 20
60314 Frankfurt am Main
Germany

Postal address
European Central Bank
60640 Frankfurt am Main
Germany

Tel: +49-69-1344-0
Fax: +49-69-1344-7305
Website: www.ecb.europa.eu

none of the incidents was a repetition of a previous one.² Technical and organisational measures were put in place after each incident to avoid a reoccurrence.

The frequency of incidents as well as their magnitude is a significant source of concern for the ECB and for the Eurosystem as a whole. For that reason, on 16 November the ECB announced that it would launch an independent external review of all four incidents that affected TARGET services during 2020, including those that directly and indirectly affected TARGET2 Securities (T2S), the securities settlement platform operated by the Eurosystem.³ This review is under way and complements the review currently undertaken by the Eurosystem's payment systems oversight function. It is examining the robustness of the business continuity model, the adequacy of the regular recovery tests, and the efficiency of the change management procedures and the communication protocols. The main findings will be published in the second quarter of 2021. We are committed to learning the right lessons from these incidents, being fully transparent about our findings and taking the action required to continue providing highly efficient and reliable financial market infrastructures.

In response to your question on the overall reliability and resilience of the financial market infrastructures operated by the Eurosystem, I can confirm that the TARGET services are subject to oversight requirements as laid out in the ECB Regulation on oversight requirements for systemically important payment systems⁴ and in the Principles for Financial Market Infrastructures of the Committee on Payments and Market Infrastructures and the International Organization of Securities Commissions⁵. These include requirements to address operational risk and to protect the systems against hardware and software defects, human error and cyberattacks⁶. This is indispensable for the important role that payment and settlement systems play in the financial sector and our economy.

Yours sincerely,

[signed]

Christine Lagarde

² More specifically, the incident on 16 March was due to a new security feature that had recently been implemented in the system but inadequately configured. The high volume of transactions on that day interrupted the communication between TARGET2 and the SWIFT network. The incident on 11 August was due to maintenance work being simultaneously carried out on the two power supply units of the system, causing a power failure of the mainframe hosting TARGET2. The incident on 23 October was due to a software defect in a third-party network device that had recently been installed on the internal network of TARGET2; this defect was known to the third-party provider but not to the Eurosystem and rendered the internal network of TARGET2 totally inoperative. Finally, the incident on 16 November was due to a messaging component being updated incorrectly.

³ See *ECB announces independent review of payments system outage*, press release, 16 November 2020, available at: <https://www.ecb.europa.eu/press/pr/date/2020/html/ecb.pr201116~7b08f0a3c5.en.html>.

⁴ See Regulation of the European Central Bank (EU) No 795/2014 of 3 July 2014 on oversight requirements for systemically important payment systems (ECB/2014/28), available at: <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A02014R0795-20171206>.

⁵ For more information on the Eurosystem oversight policy framework, see <https://www.ecb.europa.eu/pub/pdf/other/eurosystemoversightpolicyframework201607.en.pdf>.

⁶ See also *Keeping cyber risk at bay: our individual and joint responsibility*, speech by Fabio Panetta, 16 December 2020, available at: <https://www.ecb.europa.eu/press/key/date/2020/html/ecb.sp201216~7042bffe07.en.html>.

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