EUROPEAN CENTRAL BANK

EUROSYSTEM

ECB Operations Managers Group
01 December 2022 14:00 - 17:30 CET Webex meeting

Summary

1. Introduction

Emily Witt (Chair of the ECB Operations Managers Group) welcomed the members and reminded the participants of the ECB contact group confidentiality rules on the communication of the meeting deliberations. The participants approved the agenda of the meeting.

2. Crypto-assets, DLT and capital markets - ICMA's activities in the international debt capital markets

Gabriel Callsen (ICMA) outlined the latest market, legislative and regulatory developments in the area of DLT and capital markets. He also gave some insights on ICMA's engagement on FinTech and digitalisation in the international debt capital markets. In this context, ICMA's priorities in 2022 focused on DLT/Blockchain Bonds, reflecting both i) increasing number of DLT-based transactions and ii) the challenges related to the fragmentation of regulatory and market standards. As major obstacles to the adoption of DLT-based technology Gabriel considers inconsistencies and gaps between existing legal frameworks as well as the absence of wholesale CBDC, that should be developed by central banks in close cooperation with market stakeholders in order to address market needs. ICMA's on-going activities which aim at promoting automation and avoiding market fragmentation include i) the Common Data Dictionary – an initiative to promote standardisation, STP and interoperability in primary bond markets, and ii) the Common Domain Model (CDM) for the repo and bonds, a common language for trade-processing of derivatives, repos, securities lending and bonds based on cross-industry collaboration of ICMA, ISDA and ISLA.

3. T2/T2S Consolidation Project: the impact on the market of the project go-live postponement

Jean Clement (ECB) presented the main elements of the T2/T2S Consolidation project replanning and provided details on the revised project schedule, testing milestones and Migration Weekend Dress Rehearsal.

Ria Soedhoe and Fernando Hagel Franco (ABN Amro) outlined the main lessons learned from the T2/T2S Consolidation project, from a market participants' perspective. They presented some findings and related recommendations on the testing strategy, KPIs assessment, communication on the project's progress, coordination with other systemic stakeholders (SWIFT) and on reliance on third-party software.

4. Settlement Instructions: Organization, process & axis of improvement

Stéphane Le Bail (CA-CIB) recalled key elements of Standard Settlement Instructions (SSIs), emphasising the complexity associated with the management of settlement instructions and static data. Stéphane described SSI management processes at CA-CIB and outlined prevailing internal and external issues encountered including ways of addressing them. Meeting participants acknowledged that they face similar issues and that in particular the variety of communication formats used have a continuous impact on operational activities.

5. AI & Data management and reporting for compliance

Sven Bollingh (KBC Bank) presented the evolution of compliance set-up and its impact on operations. He observed that increasing compliance requirements have led to advanced use of Artificial Intelligence (AI), owing to the limitations and growing costs of rule-based approaches. As AI models require significant effort in setting up and feeding of the data, they may however be difficult to maintain if there are numerous and frequent changes to the compliance requirements, e.g., new sanctions regime changes. Thus, an efficient solution needs to rely on a combination of both rule-based and AI approaches in a data-driven end-to-end platform.

6. Data usage in Operations

Wolfgang Vogt (Erste Group Bank), described how the data and KPIs are used in back office operations at Erste Group. The main elements include: i) distinction between three KPIs types: quality & customer experience, efficiency and digitalisation; ii) obligatory analysis of red category status; iii) identification of crucial internal systems and definition of their processes status, iv) recording and reporting on issues and accomplishments; and v) voiced requests. Metrics used for the monitoring of KPIs encompass unit specific indicators and metrics common for all operational units and relevant, in particular, from a regulatory or audit perspective. Further development of this data management system focuses mainly on building data-based simulation capability allowing the imitation of real-world scenarios and enlargement of data analysis capabilities for the identification of new solutions and optimisation possibilities.

7. Tour-de-table questions and Work Programme 2023

In a tour-de-table, meeting participants discussed questions and shared observations following the meeting presentations.

   i. Settlement Instructions: organization, process & axis of improvement
   * Confirmation matching – numerous formats in use are the main source of related operational failures.
   * New technologies and digital solutions should be further investigated, to address well-known SSI management issues that are widely impacting banking industry operations, e.g. a unique, potentially DLT based, repository for SSIs where market participants could continuously update and verify SSIs
   ii. AI & Data management and reporting for compliance
   * Compliance units should play a leading role in steering operational compliance activities.

- Growing complexity and number of compliance reporting requirements leads to constant increase in involved resources.

iii. Data usage in Operations

- Data quality and metadata play a crucial role for data usage in operations.
- A careful balance needs to be reached between selecting some key indicators based on available quality data and very granular KPIs or key risk indicators to steer market operation processes and risks in an efficient manner.

8. AOB

The date and topics for the next online meeting on 23 March 2023 have been confirmed.