

Summary
Ad hoc call of the Advisory Group on Market Infrastructures
for Securities and Collateral
9 April 2020

1. Welcome and adoption of the agenda

The Chair welcomed the participants, the agenda was adopted.

2. Update on the operational readiness of Eurosystem infrastructures and services during the COVID-19 pandemic

2.1 Update on the operation of T2S

The ECB provided an update on the operation of T2S during the COVID-19 pandemic. T2S Coordination Desk (ECB) and T2S Operator (4CB) have, from 11 March 2020 onwards, been performing all the daily T2S-related operations / tasks on remote basis. The relevant contingency procedures had been tested regularly in the past which allowed the T2S operator to provide the service to customers without interruptions also in this period.

The turbulences in financial markets due to the escalation of the COVID-19 pandemic led to significantly higher turnover in securities markets than usual. Since late February, T2S volumes have increased to over 1 million securities settlement transactions per day, with a peak of 1.2 million transactions in the middle of March, against a 2019 average of 600 000 settlement transactions per day. As a result, slowdowns and some delays were experienced during the critical phases of the business day in T2S, i.e. End of Day, Start of Day and Night Time Settlement, but this did not endanger the continuity of T2S operations and did not lead to critical incidents. In order to improve the system performance and predictability of the business day, several measures were taken by the T2S Operator which led to a full normalisation of the business day schedule as of 23 March.

The members took note of the ECB's update.

2.2 Update on Eurosystem collateral management services

The ECB reported that, overall, Eurosystem operations have proven to be resilient in the current COVID-19 situation, and no negative impact was detected on the Eurosystem's ability to execute its credit operations and manage related collateral. At most national central banks (NCBs) a high level of automation of regular credit settlement and collateral management processes makes manual interventions rarely necessary. It was highlighted that NCBs are able to support both domestic and cross-border collateral management processes at the usual service levels also including ancillary processes such as pricing of collateral or managing corporate actions. All Eurosystem NCBs have tested contingency measures available which were deployed successfully where necessary. Extraordinary measures for the execution of Eurosystem operations – going beyond the existing contingency frameworks – have not been necessary.

The members took note of the ECB's update and were also invited to raise any potential questions bilaterally after the meeting.

3. Summary of responses to the survey on impact of the COVID-19 pandemic on operational readiness of post-trade services

The ECB presented the outcome of the flash survey among AMI-SeCo members and observers on the operational readiness of post-trade services during the COVID-19 pandemic. The majority of AMI-SeCo members responded to the survey. All respondents confirmed that – despite the significant challenges of a very large proportion of their staff teleworking and the significantly higher turnover in financial markets – they were able to provide 100 % of their services to their customers in all three business segments (settlement / clearing; asset servicing and collateral management). The starting of the annual meeting and dividend season with a high number of issuers expected to postpone related events / corporate actions has created uncertainty and a challenging processing environment for many service providers when providing asset servicing to their clients. Furthermore, servicing physical securities or supporting processes still requiring physical interaction with clients, issuers or other service providers as well as national requirements for wet-ink signatures in some markets were highlighted as challenging areas.

The ECB also emphasised the importance of cyber-risk resilience and preparedness under these extraordinary circumstances with a heavy use of remote access also to critical IT systems among the users of Eurosystem infrastructures. In this vein, nearly all respondents reported stepped-up cyber-risk monitoring measures and additional education to staff to properly manage potential incidents such as phishing attempts.

In the feedback to the survey several members raised the question of potential changes to approaching regulatory deadlines (Revised Shareholder Rights Directive, SFTR and CSDR settlement discipline requirements). The ESMA and EC representatives gave an update on the approaching regulatory deadlines highlighting that, before the escalation of the COVID-19 pandemic, there had already been an ESMA proposal to postpone the entry into force of the RTS on settlement discipline until 1 February 2021 (the draft RTS was now during the final stages of approval by the EC and would then undergo a scrutiny by the European Parliament and Council), while ESMA had also recently issued a statement on SFTR requirements, given the impact of COVID-19. No plans were elaborated / communicated so far to introduce further delays to the entry into force of relevant regulatory requirements. However market developments in the context of the COVID-19 pandemic would be monitored closely.

Some members expressed the view that the timeline for Eurosystem projects would need to be reassessed and flagged that some market participants experience challenges in relation to project resources some of which are used now to ensure the provision of daily operations. Others noted that changing project timelines may also be challenging for stakeholders. It was recalled that the relevant projects have dedicated client readiness frameworks which were designed – inter alia – to detect whether there are any significant delays in preparations at project stakeholders.

Finally, it was confirmed that the reporting deadlines for the monitoring of the implementation of the AMI-SeCo collateral management standards (SCoRE) have been extended by an additional 4 weeks.

The members took note of the updates provided by the ECB.

4. Any other business

The Secretariat received a request from the collateral management harmonisation workstream to postpone the regular June 2020 AMI-SeCo meeting (originally planned for 8 June) to the end of June or early July in light of the extension of the SCoRE reporting deadlines (see above). The Secretariat will soon communicate the suggested new dates for the meeting.