

OUTCOME

**MEETING OF THE JOINT ADVISORY GROUP ON MARKET
INFRASTRUCTURES FOR PAYMENTS (AMI-Pay) and SECURITIES AND
COLLATERAL (AMI-SeCo)**

2 December 2022, 9:30 – 11:00 (CET)

WebEx teleconference

0. Introductory remarks and approval of the agenda

The Chair welcomed the participants to this joint session of AMI-Pay and AMI-SeCo.

The members agreed on the agenda.

1. T2-T2S consolidation

The ECB presented an update on the T2-T2S consolidation project following the last one on 25 October 2022.

Document:

Presentation – update on T2-T2S consolidation

Outcome:

The ECB presented the main milestones' revision stemming from the replanning after the decision on rescheduling the go-live of T2-T2S consolidation. It was highlighted that the last software delivery / update is planned on 23 December (with a fallback option beginning of January 2023) allowing the necessary software freeze and stable test environments for central bank and user testing as of mid-January. Participants are encouraged to keep the testing momentum and to continue testing at the same or higher pace to enable remediating to remaining defect before the Christmas break. In this regard some additional activities have been added to the plan such as the new Migration Weekend Dress Rehearsal in February 2023 as well as dedicated testing campaigns on cross-border payments and on billing. It was further stressed that the Testing Conditions Document is a key document containing all relevant information and will from now on be available on a weekly basis. The project will rely on monthly user testing status updates until go-live. An additional readiness reporting cycle has been introduced with an end-January cut-off to gauge the confidence level of stakeholders. The MIB go-

no-go discussion is scheduled on 10 February in order to keep 5 weeks between the decision and the go-live (20 March).

2. Update on the implementation of the action plan addressing recommendations following the 2020 TARGET Services incidents

The ECB informed AMI-Pay and AMI-SeCo participants on the progress related to the implementation of the action plan for addressing recommendations following the 2020 TARGET Services incidents with a focus on TARGET Services crisis communication.

Document:

Presentation – Update on implementation of action plan for addressing recommendations following the 2020 TARGET Services incidents

Outcome:

The ECB gave an update on the follow-up to the action plan on the 2020 TARGET Services incidents approved by the ECB Governing Council in December 2021 following the publication of Deloitte's report that conducted an independent review.

By the end of September 2022 around 80% of actions (121 out of 155) approved by the Governing Council have been completed. 16 actions with future deadlines are on track to be implemented while there is a delay on the implementation of 18 actions (most of these relate to the T2-T2S consolidation project rescheduling).

Several of the action points concerned crisis communication. It was noted that all the related actions except one have been completed and communicated to the AMIs. The outstanding action related to the preparation of participants to extreme scenarios is on track and is planned to be finalised by Q1 2023 together with the go-live of the T2-T2S consolidation project.

One of the actions already implemented with particular relevance for the AMIs is the setting up of the crisis communication groups, one for TARGET2 and one for T2S. However, it was noted that there was limited participation in the test of the T2S crisis communication group that was conducted recently. A new test will therefore be conducted to ensure sufficient participation. It was confirmed that the lessons learnt from recent incidents will also be factored into the decisions on if and when to activate the two crisis communication groups.

It was also noted that while no special additional measures are envisaged for the remaining months until the T2-T2S consolidation project go-live, the Eurosystem is further discussing potential special communication measures / preparations for the case of a potential incident in the context of the migration to the new TARGET platform.

Follow-up:

The ECB will look to specify guidance as regards expectations from the banks side on communication enhancements.

3. Debriefing on the Eurosystem's market outreach on potential new technologies to be used for central bank money settlement

The ECB informed AMI-Pay and AMI-SeCo participants on the market outreach conducted by the Eurosystem in the context of its work on the potential use of new technologies for central bank money settlement.

Document:

Presentation – Potential use of new technologies for the settlement of wholesale financial transactions in central bank money: Eurosystem outreach

Outcome:

The Eurosystem carried out market outreach exercise on the potential use of new technologies such as distributed ledger technology (DLT) for the settlement of wholesale financial transactions in central bank money. The outreach consisted of an industry survey in May / June 2022 addressed to the members of major European financial industry associations represented in the AMIs and national industry associations, that was followed by a meeting in September 2022 with stakeholders who had responded to the survey and selected fintech companies.

The market outreach focused on the possible market interest, market needs (use cases) and the suitability of new technologies such as DLT for wholesale central bank money settlement. Responding market stakeholders broadly expect an uptake of new technologies over the medium term (5-10 years). Atomic direct peer-to-peer DvP / PVP settlement, decentralised programmability, ease of reconciliation were mentioned as potential benefits.

AMI participants were asked how the Eurosystem could potentially contribute to and/or help financial market stakeholders' future efforts and deliberations in this field and vice-versa. Participants welcomed the Eurosystem's debriefing and supported developing a common understanding of this potential new ecosystem and looking at stakeholders' roles, guiding principles and interoperability questions. Several participants emphasized that the community is still in the early stages of experimenting with new technologies; a lot of questions remain to be answered and challenges to overcome, including, e.g. the complexity of reforming the securities, collateral and payments ecosystems and the assessment of the costs and benefits of deploying new technologies. Over the short term, the DLT Pilot Regime Regulation is considered as an appropriate framework to continue market experiments. Even if cash settlement is not the only aspect to be considered when building new ecosystems, participants see a role for the Eurosystem to facilitate further discussions on the topic. The ECB will further reflect on the market feedback received and come back to the AMIs in due course.

4. AOB