



EUROPEAN CENTRAL BANK
EUROSYSTEM

DG Market Operations
Financial Operations Services Division

ECB-PUBLIC

ECB Operations Managers Group

Frankfurt am Main, Thursday 5 October 2017, 13:00 – 17:00 CET

Summary of the discussion

1. Regulatory technology

Francis Gross (Senior Adviser, ECB) gave a presentation on the measurement of finance in the context of globalisation and fast digitisation. He likened measurement capabilities to artificial senses that should work at the speed and scale of the system observed, and as a necessary prerequisite to the responsible application of technology in our digital age. The very concept of regulatory technology posits that data collected from potentially millions of systems across many countries and broad industries is generated in a way that allows near-time analysis of potentially unexpected, fast-unfolding, large-scale events. As a starting point towards better global data homogeneity, F. Gross presented the Global Legal Entity Identifier System (GLEIS), its governance, and its capability for offering via the LEI a globally standardised representation of the identity conferred upon any legal entity by the local authority that establishes its existence under local law. The presentation was followed by a discussion with the Members, who converged on the major challenges they are facing with regard to the standardisation, governance and protection of data, and for which significant progress is needed. There was a shared opinion that benefits of having full LEI coverage mandated by law would include a decrease in the industry's operating costs, and would be a first step to better cope with the current regulatory burden.

2. Detailed lessons learnt from the EMIR go-live for the upcoming MiFIR go-live

A Working Group (WG) has been set up among the Members of the ECB OMG to explore the detailed lessons learnt from the EMIR go-live for the upcoming MiFIR go-live. As the WG Coordinator, Frank Caestecker (KBC Bank) presented a first outcome of the discussions and highlighted the major challenges for a smooth MiFIR implementation. According to the WG, considering the depth of the legislation, the implementation 'in one go' and the short timing do not lay ground to a sound preparedness, and may result in market disruptions and unnecessary costs. Members' views converged on the benefits that a gradual phasing-in would bring. In the WG's view, clarifications are still needed on some aspects of the legislation from regulators and the degree of preparedness of technical providers will not allow full compliance on 3 January 2018. Finally, another challenge is posed by ensuring a broad availability of LEI with a view to standardizing the reporting and collection of financial data and to avoid that trades are impeded if the LEI is missing. This could have a knock-on effect on business models after 3 January 2018.

3. Payment protocols

L. Meyer (Citigroup) gave a presentation on foreign exchange payments and related processes at his institution. He explained that all trades, in particular foreign exchange payments, follow a strict sanctions screening approach, in accordance with the guidelines and global operating standards that are expected to be in place within banks. He touched upon the operational aspects of third party payments, which are payments that do not transact to the final beneficiary. It was mentioned that, while the Global Code of Conduct states that 'Market Participants should request Direct Payments' as per Principle 52, the practical implementation is not straightforward as it requires a strict diagnosis of the payment destination. The presentation was then followed by a discussion within the Group on the processes in place for on-boarding, the treatment of inactive clients and the difficulties encountered on identifying authenticated sources.

4. Back Office operations from a central bank's point of view

Wolfgang Schulte (Deutsche Bundesbank) presented the new Back Office organisation structure at the Deutsche Bundesbank, which is distinctly separated from both the Risk Controlling and the Markets areas in order to better implement the principle of segregation of duties. He explained the key responsibilities in the operations area and the escalation procedures in place, and emphasised the Business Continuity Concept of the Deutsche Bundesbank, which has staff members working in split locations. The two teams are interconnected via a videoconference system which allows them to work and communicate live in an active-to-active way. This concept inaugurated in 2012 aims at strengthening the robustness of the Central Bank in reaction to emergency situations. It was mentioned that the question of Distributed Ledger Technology (DLT) is dealt within the research area of the Payment and Settlement Department of the Bank. However, this technology will not be applied in the back office in the foreseeable future.

5. Introducing the FRBNY Operations Managers Working Group (OMWG)

Against the background of the enhanced international co-operation between market operations contact groups, Christina Getz and Thomas Noone (Federal Reserve Bank of New York) joined a teleconference to present their Group. They underlined the distinct nature of the OMWG as a standing Working Group of the Foreign Exchange Committee, chaired by the private sector, and representing the operations industry from the buy-side, sell-side to major market infrastructure providers. The topics discussed within the OMWG are focused on FX, and recently covered the review of the confirmation and settlement sections of the FX Global Code of Conduct, and the regulatory changes impacting operations, in particular the project of incorporation of NDF clearing model with Prime Brokerage. The implementation of MiFID II/R and cyber security were other topics under scrutiny.