



EUROPEAN CENTRAL BANK

EUROSYSTEM

ECB-PUBLIC

ECB Operations Managers Group

Frankfurt am Main, Thursday 8 March 2018, 13:00 – 17:00 CET

Summary of the discussion

1. Update on cyber risk

Patrick van Velthoven and Diederik Perk (Fox-it) updated the Group on the current status of the cybercrime threat landscape with a forward focus on the technological and regulatory impact on business risks. They mentioned that the financial sector is particularly subject to cyber risk, and while threats continue to aim at personal gain, the trend is expanding towards the collection of private data. Against this background, some regulations, in particular touching upon Open banking (PSD2) and the General Data Protection (GDPR) are intended to facilitate protection. Since January 2018, PSD2 has enforced the release of the data by banks to third party fintech firms. GDPR, expected to enter into force in May 2018, harmonises personal data protection rules including via the implementation of repressive fines. However, the net effect on overall business risk is not yet clear, a variety of scenarios ranging from extortion to rogue TPPs are envisioned. Besides, certain frauds impacting consumers tend to be less considered, such as the mass move into defrauding cryptocurrency services. In case an institution is targeted directly, an excellent knowledge of the environment, behaviour and assets of the internal organization are a prerequisite to counter fraud.

2. Insights into intelligent automation

Mario Bona (Intesa Sanpaolo) shared his experience with smart automation as part of the transformation plans initiated in the Operations department at his institution. He first underlined the purpose of the initiative to diagnose the processes that can be robotised, which have led to reflect on the existing processes and to further streamline them. Robots have been increasingly implemented in the production of reports based on data extracted from a variety of systems, and new applications are being studied which integrate robotics with image reading and data analysis capabilities. Another area under close scrutiny was mentioned to be the reconciliation process in back office. Members converged on the benefits of smart automation from a financial, operational, and technical

perspective. In contrast, the monitoring and maintenance of the robots have raised questions as to whether they would necessitate having available back-up teams should the robot stop being operative. Another challenge brought forward was the achievement of the necessary consistency between functions and profiles set up in the systems, which a robot should encompass.

3. Intra-day liquidity management from an operational perspective

Franki Thierens (BNP Paribas Fortis) reviewed the concept of intra-day liquidity management in light of the Basel recommendations, and presented his institution's experience from an operations perspective. Besides meeting the Liquidity Coverage Ratio (LCR) requirements, it has become fundamental for banks to have strict intra-day liquidity management procedures in place, which for instance may entail having sufficient collateral for payments and intra-day liquidity lines. From an operations point of view, this may cause a reduction in the usage of Straight-Through-Processing (STP) and generalise the netting of payments throughout the day. Members recorded experiencing an improvement in liquidity allocation mechanisms through a succinct analysis of cash flows occurring in TARGET 2 accounts, which have helped them define the main characteristics of the daily usage. Combined with effective communication among business lines, urgent payments and adequate liquidity buffers could be established as an enhancement to the flow of payments. Members mentioned also stress testing simulations as tools to detect some patterns in the liquidity usage.

4. Follow-up regarding MiFID II/R implementation

Two months after the MIFID II go-live, which was broadly successful, Members reported that a certain number of operational implementation issues needed further follow-up. They mentioned for instance work still needed to bridge the gaps for the missing LEIs, the reporting of ISINs, the product taxonomy, and the registration to trade on Trading Venues. Nevertheless, the main focus has shifted towards the reduction of the manual work connected with the implementation, in particular linked to pre-trade systems. While the quality of the reports has been constantly improving, the Members shared their concern with regards to the absence of feedback on their reporting to the ARM from the competent authorities.

The Members highlighted the forthcoming challenges expected with regards to the implementation of the Securities Financing Transactions Regulation (SFTR), for which there seems to be only limited leverage possible on the experience accumulated with MiFID II and EMIR.