



Strategic Vision 2020 Eurosystem

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EUROSYSTEEM

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2. Components of Vision 2020
3. Zooming in on ECMS
4. Planning of the Vision 2020 project(s)

Explanation and background 1/3

Speech Yves Mersch @Sibos 2015

- Exploring synergies between T2 and T2S; consolidated Eurosystem market infrastructure
- New service opportunities T2: IP
- Increase harmonisation of Eurosystem collateralisation techniques and procedures

Explanation and background 2/3

Eurosystem vision for the future of Europe's financial market infrastructure

1. Technical improvement of TARGET2
2. Consolidation of national collateral management systems
3. Support for Instant Payments
4. New TARGET2 services

Explanation and background 3/3

1. Technical improvement of TARGET2 via benefit of T2S features:
 - ISO 20022
 - Network agnostic
 - Single gateway
2. Cost efficiency
3. Supporting Capital Markets Union
4. Facilitating market innovations

Eurosystem Vision 2020 projects

1. Instant Payments

2. TARGET2 improvement

3. Eurosystem Collateral Management System

TARGET 2

Short recap on TARGET2

- Target2 is the Eurosystem's RTGS system for large value payments in euro
- Real-Time Gross Settlement
- Central Bank Money via the Eurosystem
- Intraday Credit
- Legal finality (Settlement Finality Directive)
- Since 19 November 2007 (Target 1999-2007)
- ~1000 direct participants

TARGET2 - Securities

Short recap on TARGET2-Securities

- An integrated settlement platform of the Eurosystem for DVP settlement of securities transactions in central bank money in Euro within the euro area
- Supports the integration of the securities settlement market infrastructure
- Making cross-border transactions domestic ones in the Eurozone
- Extension to other currencies

T2 improvement

- Single gateway
- Sharing of benefits
- Ready for future RTGS services

Eurosystem Collateral Management System

Short recap on the collateral framework

- All credit operations should be 'collateralised' (ESCB Statute, Article 18.1)
Collateral should be adequate:
 - Protection against losses
 - Sufficient for conducting monetary operations
- Single list of collateral: (non-) marketable & harmonised risk control framework
- Lending to financially sound counterparties
- Credit provided by Home Central Bank (country of establishment)

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Eurosystem Collateral Management System

- ECMS is part of the Vision 2020 strategy for market infrastructures
- In December 2015, MOC and the MIPC agreed to set-up a joint task force (ECMS-TF) to investigate whether there is a business case for ECMS and to draft high-level user needs
- The ECMS-TF conducted fact findings on functional scope and financials of the current CMSs of the NCBs
- Report from the ECMS-TF to MOC and the MIPC:
The ECMS-TF concludes that launching the investigation phase could be supported, as there can be a business case
- Recognition/ inclusion of ECMS TF output (general principles and high level user needs) in Vision 2020 project documentation

Eurosystem Collateral Management System

General Principles

Nine principles serving as cornerstones for the ECMS (e.g. system should be scalable in terms of number of assets, counterparties)

High-level User Needs

Description of what is expected from the ECMS in terms of functionality

Inside the scope:

marketable and non-marketable assets, eligible under the permanent and the temporary framework, pledge/repo etc.

Outside the scope:

earmarking, NCB specific frameworks (e.g. ELA), reverse liquidity absorbing transactions, NCBs' own portfolios

High-level Harmonisation Needs

Corporate actions, valuation & close links data, non-marketable assets, temporary framework (such as ACCs accepted by some, but not all NCBs)

High-level Cost-benefit analysis

Attempt to compare Eurosystem's yearly running and operational costs for 19 CMSs including releases and upgrades versus a potential project investment and running costs

ECMS qualitative benefits: e.g. quicker implementation of framework changes

Eurosystem Collateral Management System

Other ECMS deliverables and their expected timeline

ECMS Project Charter

Relevant committees received the first version in April 2016

Decision around summer 2016 (as part of project portfolio update)

Vision 2020 Roadmap

Summary document of various Vision 2020 initiatives

Quality Review Gate 1 (QRG) documentation

Includes e.g. a list of project deliverables, risk register, financial envelope

If launched, the so-called investigation phase for drafting detailed user requirements for the ECMS is planned to take until end 2017

Eurosystem Collateral Management System

Benefits

Consolidation

- Single technical platform for domestic and cross-border use of collateral
- Centralised IT solution while preserving decentralised business relations between NCBs and counterparties (access to credit)

Harmonisation

- Harmonised service level for all accepted collateral (marketable assets and credit claims), covering existing collateral legal techniques (pledge and repo)
- Harmonised interface with market participants

Efficiency

- Lower costs for consolidated solution: releases and improvements
- Adoption of real-time and straight-through-processing; direct interfacing with TARGET2 (cash settlement) and TARGET2-Securities (securities settlement)

Planning of the Vision 2020 project

- Concrete project plans ('status report; road map and project charters') for discussion and decision to Governing Council around this summer
- Some elements to be scheduled during regular system updates
- If and when decided, start of actual projects in the course of 2016 and 2017

Statements for discussion

1. Central banks should wait for specific requests from the market and not take initiatives.
2. The plans in relation to Vision 2020 are not ambitious enough.

Thanks for your attention

Any questions?



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