

ECB-PUBLIC 18 March 2021

ECB Operations Managers Group

17 March 2021 14:00 - 17:00 CET Via WEBEX

Summary

1. Introduction

Emily Witt (Chair of the ECB Operations Managers Group) introduced the newcomers to the Group and presented the agenda of the meeting, which was then approved by the participants.

2. Digital euro and transformation of payments [14:05 – 14:50] '45

The OMG received a presentation on the Eurosystem's perspective on central bank digital currency in the euro area (i.e. a digital euro) and the initial analysis of raw data from the public consultation on a digital euro, which closed in January 2021. It was emphasised that, at the current stage, the Eurosystem explores different aspects of a potential digital euro, including technical feasibility, compliance with the principles and policy objectives of the Eurosystem, and user requirements. The aim is to ensure that the Eurosystem will be prepared to issue a digital euro if it were to decide to do so in the future.

Some OMG members expressed their support for the implementation of a digital euro, whilst others shared their concerns that this may have major implications on the banking system.

3. Digital currency and digitalisation: FX global markets [14:50 – 15:50] '60

Andrew Harvey (Global Financial Markets Association - GFMA) presented market insights and issues related to on-going digitalisation and digital currency initiatives, analysing their impact on the operation of the market in the area of FX post trade activities. It was emphasised that wholesale FX settlement offers opportunities to leverage new technologies, specifically when considering the benefits of reducing systemic FX Settlement Risk (i.e. increase PvP). This in turn would require that new solutions are interoperable and achieve networked scale. With a focus on digital currencies, Andrew underlined the need for a global taxonomy of crypto-assets, that distinguishes their different use-cases and features, ensuring harmonised regulatory treatment and supporting innovation, in order to realise the potential benefits and appropriately manage associated risks.

In the follow up exchange of views, the OMG confirmed the potential and importance of DLT and digital currency developments and stressed the need for a regulatory framework encompassing new technological developments. In the absence of such a framework and strong demand from customers, the main efforts and resources are now focused on the on-going projects in the area of operations automation, end-to-end digitalisation and especially regulation driven adjustments.

Therefore, most of the institutions consider to still be in a learning process, building understanding of what the new technology can bring and how it can be practically applied.

4. FX execution algorithms (exchange of views) [15:50-16:10] '20

The OMG evaluated the main messages of the <u>BIS report</u> on the role of execution algorithms (EAs) in the FX market. With regard to the impact that FX execution algorithms could have on back office activities, most OMG members reported that their institutions do not use FX execution algorithms and those using them do not have specific back office applications or tools to support their processing. It was acknowledged that overall algo trading leads to high number of transactions executed at very short intervals, that in turn can lead to higher number of mismatches.

5. Main elements and purposes of the ISDA IBOR Fallbacks Supplement and of the ISDA 2020 IBOR Fallbacks Protocol [16:15-16:45] '30

Mario Bona Fiorenza (Intesa Sanpaolo) presented the ISDA IBOR Fallbacks Supplement and the ISDA 2020 IBOR Fallbacks Protocol, focusing on their structure and purposes. The two instruments address the discontinuation of certain benchmarks by proposing their substitution with some replacement rates, thus allowing for safe trading and settlement of documented transactions. The Fallbacks became effective on 25 January 2021 and have been widely adopted by the market to mitigate the risks and the systemic impact of the transition to the new benchmarks.

6. Back office experience with COVID-19 - Tour-de-Table [16:45-17:00]

The results of the Mentimeter survey on the post-COVID-19 "new normal" operational planning indicated that the remote work regime led to delays in planned projects, slightly impacted innovation and triggered some performance issues. On the other hand, it accelerated digitisation of standard operational processes as well as spread and increased the use of IT communication and collaboration tools. It is envisaged that high reliance on this working mode will also remain a significant feature of the "new normal". This in turn will lead to changes in office space demand and arrangements, as well as increased IT and operational controls. Particular challenges will encompass ways of addressing staff issues and the management of the mixed, on- and off-site teams.

7. AOB [17:00-17:15] '15

Next Webex on 23 June 2021