



EUROPEAN CENTRAL BANK

EUROSYSTEM

Christine LAGARDE
President

Mr Martin Schirdewan
Member of the European Parliament
European Parliament
60, rue Wiertz
B-1047 Brussels

Frankfurt am Main, 22 December 2020

L/CL/20/322

Re: Your letter (QZ-066)

Honourable Member of the European Parliament, dear Mr Schirdewan,

Thank you for your letter, which was passed on to me by Ms Irene Tinagli, Chair of the Committee on Economic and Monetary Affairs (ECON), accompanied by a cover letter dated 19 November 2020.

The promotion of efficient and rapid payments and settlement is a very important function of the Eurosystem, as I highlighted during my hearing before ECON on 19 November.¹ On 23 October a major incident affected the TARGET2 system, its participants and participants in TARGET2 Securities (T2S).² As communicated by the Eurosystem on 28 October,³ investigations determined that a software defect in a third party network device was the specific technical root cause of the incident. This defect, which was known to the vendor but not documented, rendered the internal network of TARGET2 inoperative. As a result, some of the tools which normally help to quickly restore service were not available. Service could only be restored after a complete failover to a different region. This is a complex and time-consuming procedure, which was activated for the first time. The Eurosystem has undertaken an internal assessment and implemented technical measures to ensure that this software defect does not occur again.

¹ See *Monetary dialogue with Christine Lagarde, President of the European Central Bank*, Committee on Economic and Monetary Affairs, 19 November 2020, available at: https://www.ecb.europa.eu/press/key/date/2020/html/ecb.sp201119_transcript~353ee9966e.en.pdf?2d3c28180ae9e954238c36f2ab0b2f0f.

² See *Communication on TARGET incident from 23/10/2020*, ECB, updated 25 October 2020, available at: https://www.ecb.europa.eu/paym/target/target2/shared/pdf/Communication_on_TARGET_incident_20201023.pdf.

³ See *Communication on TARGET incident from 23/10/2020*, ECB, updated 28 October 2020, available at: https://www.ecb.europa.eu/paym/target/target2/shared/pdf/Communication_on_TARGET_incident_20201023_update.pdf.

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As regards your question about the provider of the device that caused the incident, I would like to clarify that the ECB itself does not have a direct contractual relationship with this company. The company is a provider to the three national central banks, namely the Deutsche Bundesbank, the Banque de France and the Banca d'Italia, which operate the TARGET2 system of behalf of the Eurosystem as a whole. I can nevertheless confirm that the relationship is still in place and that discussions are being held to identify all possible precautionary measures that the provider must adopt.

Let me conclude by reiterating that the whole Eurosystem is committed to identifying the lessons learned from recent incidents, in full transparency, and to taking action accordingly in order to continue providing highly efficient and reliable financial market infrastructures. To this end, the ECB announced on 16 November 2020 that it will launch an independent, external review of the incident,⁴ which will complement the review under way by the Eurosystem's payment systems oversight function. In addition to the incident on 23 October, the independent review will also take into account other incidents that have affected TARGET Services during 2020, including those directly and indirectly affecting T2S. It will look into the robustness of the business continuity model, the adequacy of the regular recovery tests, the efficiency of the change management procedures and the communication protocols. The main findings will be made public in the second quarter of 2021.

Yours sincerely,

[signed]

Christine Lagarde

⁴ See "ECB announces independent review of payments system outage", *press release*, ECB, 16 November 2020, available at: <https://www.ecb.europa.eu/press/pr/date/2020/html/ecb.pr201116~7b08f0a3c5.en.html>.

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