



EUROPEAN CENTRAL BANK

Market infrastructures' business continuity in the euro area – The Eurosystem perspective

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Introduction

- Upgrade of BCP on the agenda everywhere:
 - changing « operating » conditions
 - Real-time processing
 - Outsourcing of critical functions
 - Operational complexity (technologies, interdependencies, ...)
 - Materialization of low probability, high impact risks
 - revealed vulnerabilities of current BCP
 - Too narrow scope of scenarios considered
 - Under-estimation of dependencies on third parties
 - Compatibility of individual BCP insufficiently tested

Introduction

- Euro area specificities of BCP issues:
 - a complex and consolidating infrastructure
 - strong national dimension of private and public BC policies
- Role to be played by the Eurosystem
 - given its statutory responsibilities vis-à-vis clearing and payment systems
 - Risk of suboptimal market outcome due to negative network externalities and coordination problems

OUTLINE

I. Key issues to be addressed

II. The Eurosystem approach

III. What remains to be done

I- Key issues to be addressed

- **Parties to involve?**
 - **Within MI: senior management, central business continuity management function?**
 - **External: participants, third party providers, public authorities?**

I- Key issues to be addressed

- **Which objectives to assign to whom:**
 - **“qualitative” vs. “quantitative” requirements?**
 - **How much is too much? (benchmark for recovery and resumption objectives, secondary sites, communication, testing?)**
 - **Public standards vs. self-regulation ?**

I- Key issues to be addressed

- **Scenarios to consider?**
 - **Agreement on inclusion of wide area disasters, but ...**
 - **How “big” an event should BCP be able to handle?**
 - **Should the focus be on a comprehensive approach of specific scenarios (“think the unthinkable”)?**

I- Key issues to be addressed

- **Timeline for implementation?**
 - **Role of investment cycles?**
 - **Importance of synchronized investments?**

II The Eurosystem approach

- **Objective:**
 - **Promote consistency of BC policies and plans of securities and payment systems within the euro area and at international level**
 - **Ensure adequate coverage of cross-border issues**
- **Method:**
 - **Update and specify oversight expectations**
 - **Lead by example for own systems (T2)**
 - **Offer forums of discussion at euro area level**

II The Eurosystem approach

- **Oversight expectations for SIPS: new implementation guidelines for CP7 (31 May 2006)**
 - **Comprehensive coverage of key elements of business continuity management**
 - ✓ **formulation of objectives,**
 - ✓ **development of plans,**
 - ✓ **communication and crisis management,**
 - ✓ **testing and updating**

II The Eurosystem approach

- **Oversight expectations for SIPS: new implementation guidelines for CP7 (31 May 2006)**
 - **Identification of “good practices” on key aspects, e.g.**
 - ✓ **R&R in 2 hours,**
 - ✓ **scenarios with wide area impacts implying unavailability of primary site/staff for more than a day,**
 - ✓ **primary and secondary sites in regions with different risk profiles and sites operated by different staff,**
 - ✓ **crisis management plans,**
 - ✓ **participation to industry-wide testing**

II The Eurosystem approach

- **Oversight expectations for SIPS: new implementation guidelines for CP7 (31 May 2006)**
 - **Implementation timeline**
 - **for SIPS: mid-2009**
 - **for their critical participants and third-party providers of critical services: mid-2010**

II The Eurosystem approach

- **Oversight expectations for SCSS:**
Discussions with other European authorities to adapt CPSS/IOSCO recommendations for securities clearing and settlement systems (ideally same standards *mutatis mutandis* as for payment systems).
- **Oversight expectations for SWIFT under development within oversight group of G10 CBs.**

II The Eurosystem approach

- **Lead by example: TARGET2 BCP**
 - **2 regions / 4 sites**
 - **Recovery and resumption objective:**
 - **2 hours for regional disaster**
 - **< 1 hour for other scenarios**
 - **Minimum service level (to be specified) – independent Contingency Module**
 - **Technical requirements for participants (to be specified)**

III- What remains to be done

- **Updating and coordination of “regulatory” framework is underway - to be completed for SCSS**
- **Time is ripe for euro area wide implementation - best governed and monitored by established national organisations**

III- What remains to be done

- **At euro area level specific issues remain to be addressed :**
 - **Industry-wide cross-border crisis management communication and testing**
 - **Fora for cross-border cooperation**

Conclusion

- **Addressing the challenge to raise resilience of financial infrastructures for the euro to a new level is well underway**
- **A key success factor is a coordination of efforts of all stakeholders**
- **The Eurosystem policy is aimed at contributing to such reinforcement of coordination in the euro area**