

Introductory remarks by Gertrude Tumpel-Gugerell

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ECB conference on market infrastructures' business

**continuity in an integrated euro area – possible requirements
in terms of interaction and coordination**

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Ladies and gentlemen,

It is a great pleasure for me to welcome you today to the ECB conference on market infrastructures' business continuity in an integrated euro area.

Allow me to start with a nice quote by the Roman playwright Plautus (250-184 B.C.): "It is wretched business to be digging a well just as thirst is mastering you."

There is a wide consensus among stakeholders now that we should not wait until "thirst is mastering us". Business continuity arrangements of market infrastructures rank high on the agenda. Your presence here today confirms this and I am happy that the entire industry is represented at this conference. Indeed the broad range of speakers and participants suggests we will have fruitful discussions on business continuity arrangements not only in the euro area but also in a truly global context. I am convinced that this conference is an excellent opportunity to foster communication on business continuity and to

identify reciprocal requirements in terms of interaction and coordination.

Since the conference will provide you with a large amount of information from the perspective of central banks, market infrastructures and market participants, allow me at this point to make some more general remarks about the central theme of the conference and the challenges we are facing.

Why is business continuity important?

Let me begin by briefly describing why business continuity is so important. Most notably the events of 11 September 2001, but also several others, such as the large-scale electrical power supply failures in the United States and Canada in 2003 and natural disasters such the earthquakes in Japan in 2004, have shown the importance of efficient business continuity arrangements. All these events have in common that they are neither controllable nor predictable in terms of their exact time and place of occurrence. Irrespective of this uncertainty, however, it is our task to mitigate any disruptive effects and to guarantee the continued operation of payment and settlement systems, which is vital for the smooth functioning of the financial markets.

To me, our motto here must be “think the unthinkable”. While some events might be assessed as unlikely to happen, and hence one could question whether they justify the investment in mitigating arrangements, the likelihood-impact analysis teaches us that a low likelihood can be accompanied by a high impact. Indeed, the events I

mentioned before suggest that operational risks are on a level with financial risks and that they have the potential to destabilise the financial system locally, regionally and even globally. Over recent years all stakeholders have become more aware of these risks, which has triggered a multitude of activities.

Why do we put so much emphasis on business continuity of market infrastructures?

I would like to touch on the reasons for the importance of business continuity in market infrastructures. Market infrastructures provide the means to effect the safe and efficient exchange of information, the settlement of claims and liabilities, and finally the secure transmission of ownership. If they do not work, risk exposures could increase dramatically and affect the whole economy.

In medical terms, one might speak of the particular danger of market infrastructures of becoming infected and leading to a pandemic. First, infrastructures can easily transmit shocks to their participants through their network characteristics. Second, they can easily transmit shocks to other market segments, the whole financial system and even across countries and currencies through their backbone function. Third, their high level of technological advancement means the spillover of shocks can happen rapidly. Moreover, contagion can occur in different directions: it can start from the failure of the market infrastructure itself or from the operational failure of one or more of the major participants or a third party provider.

What has been achieved so far?

I would now like to draw your attention to achievements in the business continuity area. The principles and recommendations of the Committee on Payment and Settlement Systems (CPSS) and its joint task force on securities settlement systems with the International Organization of Securities Commissions (IOSCO) have been published. In June of this year, the Eurosystem published its oversight expectations for systemically important payment systems, and the regulators will follow up with standards for securities settlement systems. Other central banks, such as the Federal Reserve System and the Bank of England, have also developed their respective approaches to business continuity.

Market infrastructures, but also banks, have followed their own business continuity policies and enhanced their business continuity arrangements on the basis of various standards.

This conference will take an in-depth look at the various achievements at the level of overseers, market infrastructure operators and banks.

What are the open issues?

I should now like to turn to the open issues. Evidently we are all been highly involved in enhancing business continuity in our respective area of responsibility. In order to make progress on specific issues, we frequently meet in industry fora or we talk bilaterally. To me, however,

the question of inter-sector communication and coordination remains open.

We should use this conference as a truly euro area symposium on business continuity that might also provide input to the benefit of the global agenda. I am convinced that the conference will identify a substantial need to enhance communication and coordination among the stakeholders.

I am also curious to see what other issues the discussions in this challenging conference setting will reveal. Particularly, I would be grateful if you would shed some light on how market infrastructures and market players comply with the various standards of varying content and scope, and if you would elaborate on the interplay of public standards with market requirements and market practices.

Finally, I would be pleased if this conference produced some concrete and measurable follow-ups that will guide euro area market infrastructures and banks towards interoperable business continuity plans.

Ladies and gentlemen – I would like to express my thanks to the numerous speakers and panel participants and, once more, I would like to wish you a warm welcome to the ECB. I started my speech with a quote by Plautus, let me to conclude with another one by him: “A mouse does not rely on just one hole.” May you have a constructive, enjoyable and fruitful time here in Frankfurt.