

Welcome address by Marc Bayle de Jessé, Director General Market Infrastructure and Payments

ECB Focus Session

Frankfurt am Main, 17 September 2018

Ladies and gentlemen,

I'm very pleased to welcome you to Frankfurt and to the European Central Bank (ECB). Looking around, I recognise many familiar faces in the audience, but I can also see some newcomers who I'm confident that I will come to know better. Indeed, this is the very reason why the ECB organises these events: to extend our reach out to all market stakeholders and involve you in the creation of an integrated European market infrastructure.

If you're a veteran like me, you surely remember the T2S Info Sessions as the starting point of our get-togethers. Back in 2008, when the ECB set out to develop Europe's first centralised engine for securities settlement, we were eager to engage in discussions with the market. To that end, we began hosting sessions to facilitate collaboration and foster knowledge-sharing. In the spirit of transparency, we initiated for the first time a communication approach that involved the use of dedicated social media channels and the regular sharing of meeting documentation via the ECB website. In the years to follow, we have remained focused on inclusion and have set up two advisory groups with broad market representation: AMI-Pay provides us with advice on issues related to payments, while AMI-SeCo focuses on securities and collateral.

And yet, despite all our efforts, we still cannot manage to accommodate everyone under one roof! But then again, that has never been our goal. What we strive for is broad representation; to use these Focus Sessions as open forums where participants from across the financial market spectrum can draw on each other's expertise and make recommendations on projects that have a bearing on our common interests. It is in that vein that we will be addressing today the topics of instant payments, cyber resilience, RTGS modernisation and collateral management. I am looking forward to your comments, so as to get a better understanding of your needs and, in that way, be able to deliver high-quality services accordingly.

We will be kicking off with a session on TARGET Instant Payment Settlement (TIPS), the latest addition to our TARGET Services. As you all know, the Eurosystem owns and operates a series of platforms, which form the backbone of the European financial market. TARGET2 is one of the biggest payment systems in the world, processing 90% of the total value settled by large-value payment systems in euro. 21 central securities depositories (CSDs) in 20 European markets are currently linked to T2S; and by the end of next month, the platform will begin settling securities not only in euro but also in Danish krone. TIPS represents the next step in the Eurosystem's journey towards harmonising Europe's financial landscape.

These days there's a phrase being echoed more and more in international conferences and media reports across the world. Many of you may have heard it or perhaps even repeated it yourselves: "Instant payments are the new normal". It is true that the financial sector currently finds itself on the brink of a new era for payments. Forward-thinking and consumer-friendly solutions are increasingly popping up around Europe, offering immediate availability of funds. Many of these solutions are launched within national markets or by multinationals from outside Europe. So imagine how complex transactions will get when Europeans who subscribe to different solutions try to make and receive payments. Lack of interoperability will lead to fragmentation, thereby setting back the process of European financial market integration and ultimately defeating the very purpose of instant payments, which is to facilitate cash flow in the fastest and most efficient way possible.

To counter any such regression in European markets, the Eurosystem has created TIPS, an instant payment service that settles transactions immediately using central bank money, around the clock and across Europe. On the legislative side, the timing to launch TIPS is opportune. The revised Payment Services Directive (PSD2) has opened up the bilateral relationship between banks and customers by allowing customers to use third-party providers for initiation and account information services. This renewed regulatory environment should help ensure that customers are offered the innovative payment services that meet their needs. Meanwhile, TIPS is moving ahead at full speed. Currently, we are undergoing testing with the first group of payment service providers, as we are getting ready to launch TIPS on 30 November.

For the time being, I am excited to discuss tangible prospects with a panel of esteemed colleagues in today's first Q&A session. Instant payments are a reality and will soon become a standard tool intertwined with our daily lives. With TIPS, the ECB offers financial payment service providers a reliable and innovative service that acts as a state-of-the-art safety net, allowing you to take that bold step forward; not off a cliff, but into new territory that we can chart together.

Rest assured, the European Central Bank is an inherently risk-averse institution and we always assess every aspect of a project before making decisions and taking concrete action. In our role as overseers of payment and securities settlement systems, we regard safety as a number one priority. But in today's digitally interconnected world, security threats are not what they used to be. They have evolved to transcend borders, infiltrate even the most sophisticated systems and spread across the financial ecosystem. In response, the ECB has implemented a

strategy to enhance the cyber resilience of financial market entities. This morning we will be presenting the key elements of our cyber strategy, such as the TIBER-EU framework and the Euro Cyber Resilience Board for Pan-European Financial Infrastructures. The goal of this strategy is to improve the cyber resilience of the euro area financial sector by enhancing the cyber readiness of individual financial entities. The presentation will be followed by a panel discussion on the financial sector's capacity to anticipate and withstand cyber incidents. We have to acknowledge that our systems are interdependent and, for that reason, safeguarding them needs to be a multilateral endeavour. Sharing information is the only way to raise our awareness, build trust and eventually reinforce the cyber resilience of the financial sector as a whole.

Cyber threats illustrate that resting on our laurels is not an option if we want to deliver a modern and safe market infrastructure. To achieve this goal, the ECB is taking a holistic approach. The Eurosystem's payment and securities settlement services are currently undergoing technical and functional convergence, as we prepare for the consolidation of TARGET2 and T2S. When the consolidation is completed in 2021, it will give rise to a new RTGS system, one that will also enable you to optimise your liquidity across all TARGET Services. After the lunch break, we will dig deeper into the consolidation and explain how participants are expected to migrate to the new system. We will also provide you with insights on the transition to the new Eurosystem Collateral Management System (ECMS). ECMS will essentially merge 19 national collateral management systems by harmonising their functionalities and business processes. Later today, a panel of experts will discuss these two projects from a market perspective, and I, for one, am very interested in hearing what they have to say.

Let me finish by saying that I hope you will find this to be a fruitful and informative event. As I mentioned at the beginning of my speech, your participation in these Focus Sessions allows us to engage in dialogue and helps us shape a future-proof financial infrastructure for Europe. Let me now conclude by highlighting the concept of unity, which is exemplified when systems and the people who run them come together to achieve a common goal. There may still be matters that we need to settle among ourselves, but being part of a strong, harmonised European market gives us a distinct comparative advantage for the years to come.

Thank you for your attention and I hope you enjoy today's event.