



EUROPEAN CENTRAL BANK

EUROSYSTEM

# The Eurosystem's role in financial market infrastructures and payments

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DIMCG meeting  
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ECB-UNRESTRICTED



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# Objectives of the Eurosystem in the area of FMIs ECB-UNRESTRICTED

**Basic task: Promote the smooth functioning of the payment system**

## **Objectives:**

- The objective of the payment system function of the central bank is to make the financial market infrastructures **safe** and **efficient**.
- A sound financial market infrastructure is needed to support **monetary policy** operations, the smooth functioning of the money market and to support the wider economic policies of the EU. It is also needed for the **stability of the financial system**.
- This is how the payment system function contributes to the **ultimate objective** of the central bank, which is to **preserve the value of, and people's trust in, the currency**.

# The three roles of the Eurosystem

The Eurosystem **provides infrastructures** for payment and securities settlement, **cooperates with financial market stakeholders** to integrate financial markets in Europe, and **oversees financial market infrastructures** and payment instruments.

1. Provides market infrastructures = **operational role**
2. Integrates financial markets = **catalyst role**
3. Oversees market infrastructure = **oversight role**

# The three roles of the Eurosystem

## 1) The operational role

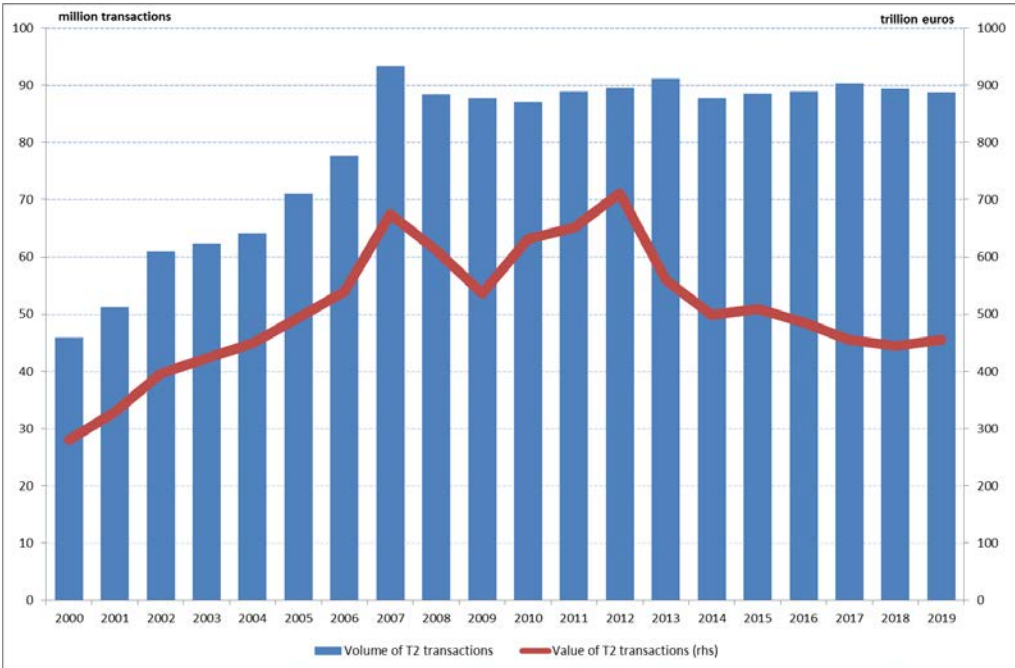
The Eurosystem owns and operates:

- TARGET2 system (T2)
- TARGET2-Securities (T2S)
- TARGET instant payments settlement (TIPS)
- + **Project on Eurosystem collateral management system (ECMS)**
- + **Project on T2-T2S consolidation (CSLD)**

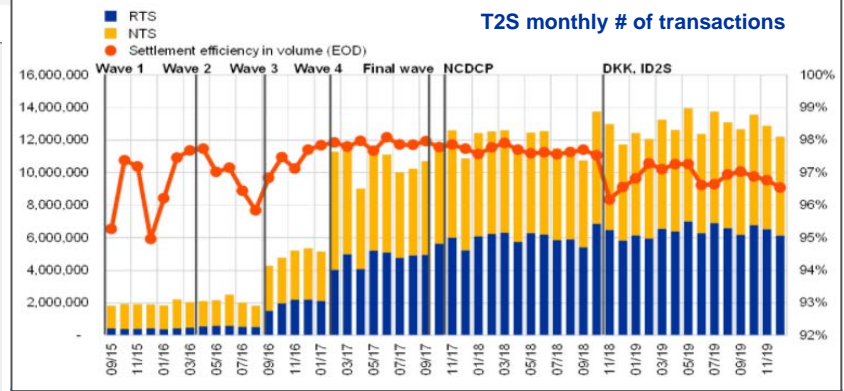
# The three roles of the Eurosystem

## 1) The operational role – T2 and T2S in numbers

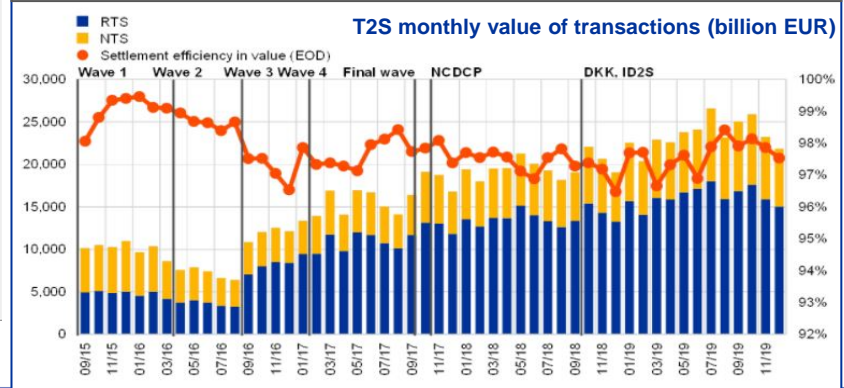
T2 annual volume and value of transactions



T2S monthly # of transactions



T2S monthly value of transactions (billion EUR)



# The three roles of the Eurosystem

## 2) The catalyst role

In line with its Statute, the European Central Bank:

- promotes the smooth operation of payment systems
- favours an efficient allocation of resources in an open market economy with free competition
- ensures efficient and sound clearing and payment systems within the EU and with other countries

## 2) The catalyst role

The Eurosystem facilitates private sector efforts to improve market efficiency – in all areas (retail and wholesale payments, securities settlement and collateral management)

- Develops strategic policy
- Gives guidance
- Induces / facilitates change by catalysing private sector efforts (crucial in a network economy)
- Promotes harmonisation / standardisation / innovation
- Ensures level playing field

# The three roles of the Eurosystem

## 2) The catalyst role

**Harmonisation is a key tool to achieve financial market integration:**

- As a catalyst the Eurosystem **builds on the commitment of market participants** to harmonise and integrate processes that were / are usually conducted using different national rules and practices.
- Harmonisation highly **benefits all stakeholders** by reducing costs and improving efficiency over the longer term, creating an environment where competition is in the market and not for the market.
- The development of **common functionalities by the Eurosystem is based on the harmonisation** of key business, technical and operational procedures.
- **Critical success factors** for harmonisation are: a) High commitment of both public sector and private sector; b) solid governance – voice of all stakeholders; c) strong methodology to ensure consistent implementation and monitoring of compliance



# The three roles of the Eurosystem

## 2) The catalyst role

Major ongoing workstreams on harmonisation:

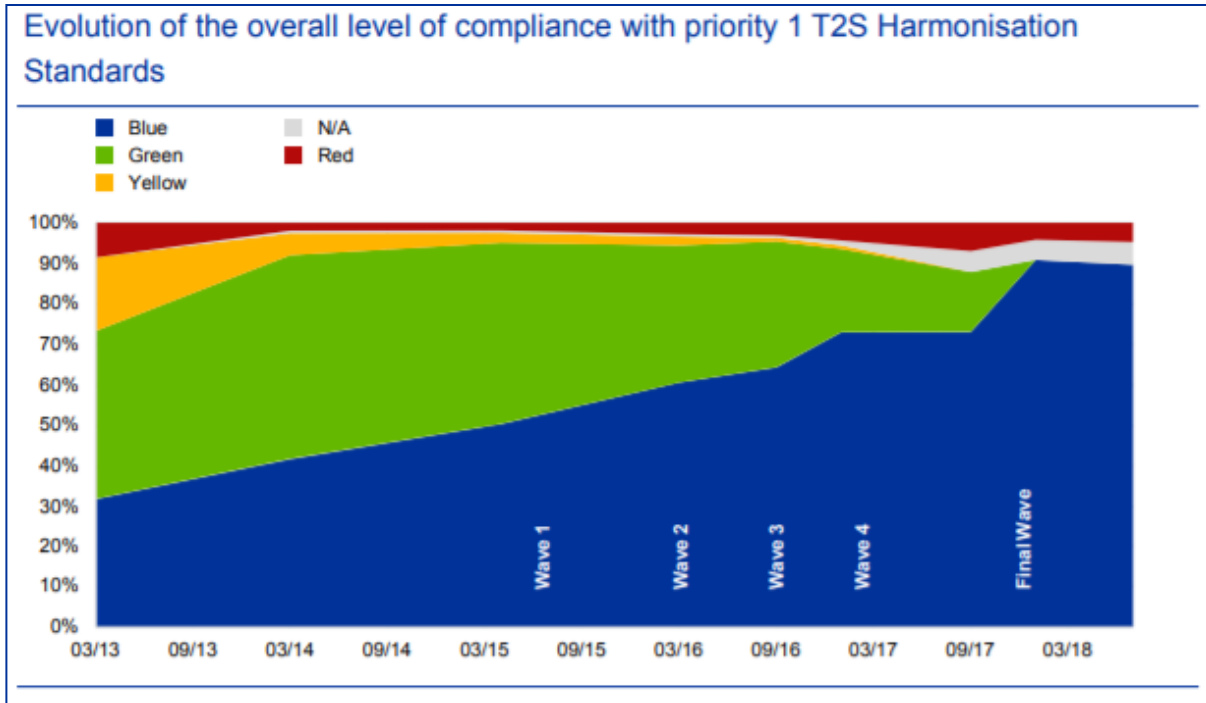
- **T2S harmonisation agenda:** started with T2S project, high-level of harmonisation achieved in securities settlement and related post-trade activities
- **Collateral management harmonisation / SCoRE:** the Eurosystem's Advisory Group on Market Infrastructures for Securities and Collateral (AMI-SeCo) defined a pan-European collateral management rulebook (SCoRE) – adaptation to SCoRE is also critical for the successful roll-out of the ECMS

Potential future workstream:

- **Debt issuance** (covering the pre-issuance and the post trade functions)

# The three roles of the Eurosystem

## 2) The catalyst role – progress in T2S Harmonisation



# The three roles of the Eurosystem

## 3) The oversight role

**The Eurosystem monitors systems and instruments and critical service providers, assesses them against standards and, when necessary, induces change**

- Legal basis – Art 105 (2) of the Treaty and Art 22 of the ECB Statute
- Setting standards
- Scope of oversight
- Allocation of responsibilities within the Eurosystem

# Thank you for your attention

[www.ecb.europa.eu/paym](http://www.ecb.europa.eu/paym)

 **ECB: market infrastructure  
and payments**

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