

General industry learnings

Target2 Consolidation

ECB OMG

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Postponement was 'impossible' until it happened

- Several banks assumed a synchronous start of Target2 and CBPR+ and backed this assumption into their own systems by design
 - Cross border engines able to generate and process outbound MT messages only or MX messages only – not both

Possible strategy / adjustments for asynchronous start of Target2 & CBPR+

- Outbound e.g.:
 - Continue sending only MT for both infrastructure
 - Send out MT in Target and MX in CBPR+
- Inbound e.g.:
 - Process embedded [possibly truncated] MT messages based on SWIFT-provided translation (incl. intermediary bank case)
 - Process MT messages – based on own translation from MX where correspondent bank sent MX
 - (Continue with current strategy to process MT and MX messages, depending on what correspondent bank sent out)

Tests & KPI's for test monitoring defined too narrowly?

- Passing mandatory test cases does not equate to being ready for go-live – picture may have been too rosy?
- End-to-end testing not possible if GUI / test environment not stable / ready
- Business hours / days in ET test environment not reflective of actual production environments

Define KPI's early on that reflect participating banks' own risk assessment

- Monitor [number and status of] self-reported blocking issues
- Monitor percentage of test cases successfully completed per payment flow / message type *that are relevant for each participating bank based on own analysis*
- Ensure January regression tests are based on full business days / weeks

Role of ECB / CB's w.r.t. mitigating and contingency measures to reduce systemic risks

To what extent could / should the ECB / CBs play a role in mitigating migration risks & providing centrally coordinated contingency measures to reduce risks to participants?

- A. The ECB should take a leading role in structuring of contingency plans of participating banks
- B. The ECB should take a leading role in assessing contingency plans of participating banks
- C. Both A & B
- D. The ECB should leave participating banks to set up their own contingency plans without

Which role(s) / measure(s) would you expect the ECB / CBs to play – e.g. central crisis coordination, financial / liquidity risk coverage?



*Add key
takeaway from
survey*

Impact of ecosystem readiness on banks' risk assessment not explicitly recognized / managed

- Ancillary Systems ready for testing only very late / too close to originally planned go-live
- Insufficient visibility provided by the ECB w.r.t. the readiness of the banking community for go-live, and insufficient coordination / guidance w.r.t. mitigating & contingency measures
- No pre-production testing
- Banks dependency on third-party software vendors and resulting delays underestimated

Provide greater insight in ecosystem readiness and actively manage risks assessed by PB's

- Integrate testing of Ancillary Systems into testing cycles incl. January '23 regression testing
- Provide more frequent & transparent reporting on participating banks and CB's level of confidence & readiness w.r.t. go-live
- Pre-production testing primary flows
- Mitigating measures & contingency measures w.r.t. exposure risk – e.g. which [coordination & financial risk coverage] role can Central Banks play?

Knock-on impact on CBPR+, SEPA 2023, ECMS – stability of community at risk

- Go / no-go decision much too close to actual planned migration weekend
- One week delay between postponement of Target2 Consolidation and SWIFT CBPR+ announcement
- SWIFT statement, 'no further postponement beyond 20 March 2023', introduces new dimension very late in programme lifecycle
- Community of banks have less time to prepare for SEPA 2023, ECMS, etc. / left 'guessing' as to knock-on impact

Example role ECB: early risk assessment and coordination with other key European / Global infrastructures

- Go / no-go decision should come at least two months before planned migration
- Early preparation of Plan B in respect of [further] postponement scenarios and impact on other [non-]ECB / industry programmes
 - Manage risk of asynchronous migration of CBPR+ and Target2 in March '23
- Provide guidance on impact to other industry programmes simultaneously with [further] postponement decisions to remove uncertainty / guess-work

Confidence in the Target2 platform negatively impacted by poor communication from ECB/DNB

- Performance & load stress testing –
 - Mixed signals w.r.t. the representativeness of the ET environment and value of participation in performance tests
 - Little guidance w.r.t. Target2 platform performance, behaviour under stress, many rumours
 - Participation of wider community [too] open-ended / voluntary
- Quality & complexity of manuals & instructions w.r.t. static data set-up incl. NRO, co-managed accounts, network configuration, etc. with banks left to learn by trial & error and certain CB's providing own concise manuals

Clear guidance & communication from ECB/DNB

- Provide [detailed] report w.r.t. platform performance incl. behaviour under stress
 - Incl. performance of Ancillary Systems
 - Incl. performance GUI in scenarios when abnormally high number of users may access the system
 - Incl. performance of 'correspondent' / participating banks, especially CMPs
- Review approach to user acceptance testing incl. testing of initial set up / migration processes (for future implementations)
- Manuals & instructions for new features must be more concise / training

