



Mr Fabio Panetta
Member of the Executive Board
European Central Bank

Copied to:
Mr Ulrich Bindseil
Director General
Market Infrastructure and
Payments

7 May 2020

Re: Request for delay of T2-T2S consolidation project

Dear Mr Panetta,

We welcome the ongoing efforts of the Eurosystem to monitor the readiness of the European industry for the T2-T2S consolidation project and stay abreast of the latest market developments. We believe that an ongoing dialogue between the industry and the Eurosystem is crucial to the success of this project and is all the more required in the current rapidly changing environment in which we operate. Following the AMI-Pay meeting of 3 April, we are now writing to you to formally request a delay to the ongoing consolidation project of TARGET2 and TARGET2 Securities. In light of recent developments, we urge the ECB to consider a delay of one year in the consolidation project and to bring the deadline to November 2022.

We would like to emphasize our strong commitment to the consolidation project and its full implementation that we expect to bring benefits to all parties involved. Our members have been working extensively in the past years in order to ensure a successful migration within the set dates. However, the combination of two recent events has impacted banks' ability to achieve completion of their consolidation projects by the current deadline of November 2021: the COVID-19 crisis and the decision by SWIFT to delay migration of cross-border payments to ISO20022 to November 2022.

- 1) The unprecedented crisis related to the coronavirus is creating severe constraints on banks' ability to progress with the consolidation project according to the current timelines for the following reasons:



- Many national authorities have requested banks to focus on maintaining their core activities (e.g. financing the economy, maintaining the stability and the smooth functioning of their payment systems and payment services). Banks have succeeded in ensuring the continuity of all infrastructures, the smooth functioning of payment systems and maintaining their full scale services to customers in these circumstances but to do so they have had to reallocate their resources (both physical and financial), dramatically reducing change activities where possible. Project development and operational teams are currently heavily focused on security, mandatory regulatory requirements including non-payment applications, daily production and clients' flow management and are prioritising frontline operational processes to ensure that ongoing critical customer support and service is maintained. It is essential in this context to carefully consider the allocation of banks' resources and investment.
 - Furthermore the lockdown situation, also globally, impacts the availability of resources for IT projects and our members observe that the remote working has already had a negative impact on software development projects. At this stage, it is not clear how long the containment will last and when we shall come back to "business as usual" activities; increasingly it seems that some forms of social distancing will have to be in place for an extended period of time, not only in the coming weeks and months, which may have an impact on banks' ability to co-ordinate complex project activities such as T2 – T2S Consolidation.
- 2) Additionally, the recent SWIFT decision to postpone Cross-Border payments ISO 20022 migration from November 2021 to November 2022 and the resulting one-year lag between ISO 20002 High Value euro Payments migration and Cross Border payments ISO 200022 migration causes important additional work for the banking community. The fact that the SWIFT network will not be supportive in time to forward TARGET2 payments in ISO 20022 format to the beneficiary banks will require banks to implement market practice guidelines to ensure that there is no data truncation for cross-border 'leg-out' payments. This requires all affected parties to reconsider their cross border payments strategy and re-engineer their internal projects, concept and documentation to deal with the mismatch of message types being introduced. This conceptual work requires sufficient time and cooperation amongst the European industry which in the current non-business as usual set-up is likely to take longer than normally. Notwithstanding that SWIFT work is planned in cooperation with the industry and the ECB to provide market wide mitigation remedies, the identification and finalization of detailed solutions - market practices, usage rules, validation and translation software - as well as subsequent publication of detailed guidelines and specifications will occur beyond the limit after which banks can assess the impact of those solutions, review their projects and plans accordingly whilst staying within the current timeline to be ready for implementation in November 2021.

As a result of the consideration of the new circumstances as outlined above, we see the need for the Eurosystem to reassess the migration timelines and ask you to postpone the current migration project by one year. Given the advanced T2-T2S consolidation project status, the decision has to be made as soon as possible in order to allow the market to take time to conduct a proper analysis of the different options



available rather than rush into individualized solutions leading to possible unexpected effects on clients and the wider community.

To summarise, since the implementation is to be by means of a “big bang”, failure is not an option which means that the project is dependent on the weakest link in the chain being ready notwithstanding any unexpected and unforeseen events for which adequate contingency is considered to be essential.

We remain at your disposal to discuss our concerns in greater detail.

Yours sincerely,

Wim Mijs
EBF Chief Executive

Chris De Noose
ESBG Managing Director

Hervé Guider
EACB General Manager

Marcel Roy
EAPB Secretary General