

EFAMA REPLY TO ECB'S FLASH SURVEY ON OPERATION OF POST TRADE SERVICES DURING THE COVID-19 PANDEMIC

3 April 2020

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1. Survey questions

1) **Are you still able to provide your securities post-trade services to your customers at a full scale (100 %) (or did you have to pause / downscale certain services due to the COVID-19 pandemic)? (yes / no, if no, i.e. you cannot provide all services at 100 %, please elaborate)**

▪ Settlement / clearing:

Yes, we continue to provide securities post-trade services at full scale. We are meeting our deadlines and keeping up our service level agreements. Within the current market environment, we are seeing increased volumes across most asset classes.

▪ Asset servicing (incl. corporate actions, tax, etc.):

Yes, our members report that they are operating a full Corporate Action service [see Q2 below]. All appears to be in order under the current circumstances.

▪ Collateral management operations and services:

Yes, so far, our members can proceed all kind of securities operations along the whole value chain. They have not observed any downscale activities which could restrict the business continuity.

One extra point concerning to Futures and Options clearing relates to the fact that, initially trading volumes on the exchange were 500% higher than usual so this caused the clearers and exchanges delays in booking trades onto our accounts. For a few days (up to 10), we had more breaks than usual due to this. The clearers and exchanges are back to normal now and we have BAU number of breaks.

2) **Have you experienced any disturbances / breakdowns at external service providers / infrastructures that affected your ability to provide your own services? (yes / no, if yes please elaborate)**

▪ Settlement / clearing:

Our members experienced several but marginal failures coming from situations such as:

- delayed reporting due to bad quality based on external IT/capacity issues external providers that are operating under BCP protocols (generally in a work from home environment), or
- limited delays caused more by brokers, due to difficulties to reach operational teams of our counterparties or in India due to lack of staff caused by lockdown, and
- latency in usual query response times, but to date not unduly concerning.

▪ Asset servicing (incl. corporate actions, tax, etc.):

Our members did not face critical issues, rather higher rate of processing errors and slowness in all services provided (custody, valuation...) with no significant impact so far, thanks to strengthened controls on our side.

At third-parties' level, they have not seen any issues with third parties being unable to provide their usual data

- Collateral management operations and services:

Our members had no major issues but huge volume of margin calls which could lead to minor difficulties for some funds, like formula funds, and delays at custodians' side to process their instructions.

All projects with custodian and counterparties have been suspended given the minimum servicing capabilities and resources.

3) How does your organisation ensure operational continuity (especially with challenges such as large-scale remote working, increased use of private devices, potential scarcity of internet bandwidth, etc.) in light of the increased cyber risks?

Our members have made significant investments in technology over the past several years. Our IT teams have increased the capacity of our virtual private network (VPN) and significantly increased our bandwidth – in some places as much as ten-fold – to support businesses working remotely and to ensure secure, fast and reliable data transmission across our platforms.

We have the infrastructures that enable most of them to work from home without disruptions to our investment process, trading or core operations, to be reachable to our clients/partners.

From a perimeter and access perspective and depending on the company, members utilise different technologies such as VPN technology to provide remote access. We also use Virtual Desktop (VDI). All these access methods are protected by multi-factor authentication.

From an onshore perspective, most members can detect rogue devices and limit their access and they are also enhancing their ability to detect abnormal home printing. In addition, some have posted articles about increased COVID-19 related phishing and are currently running a phishing exercise that is COVID-related to help educate/remind the organization of the threat of phishing as they are working remotely. Members are also reviewing our signature processes to support electronic signature and the controls associated with the signature process.

Regarding contractors, we are addressing this directly with the individual contractors as well as with the vendor firms. We are also looking at some anomaly detection to look for patterns that could point to this type of activity.

On the hardware side, several members-firms' employees in business-critical roles have their laptops plus additional monitors so they can view spreadsheets and relevant software and system applications fully at the same time. In some specific cases, we are delivering additional monitors to make the setup even more effective. For those who have limited work-from-home space, we have found portable monitor solutions and have organised financial support to enable associates to acquire the equipment necessary to enable their home office.

Other firms allowed individuals to bring home additional equipment to have a better set-up to ensure safety and avoid processing business on personal devices.

On the organisational and coordination aspect, members have regular meetings, both at executive boards' down to operations' level to monitor operability of our services.

Regular interactions between managers and their teams together with regular management meetings ensure fluid communication given the circumstances

4) Do you have any suggestions / requests related to the COVID-19 pandemic to be discussed at the AMI-SeCo level?

We would welcome:

- Some clarity on, and sufficiently long delays to, the implementation of new process.

As focus from businesses has had to be to BAU, ability to meet CSDR Project schedules will be strained across the industry. Therefore, a new timetable for implementation may be necessary, especially for the implementation of the CSDR for the Buy-In rules for illiquid financial instruments such as fixed income instruments.

- A clear view of the upcoming regulations and consultations that could/will be delayed.

We also insist on the need to bear in mind that any cost related, directly or indirectly, to these disturbances / breakdowns, should not be supported by end-users (either directly or indirectly).