

Benoît Cœuré: Triparty Settlement Interoperability

Speech by Mr Benoît Cœuré, Member of the Executive Board of the European Central Bank, at the signing ceremony for the Memorandum of Understanding on Triparty Settlement Interoperability, Frankfurt am Main, 15 July 2013.

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Ladies and gentlemen,

It is a great pleasure to host today at the ECB, the signing ceremony for the Memorandum of Understanding on Triparty Settlement Interoperability, and to be together with key representatives from the European Repo Council (ERC), and the repo market infrastructures who have worked together on this initiative for many years now.

I have seen in the Memorandum of Understanding that Triparty Settlement Interoperability is conveniently abbreviated to “TSI” so I will take advantage of this shorter form in my remarks today.

The aim of the “TSI initiative”, as you are all well aware, is to bring together borrowers and lenders, regardless of where the underlying liquidity or collateral is held, thereby avoiding the build-up of silos in the market.

In order to place the TSI initiative in context, let us reflect for a moment on the European repo market, which has grown significantly since the beginning of the financial crisis.

As you are all aware, the repo market plays a vital role in the financial system, as a source of funding and more generally, for the provision of market liquidity. The euro repo market is particularly large and has increased significantly in importance in recent years. After an initial slowdown in interbank repos at the onset of the financial crisis, ICMA ERC surveys have shown the value of Euro area repos increase significantly from 4.6 *Trillion* EUR in 2008 to 5.6 Trillion EUR by the end of 2012. In the context of these figures, the importance of TSI to further improving the efficient working of the repo market can be clearly seen.

I am extremely pleased that so much progress has been achieved on the TSI over the last few months because it is an initiative that has been strongly supported by the Eurosystem over the years, and in particular through the *ECB Contact Group on Euro Securities Infrastructures*, COGESI. Indeed, in a workshop later today, we will discuss a report on collateral eligibility requirements prepared by COGESI (and to which I understand a number of persons in this room have contributed) – and we will see that the TSI initiative can help market participants in their efforts to meet increasing demands for collateral assets.

In line with its mandate, the Eurosystem strives to reduce and resolve inefficiencies at market level, including at the level of repo market infrastructures, and therefore promotes initiatives such as T2S which maximise the liquidity of market participants’ overall collateral pools. TSI can be seen as another such initiative.

Six months ago¹, in a snowy Luxembourg setting, I underlined that the ECB is fully behind this market-led “TSI initiative” because of its collateral pooling benefits and the efficiencies it generates for the repo market. In this regard, the euro area landscape is characterised, on the one hand, by (increasing) integration between the clearing, settlement and collateral management layers; but on the other hand, there is fragmentation based on the location of collateral in different market infrastructures.

A lot of progress has been made since the beginning of the year – *and not only on the weather front*. The efforts that have gone on behind the scenes over the past months by the

¹ See <http://www.ecb.europa.eu/press/key/date/2013/html/sp130116.en.html>.

TSI participants can be measured in relation to the Memorandum of Understanding which is on the table for signing today and this represents a major step forward towards an integrated market for clearing and settlement (in euro).

Regarding the next steps, it is important to maintain the current positive momentum as we move into the phase of implementing TSI. I see this signing ceremony more as a start of some important work in the field of financial integration than as the end of about 3 years of discussions and negotiations among the parties.

The ECB has a full appreciation and understanding for the extensive technical changes that have to be undertaken by the different parties in order to reach a TSI go-live scenario and stands ready to support and facilitate the coordination so that go-live can be achieved by the end of 2015 if possible, and at the latest in September-2016.

Let me conclude by expressing my appreciation to all TSI participants for today's milestone achievement and I will continue to follow with great interest, the further progress on this important initiative.

Thank you very much for your attention!