

Executive summary

Belgium hosts a number of significant financial market infrastructures (FMIs), custodians and payment service providers, as well as critical service providers, some of which also have international systemic relevance. This Financial Market Infrastructures and Payment Services Report aims to provide a comprehensive overview of the National Bank of Belgium's oversight and supervision of these systems and institutions headquartered in, or relevant for, Belgium.

Digital operational resilience

In order to guarantee financial stability, these critical institutions need to manage their operational risks – including IT and cyber risks – very carefully. Digital operational resilience was therefore one of the Bank's top priorities again in 2022. The Bank is not the only regulator focusing on this risk. In that context, the Bank's staff actively contribute to various policy initiatives. In March 2021, the Basel Committee on Banking Supervision published new principles for strengthening the operational resilience of banks, including a specific focus on ICT and cyber security. At EU level, the Digital Operational Resilience Act (DORA) entered into force on 17 January 2023. Its provisions aim at mitigating the risks associated with the digital transformation of the financial industry by imposing strict common rules. These rules apply to a wide range of financial institutions, plus critical IT third-party service providers, for example cloud service providers, who would be subject to a form of EU oversight. A thematic article on digital operational resilience also includes some observations from recent on-site IT inspections.

The increased use of technology does not only create risks, it also provides business opportunities for some entities. Emerging technologies such as distributed ledger technology (DLT) are closely monitored by the authorities to assess their potential impact on financial stability. The EU's Markets in Crypto-Assets Regulation (MiCA), for example, seeks to ensure a level playing field for consumer protection, market integrity, financial stability, monetary policy transmission and monetary sovereignty. In October 2021, with these concerns in mind, the Eurosystem started the investigation phase on the subject of a central bank digital currency (CBDC); by the end of 2023, more should be known about whether we move on to the next stage and what it would look like.

The Russian invasion of Ukraine

Over the course of 2022, the Bank closely monitored the impact of the geopolitical crisis as a result of the Russian invasion of Ukraine. Since the Russian invasion, several countries have imposed sanctions on Russian organisations and citizens. Those sanctions, as well as the Russian countermeasures, had an impact on some of the institutions that are subject to the National Bank of Belgium's oversight and supervision.

Environmental and climate-related risks

Environmental and climate-related risks are another type of risk that has been receiving more and more attention at the Bank and in the wider community. While market infrastructures may not be exposed to climate risk in the same way as, for example, insurers that insure damage caused by extreme weather events, companies active in custody, payments and financial messaging need to manage this type of risk carefully as well. One of the

environmental and climate-related risk categories identified by all entities covered by this Report is physical risk from natural disasters, and extreme weather events interrupting the services delivered by the institution itself or by one of its service providers. Moreover, just as Swift acts as a facilitator to enhance its clients' cyber security with its Customer Security Programme (CSP), institutions in the custody, payments and financial messaging sectors believe that they can play a positive role in helping the financial community tackle environmental and climate-related risks, in addition to reducing their own CO2 emissions. A dedicated thematic article provides an update of the previous article on environmental and climate-related risks within the FMI landscape.

Oversight and supervision activities

In addition to the ongoing supervision and annual assessments, the Bank keeps an eye on major changes, such as the introduction of the CSDR settlement discipline regime for CSDs, the designation of Wordline Switzerland Ltd as a systemically important payments processor for the Bancontact scheme, or Swift's migration from the FIN MT standard to the ISO 20022 MX standard for financial messaging.