

E. Financial market infrastructures

During the year under review, there were no major structural changes in the sphere of financial market infrastructures (FMIs), and the upward trend in the number of payment institutions continued. Starting with the priorities identified, the supervision and oversight activities centred mainly on cyber risks and recovery plans. The impact on business models of changes in the FMI working environment was also closely monitored. In regard to the regulations, new guidelines were published which concerned FMI recovery plans (see chapter B (4) of the section on “Prudential regulation and supervision” in this Report) and cyber security (see chapter F 4).

From 2017 onwards, the Bank will publish an annual report on the supervision of the FMIs. The account given in this report is therefore confined to a presentation of the main developments concerning the number of FMIs and the supervision priorities.

1. Mapping of the sector

The mapping of the FMIs was unchanged, except for the number of payment and electronic money institutions⁽¹⁾.

At the end of 2016, 16 payment institutions and 5 electronic money institutions governed by Belgian law were subject to the supervision of the “Prudential supervision of market infrastructures and oversight” Service. That Service also supervised 8 exempt institutions and 4 branches of foreign institutions. Three new institutions were added in 2016, namely two payment institutions and one exempt institution. The authorisations of two other institutions were amended to convert them from exempt status to full status (one remaining in the payment institutions category and the other being transferred from the electronic money institutions category to the payment institutions category), and one institution was removed from the list because it had ceased operating.

Throughout the year, the Bank found that the market was increasingly interested in obtaining payment institution status. Young technology companies wishing to gain a foothold in the financial sector were the first to state that these services could create value added, essentially for mobile solutions.

2. Priorities for oversight and supervision

Apart from the preparations for the arrival of new regulations, the operational supervision and oversight activities

TABLE 30 NUMBER OF PAYMENT AND ELECTRONIC MONEY INSTITUTIONS SUBJECT TO SUPERVISION

	31-12-2014	31-12-2015	31-12-2016
Payment institutions	18	20	24
Under Belgian law	11	12	16
Exempt institutions ⁽¹⁾	4	5	5
Branches governed by the law of an EEA member country	3	3	3
Electronic money institutions	11	11	9
Under Belgian law	5	5	5
Exempt institutions ⁽¹⁾	5	5	3
Branches governed by the law of an EEA member country	1	1	1

Source: NBB.

(1) Pursuant to Article 47 of the Law of 21 December 2009, “exempt institutions” are subject to a lighter regime comprising only the obligations arising from Articles 21 and 22 of that Law.

(1) The table published in the Report 2015 (Chapter E, 2, of the “Prudential regulation and supervision” part) therefore remains valid.

in 2016 concentrated primarily on IT risks – and more particularly cyber risks – and on monitoring the repercussions on FMI business models of the major changes in their operating environment.

As regards IT risks and cyber risks, during the year under review, CPMI-IOSCO published new “Guidance on cyber resilience for financial market infrastructures”. The Bank began assessing whether the cyber security in FMIs subject to its supervision and oversight still met the most stringent standards, not only in technical terms but also as regards governance and personnel policy, since the Bank adopts a holistic approach. Cyber risks are discussed in detail in chapter F. 4 of this part of Report.

In 2016, monitoring of the impact of changes in the operating environment concentrated on the business models of international central securities depositories (ICSDs). In recent years, the Belgian ICSD – Euroclear Bank – has established itself in a number of growth areas, including collateral management. Its privileged position could be threatened, for example by the planned merger between the Deutsche Börse Group and the London Stock Exchange Group, potentially creating one dominant central counterparty (CCP). The impact of that merger on the functioning of the Belgian market will come under close scrutiny. The Bank will also keep an eye on developments concerning FinTech and Blockchain, and their potential implications for Belgian FMIs. Chapter F.3 discusses this subject in detail.

In 2016, the oversight kept a very close watch on the migration of two Belgian CSDs (NBB-SSS and Euroclear Belgium) to TARGET2-Securities (T2S). As Euroclear Netherland and Euroclear France come under the Dutch and French authorities respectively, the migration of Euroclear Belgium took

place in close collaboration with those authorities since the three institutions use the same settlement platform.

The prudential supervision work relating to BNYM SA/NV continued to pay close attention to the way in which BNYM SA/NV adapted its position to the fundamental changes in the post-trade sector (combined with a challenging financial environment) and to the financial and operational risks associated with those adaptations.

In 2016, in its supervision of BNYM SA/NV, the Bank concentrated largely on analysing and monitoring the structural, financial and operational consequences for the group’s banking subsidiary in the euro area of the requirements resulting from the analysis by the American supervisors of the resolution plan submitted to them by the group under the Dodd-Frank Act. At the beginning of the second quarter of 2016, as in the case of all other global systemically important banks (with one exception), the American supervisory authorities in fact rejected the plan submitted by the BNYM group and demanded radical improvements.

During 2016, the BNYM group therefore implemented a remedial plan to undertake a new, in-depth analysis of its resolution strategy (abandoning the Bridge Bank strategy and adopting the Single Point of Entry strategy), to examine the structural, financial and operational obstacles to the effective implementation of that strategy, and finally to find the most appropriate ways of removing those obstacles. The Bank kept a close watch on these matters from the prudential angle in order to ensure that the changes made and the measures taken to put this plan into operation were compatible with the balanced development strategy, operational robustness, and consistency of the various activities developed by BNYM SA/NV in “business as usual” mode.