

**IMPACT OF COVID-19 ON FINANCIAL MARKET INFRASTRUCTURES**

Despite the significant effect of the COVID-19 crisis, market infrastructures have operated uninterruptedly as an essential activity. The Banco de España, through its oversight function at the national level and as part of the Eurosystem, has monitored the effects of the pandemic on securities infrastructures, payment systems and their critical service providers on an ongoing basis.

In Spain and in the rest of Europe, infrastructures and their ecosystems have responded to the crisis swiftly and effectively, introducing remote working on a large-scale, coordinating teams remotely and strengthening operations and security without incidents in the continuity of activity. However, it has been necessary to revise the priority of certain projects in progress and their planning for 2020-2021.

In payment systems, sharp declines in activity were observed in the retail segment during the most critical periods of the pandemic. These year-on-year declines were close to 50% in domestic purchases using cards, as a result of the decrease in private consumption, and nearly 90% for cross-border card transactions, reflecting the collapse of the tourism sector. Although less sharp, the fall in SNCE operations has also been significant. Thus, the year-on-year decline in the value of the transactions processed in the system was 11.8% during the three months with the strictest restrictions (from March to May 2020) with sharper falls in the debits and cheques subsystems during this period (almost 20% and 42% year-on-year, respectively). The habits of the end-users of payment systems also changed with the pandemic. During the lockdown periods retail payment transactions

through remote channels grew over 40% year-on-year, compared with pre-COVID-19 levels of 23%. Up to 83% of all face-to-face card payments were contactless, including mobile payments, vis-à-vis pre-COVID-19 levels of 78%.

In contrast, the wholesale segment experienced greater activity year-on-year, except for foreign currency exchange transactions, which, as expected, decreased. These trends are reflected in TARGET2 figures, which recorded an increase in value but a decrease in the number of settled transactions owing to falls in customer operations.

This growth in the overall value of transactions settled in TARGET2 is in contrast with the across-the-board fall in wholesale operations via private operator systems, both in terms of value and of number of transactions. This could be the result of part of the traffic being diverted to TARGET2, as a risk-free mechanism operated by the Eurosystem and with settlement in central bank money.

Also notable were the developments in SWIFT messaging, which grew significantly in the initial phase of the crisis, associated with securities transactions, against a backdrop of high financial market volatility.

Infrastructures have proved the efficiency of their business continuity plans and their ability to rapidly adopt good practices, such as the creation of response plans with teams devoted to securing both critical functions and the supply chain (including external suppliers), dealing with staff shortage or lower staff availability and strengthening security in a setting of growing risk of cyberattacks.