



## **Report on CPSS activities and Future Plans**

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**Benjamin Hanssens  
CPSS Secretariat**



## **Publications since last WHF Payments Week**

- CPSS/IOSCO Recommendations for CCPs (November 2004)
- Statistics on payment and settlement systems in selected countries – Figures for 2003 (March 2005)
- General guidance for payment system development (May 2005)
- Central bank oversight of payment and settlement systems (May 2005)
- New Developments in Large-value Payment Systems (May 2005)



## CPSS/IOSCO Recommendations for CCPs

- A central counterparty (CCP) is an entity that interposes itself between the counterparties to financial contracts traded in one or more markets, becoming buyer to the seller and seller to the buyer
- A CCP concentrates credit and liquidity risks and responsibilities for risk management
- CCPs role is large and growing



## CPSS/IOSCO Recommendations for CCPs

### Legal risk

Rec. 1: Legal risk

### Counterparty credit and liquidity risk

Rec. 2: Participation requirements

Rec. 3: M&M credit exposures

Rec. 4: Margins requirements

Rec. 5: Financial Resources

Rec. 6: Default procedures

### Custody/investment/op risk

Rec. 7: Custody and Investment risk

Rec. 8: Operational risk

### Settlement bank risk

Rec. 9: Money settlements

### Other issues

Rec. 10: Physical deliveries

Rec. 11: Links between CCP

Rec. 12: Efficiency

Rec. 13: Governance

Rec. 14: Transparency

Rec. 15: Regulation/Oversight



## Statistics on payment and settlement systems in selected countries – 2003 Figures

- Belgium
  - Canada
  - France
  - Germany
  - Italy
  - Japan
  - Netherlands
  - Sweden
  - Switzerland
  - United Kingdom
  - United States
  - Hong Kong
  - Singapore
- Domestic data from 1999 to 2003
  - Comparable tables



## General guidance for payment system development

- Consultation report: comments welcome by 30 September 2005 ([cpss@bis.org](mailto:cpss@bis.org))
- Questions for countries undergoing a payment system reform process:
  - Who should be involved?
  - What are the priorities in which to invest?
  - What are the infrastructures needed?
  - What are the supporting institutional arrangements?



## Central bank oversight of payment and settlement systems

“Central bank oversight of payment and settlement systems is a function whereby the objectives of safety and efficiency are promoted by monitoring existing and planned systems, assessing them against these objectives and, where necessary, inducing change.”

- Who? *Central banks*
- What? *Payment and settlement systems*
- Why? *For safety and efficiency*
- How? *By monitoring, assessing and inducing change*



## Central bank oversight of payment and settlement systems

- Monitoring
  - range of information sources
- Assessment
  - broad and narrow
  - regular and ad-hoc
- Inducing change
  - moral suasion, public statements, contracts, participation, other authorities, direct statutory powers, sanctions



## Central bank oversight of payment and settlement systems

### *General principles for oversight*

- GP1** Be transparent
  - about responsibilities, objectives, scope, standards
- GP2** Use international standards
- GP3** Have effective powers and capacity
  - from moral suasion to direct statutory power
- GP4** Be consistent
  - private sector systems and CB systems
- GP5** Cooperate with other authorities
  - domestically (with other authorities such as bank supervisors or securities regulators) or internationally (with other central banks) or both



## Central bank oversight of payment and settlement systems

### *International cooperative oversight*

- CP1** Inform widely about existing or proposed systems
- CP2** Select an overseer with primary responsibility
- CP3** Overseer with primary responsibility assesses system in consultation with others
- CP4** Settlement arrangements in a currency are joint responsibility of issuing central bank and overseer with primary responsibility
- CP5** If you don't like the system, discourage banks from using it

*General principles also apply*



## **New Developments in Large-value Payment Systems**

- New developments since 1997 RTGS report
  - Intraday payments settle faster
  - With lower amount of liquidity
  - At lower cost
- Range of possible new settlement algorithms
- Cross-border and offshore payment systems



## **Future plans**

- General principles for international remittance systems
  - CPSS/WB initiative describing key features and functions that should be satisfied by remittance systems
- Cross-border collateral arrangements
  - Study on possibilities of providing cross-border collateral arrangements