Press release

Press enquiries: +41 61 280 8188
press@bis.org
www.bis.org

Ref no:IOSCO/MR/15/2013

17 April 2013

CPSS and IOSCO monitor the implementation of PFMIs

The Committee on Payment and Settlement Systems (CPSS) and the International Organization of Securities Commissions (IOSCO) have started the process of monitoring implementation of the *Principles for financial market infrastructures* (PFMIs). The PFMIs are international standards for payment, clearing and settlement systems, including central counterparties (CCPs) and trade repositories (TRs). They are designed to ensure that the infrastructure supporting global financial markets is robust and well placed to withstand financial shocks. The PFMIs were issued by CPSS-IOSCO in April 2012, and jurisdictions around the world are currently in the process of implementing them into their regulatory frameworks to foster the safety, efficiency and resilience of their financial market infrastructures (FMIs).

Full, timely and consistent implementation of the PFMIs is fundamental to ensuring the safety, soundness and efficiency of key FMIs and for supporting the resilience of the global financial system. In addition, the PFMIs play an important part in the G20's mandate that all standardised over-the-counter (OTC) derivatives should be centrally cleared. Global central clearing requirements reinforce the importance of strong safeguards and consistent oversight of derivatives CCPs in particular. CPSS and IOSCO members are committed to adopt the principles and responsibilities contained in the PFMIs in line with G20 and Financial Stability Board (FSB) expectations.

Notes

1. The CPSS serves as a forum for central banks to monitor and analyse developments in payment and settlement arrangements as well as in cross-border and multicurrency settlement schemes. The CPSS secretariat is hosted by the BIS. More information about the CPSS, and all its publications, can be found on the BIS website at www.bis.org/cpss.

2. IOSCO is an international policy forum for securities regulators. Its objective is to review major regulatory issues related to international securities and futures transactions and to coordinate practical responses to these concerns.

3. Both committees are recognised as international standard-setting bodies by the FSB (www.financialstabilityboard.org).

4. The CPSS-IOSCO *Principles for financial market infrastructures* can be found on the websites of the BIS at http://www.bis.org/publ/cpss101.htm and IOSCO at http://www.iosco.org/library/pubdocs/pdf/IOSCOPD377.pdf.

5. In September 2009, the G20 leaders agreed in Pittsburgh that: "All standardised OTC derivative contracts should be traded on exchanges or electronic trading platforms, where appropriate, and cleared through central counterparties by end-2012 at the latest. OTC derivative contracts should be reported to trade repositories. Non-centrally cleared contracts should be subject to higher capital requirements. We ask the FSB and its relevant members to assess regularly implementation and whether it is sufficient to improve transparency in the derivatives markets, mitigate systemic risk, and protect against market abuse." (See http://www.g20.org/load/780988012.)

6. In October 2010, the FSB emphasised this point as part of its recommendations on practical issues in implementing the G20 mandate: "To help ensure a global regulatory level playing field and increase the safety of the financial system, CCPs that clear OTC derivatives should be subject to robust and consistently applied supervision and oversight on the basis of regulatory standards, that, at a minimum, meet evolving international standards developed jointly by the CPSS and IOSCO" (Recommendation 9 of *Implementing OTC derivatives reforms*, October 2010). (See http://www.financialstabilityboard.org/publications/r_101025.pdf.)

7. The FSB established a coordination framework in October 2011 for monitoring and reporting on the implementation of G20 financial reforms. The framework envisages, inter alia, standard-setting bodies taking on the responsibility for monitoring and reporting on national implementation progress in their respective areas. (See http://www.financialstabilityboard.org/publications/r_111017.pdf.)

8. To organise and carry out the assessments, the CPSS and IOSCO have formed a standing task force, co-chaired by Carol Ann Northcott (Bank of Canada) and Haimera Workie (US Securities Exchange Commission).

9. For questions, please contact the CPSS secretariat (cpss@bis.org) or the IOSCO secretariat (c.vitzthum@iosco.org).

Details on implementation monitoring

Scope of the assessments

The implementation monitoring will cover the implementation of the principles contained in the PFMIs as well as responsibilities A to E. Reviews will be carried out in stages, assessing first whether a jurisdiction has completed the process of adopting the legislation and other policies that will enable it to implement the principles and responsibilities and subsequently whether these changes are complete and consistent with the principles and responsibilities. Assessments will also examine consistency in the outcomes of implementation of the principles by FMIs and implementation of the responsibilities by authorities. The results of the assessments will be published on both the CPSS and IOSCO websites.

Jurisdictional coverage – The assessments will cover the following jurisdictions: Argentina, Australia, Belgium, Brazil, Canada, Chile, China, the European Union, France, Germany, Hong Kong SAR, India, Indonesia, Italy, Japan, Korea, Mexico, the Netherlands, Russia, Saudi Arabia, Singapore, South Africa, Spain, Sweden, Switzerland, Turkey, the United Kingdom and the United States.

Types of FMI **–** In many jurisdictions, the framework for regulation, supervision and oversight is different for each type of FMI. Whilst initial overall assessments will cover the regulation changes necessary for all types of FMI, further thematic assessments (covering the consistency of implementation) are likely to focus on OTC derivatives CCPs and TRs, given their importance for the successful completion of the G20 commitments regarding central clearing and transparency for derivative products. Prioritising OTC derivatives CCPs and TRs will help ensure timely initial reporting given that most jurisdictions have made most progress in implementing reforms for these sectors.

Timing

A first assessment is currently under way examining whether jurisdictions have made regulatory changes that reflect the principles and responsibilities in the PFMIs. Results of this assessment are due to be published in the third quarter of 2013.