Commentary on the Assessment Methodology and Disclosure Framework for the Principles for Financial Market Infrastructures

June 15, 2012

Asia-Pacific Central Securities Depository Group (ACG)
(Prepared by the ACG Legal Task Force)

The ACG (Asia-Pacific CSD Group) welcome the opportunity to comment on the Assessment Methodology and Disclosure Framework for the Principles for Financial Market Infrastructures (PFMI). Along with the published PFMI, we believe, the Assessment Methodology (AM) and Disclosure Framework (DF) will provide very important guidelines for FMIs to observe the principles as soon as possible, hence increase the resiliency and robustness of their respective systems.

I. Assessment Methodology

- *General Comment*

Flexibility for local authorities and FMIs to use the AM

When applying the AM, we believe it is important to follow the intent of the PFMI while taking into account different roles of FMIs and characteristics of individual markets. To this end, we support the current design of the AM that while primary purpose of the assessment methodology is for external assessment at international level, some flexibility is allowed for local authorities and FMIs to assess specific local practices or to satisfy different assessment objectives.

- *Specific Comments*

1.1. Use of the Assessment Methodology

Consistency of assessment criteria and information when assessing observance

We understand that the AM will be used by various relevant parties, such as external IFIs or local authorities, sometimes for slightly different assessing purposes. It should be made very clear in the introduction that, when the purpose is to assess FMIs' observance of the PFMI, the assessment criteria used and information acquired by different assessors should be consistent with the requirement of principles and that of the AM.

1.4. Practical considerations in conducting an assessment

Scope and purpose of information collecting

We concur with the point that for assessors to undertake proper, detailed assessments it is necessary for them to have access to a wide range of information and interested parties. At the same time, we think the scope of information should be defined clearer in the introduction that, the request of access to information and/or interviews should be consistent to the fact-finding purpose and in line with the questions so designed under the AM.

2.5. Timeframe for addressing each identified concern

Need of response timeframe

With regard to concerns identified, especially serious issues that require immediate remedial actions, we think it is important that a response timeframe is also specified. At the same time, as for the implementation of the remedial actions, we think that assessment reports should be written with due consideration of the decision making process of FMIs, after ample discussion between the FMIs responsible for implementing specific measures and national authorities and other relevant parties.

II. Disclosure Framework

- *General comments*

The CPSS/IOSCO DF should unify thus replace existing disclosure frameworks

Currently, FMIs such as CSDs are undertaking information disclosure in accordance with various overlapping regulations or request of information (e.g. the Association of Global Custodians questionnaire). ACG and other regional CSD groups have been always supporting unification of disclosure frameworks for CSDs. Now the PFMI will replace old standards and become the most important and comprehensive international standards for FMIs to observe. By continuously providing relevant information to authorities and peer organizations, the DF will certainly play an important role in assessing FMIs' observance to the PFMI. At the same time, we strongly support CPSS/IOSCO Disclosure Framework to become a unified global disclosure framework for FMIs. This will significantly reduce the burden on FMIs to complete various information disclosure requirement or request.

- *Specific comments*

We have no specific comments on the DF.

About ACG

The Asia-Pacific Central Securities Depository Group (ACG) was formed in November 1997 as an informal international organization with the objective to facilitate the exchange of information and to promote mutual assistance among member securities depositories and clearing organizations in the Asia Pacific region.
The number of participants as of the end of December 2011 is 30 institutions in 21 countries and regions.

For further information, please contact：
Kazuhiro Nishimukai / Kei Umetani
ACG Secretariat
Japan Securities Depository Center, Inc.
acgsecretariat@jasdec.com
Tel: +81 3 3661 0139