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COMMITTEE ON PAYMENT AND SETTLEMENT SYSTEMS



BANK FOR INTERNATIONAL SETTLEMENTS

IOSCO/MR/02/2011

Madrid, 10 March 2011

CPSS-IOSCO principles for financial market infrastructures

New and more demanding international standards for payment, clearing and settlement systems have today been issued for public consultation by the Committee on Payment and Settlement Systems (CPSS) and the Technical Committee of the International Organization of Securities Commissions (IOSCO).

The new standards (called *principles*) are designed to ensure that the essential infrastructure supporting global financial markets is even more robust and thus even better placed to withstand financial shocks than at present. They are set out in a consultative report [*Principles for financial market infrastructures*](#) which contains a single, comprehensive set of 24 principles designed to apply to all systemically important payment systems, central securities depositories, securities settlement systems, central counterparties and trade repositories (collectively *financial market infrastructures* or *FMI*s). These *FMI*s collectively record, clear and settle transactions in financial markets.

When finalised, the new principles will replace the three existing sets of CPSS and CPSS-IOSCO standards, the *Core principles for systemically important payment systems* (2001); the *Recommendations for securities settlement systems* (2001); and the *Recommendations for central counterparties* (2004). The CPSS and IOSCO believe that a single set of principles will provide greater consistency in the oversight and regulation of *FMI*s worldwide.

“Robust and efficient *FMI*s help to ensure that markets continue to function effectively even in times of crisis. They are an essential prerequisite for financial stability,” said William C Dudley, President and Chief Executive Officer of the Federal Reserve Bank of New York and CPSS Chairman.

Hans Hoogervorst, Chairman of the Netherlands AFM and IOSCO’s Technical

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Committee, added that “FMIs have generally performed well. Nevertheless there were lessons to be learnt both from the recent crisis and from the years of more normal operation since the current standards were issued. With these new principles we believe we have produced a blueprint for the safety and stability of global financial infrastructure that will stand the test of time”.

Compared with the current standards, the new principles introduce more demanding requirements in many important areas including:

- the financial resources and risk management procedures an FMI uses to cope with the default of participants;
- the mitigation of operational risk; and
- the links and other interdependencies between FMIs through which operational and financial risks can spread.

There are also principles covering issues that are not fully addressed by the existing standards. These include new principles on segregation and portability, tiered participation and general business risk.

Published along with the report is a cover note which sets out some specific issues on which the committees are seeking comments during the public consultation period.

Comments on the principles are invited from all interested parties and should be sent by 29 July 2011 (see note 3 below).

After the consultation period, the CPSS and IOSCO will review all comments received and publish a final report in early 2012. As set out in the cover note, the proposal is that relevant authorities will then strive to include the principles in their legal and regulatory framework by the end of 2012 and to apply the principles as part of their regulatory, supervisory and oversight activities as soon as possible. FMIs will be expected to take appropriate and swift action in order to meet the principles.

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Notes for Editors

1. [CP02-11 Principles for financial market infrastructures.](#)
2. [BN01-11 Cover Note on Consultative Report on Principles for Financial Markets Infrastructure.](#)
3. Comments on the report should be sent by Friday 29 July 2011 to both the CPSS secretariat (cpss@bis.org) and the IOSCO secretariat (fmi@iosco.org). The comments will be published on the websites of the Bank for International Settlements (BIS) and IOSCO unless commentators have requested otherwise.
4. 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.
5. IOSCO is an international policy forum for securities regulators. The Technical Committee, a specialised working group established by IOSCO's Executive Committee, is made up of 18 agencies that regulate some of the world's larger, more developed and internationalised markets. Its objective is to review major regulatory issues related to international securities and futures transactions and to coordinate practical responses to these concerns.
6. Both committees are recognised as international standard-setting bodies by the Financial Stability Board (www.financialstabilityboard.org)
7. The groups that carried out the work on behalf of the committees were chaired by William C Dudley (see above), Kathleen Casey (Commissioner of the US Securities and Exchange Commission), Daniela Russo (Director General, European Central Bank) and Jeffrey Mooney (Assistant Director, US Securities and Exchange Commission).

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