

Update on the activities of :

## The Working Group on Payment System Issues of Latin America and the Caribbean (WGPS-LAC)

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## I. GENERAL OBJECTIVES OF THE WGPS-LAC

1. Promote the knowledge of payment system issues in the region.
  - Develop training programs.
  - Research and publications.
2. Promote the preparation of *ad hoc* Reports which might serve as a reference point for the on-going reforms in the region.
  - Help with the implementation of the relevant international standards throughout the LAC Region.
3. Promote cooperation with other institutions active in payment and settlement systems within LAC and at the International level.

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## CURRENT STRUCTURE

- As of June 2004, a total of 19 LAC Central Banks are “full members” (membership was formally requested by the corresponding Central Bank Authorities)
  - Argentina, Barbados, Belize, Bolivia, Brazil, Chile, Colombia, Costa Rica, ECCU, Ecuador, El Salvador, Guyana, Jamaica, Mexico, Paraguay, Peru, Trinidad & Tobago, Uruguay and Venezuela.
  - The remaining central banks in the LAC Region are represented in an indirect manner for the time being.
- Formal Observers: Bank of Canada, COSRA, CPSS, U.S. Federal Reserve, IDB, IMF and The World Bank.
  - Observers actively support the Group through expert advice and by facilitating its insertion in the international discussion of the major trends in the payments and settlement systems area.
- Current Organization (June 2003-June 2004)
  - Chair: Colombia
  - Vice-Chairs: Argentina and the Eastern Caribbean Currency Union (ECCU)
  - Secretariat: CEMLA (permanent)

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## II. WGPS-LAC FINISHED PRODUCTS

*(in chronological order)*

### 1. Model for the Update of Country "Yellow Books"

- Model published at the WHF's web page in November 2001.
- Peru was the first country to update its Yellow Book following this model in April 2002. Argentina and Chile will follow.

### 2. Glossary of Terms Used in Payment and Settlement Systems

- Based on the CPSS Glossary in English.
- Spanish version published in July 2002.
- Portuguese version published in May 2003.
- Periodical updates will follow in the WHF's website.

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## II. WGPS-LAC PRODUCTS (cont.)

### 3. Self Assessment of the Region's SIPS vs. the CPSS Core Principles

- Methodologies included the CPSS Core Principles Report and the IMF-World Bank Guidance Note for the Assessment of SIPS as part of FSAP missions.
- A total of 15 LAC central banks participated in this exercise.
- An article describing the main outcomes was published in June 2003 (English and Spanish in the same volume) in the WHF's "Research Series".

### 4. Payment System Statistics

- Country and Comparative Tables:
  - The 17 country tables model being used is that of the Statistical Appendix of the "Yellow Books".
  - Comparative tables: a model of 43 tables (in 15 groups) developed by the WHF Core Team.
- A Standard Methodology developed by the WHF Core Team (available at the WHF's website) was used by all countries to prepare the information.
- The final version covering 1997-2001 for 17 LAC countries was published at the WHF's website in January 2004 (English and Spanish).
- Portuguese and hard copies by year-end. Updates will follow every year.

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### III. WGPS-LAC CURRENT WORK

#### ➤ Settlement Risks in Domestic Foreign Exchange Transactions

- Objectives: to gather information on current practices and increase awareness throughout the region to move forward in the adoption of “best practices”
- A questionnaire was prepared and distributed in early 2004. The questionnaire targets the wholesale market only and covers the following areas:
  - *Features of the domestic FX market*
  - *Trading and settlement mechanisms and systems*
  - *Awareness and measurement of settlement risks*
  - *Methodologies being used to mitigate counterparty risk*
  - *Legal aspects*
- By the end of May 2004, nine central banks had answered the questionnaire.
- The preliminary findings will be presented and discussed at the 2004 Payments' Week (Wednesday sessions on cross-border payments) and at the WGPS-LAC meeting next Friday

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### III. WGPS-LAC CURRENT WORK (cont.)

#### ➤ Payment System Oversight Models throughout LAC

- Objective: to analyze and describe the current situation throughout LAC regarding the internal organization of the region's central banks for the operation and oversight of payment systems
- A questionnaire was prepared and sent to the region's central banks in early 2004. The questionnaire was based in the following documents:
  - *Arango and Bernal, "Systemically Important Payment Systems in LAC: Results of the Self-Assessment Exercises"*
  - *Bossone and Cirasino, "The Oversight of the Payments System: a Framework for the Development and Governance of Payment Systems in Emerging Economies", 2002*
  - *CPSS Core Principles Report, 2001*
- By the end of May 2004, fifteen central banks had answered the questionnaire.
- A document prepared by the Central Bank of Venezuela containing an analysis of the current situation and preliminary conclusions will be presented and discussed at the WGPS-LAC meeting later this week (Friday, June 18)

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## IV. PERMANENT EFFORTS AND THE AGENDA FOR THE NEAR FUTURE

### Proposed Agenda for 2004-2005 (subject to change)

- a. Liquidity Management in the National Payments and Securities Settlement System (NPSSS)
- b. The Impact of Financial Crises over the NPSSS
- c. Increased Harmonization, particularly of the legal and regulatory environments, with a view to increasing the safety and efficiency of cross-border transactions to support integration.
- d. The need for increased Interoperability of payment and securities settlement systems.
- e. The need for increased Resilience of the NPSSS.

### Permanent efforts

- a. More and better Education, for both private sector participants and government authorities, in order to further support reforms to the NPSSS.
- b. Enhanced Cooperation, with market participants and amongst authorities.
- c. Improving Technical Assistance.