Report on CPSS activities and Future Plans

WHF Annual Payments Week 2005
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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

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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)
- 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