FSI Connect tutorials on payment and settlement systems

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What is FSI Connect?

A web-based information and learning tool designed for bank supervisors. Now includes tutorials for payment systems

- Comprehensive and interactive content
  - Extensive coverage – wide variety of banking supervision topics
  - Dynamic content – frequent course additions and updates
  - Interactive learning – graphics, examples, case studies, evaluations, forum

- Flexibility
  - Adaptable usage – as a structured learning resource or a simple reference
  - Self-paced learning – based on individual needs and circumstances
  - Ready access – through Internet or CD ROM
How is FSI Connect used?

● A tool that can be used in combination with other forms of training

● Examples:
  • Pre-requisite for face-to-face training (Federal Reserve)
  • Integrated component of internal training (MAS, APRA)
  • Seminar support (FSI)
Who uses FSI Connect?

(Status as of August 2007)

157 subscribing institutions
128 countries
+8,000 staff having access
In what languages is FSI Connect available?

- English is the primary language
- 40 tutorials on Capital & Basel II have been translated into French and Spanish
- A selection of 13 tutorials has been translated into Chinese
New tutorials for payment systems (I)

- Designed for supervisors and staff from payment system departments in central banks
- Based on the experience of the CPSS central banks and CPSS reports
- First four tutorials available since July 2007
- Total of eight tutorials available by March 2008
New tutorials for payment systems (II)

Available:
- Payment systems – an introduction
- Large-value payment systems
- Payment systems – liquidity
- Payment systems – risks

Expected soon:
- Settlement of foreign exchange (FX) transactions
- Payment systems – oversight
- Securities settlement systems
- Retail payment systems
Sources of Intraday Liquidity

For an individual participant in an RITS system there are four possible sources of intraday liquidity:

- balances maintained on account with the settlement institution
- credit extended by the settlement institution
- payments from other participants
- funds transferred from other systems

These sources of funding may be used separately or (more often) in combination. Their importance for funding liquidity depends on many factors, including the rules of the system, central bank credit policy, reserve requirements and the legal framework. The sources of funding also influence the aggregate level of liquidity in the system.

Click each source for more information. When you have finished, click the Forward arrow to continue.
**Intraday Liquidity**

Funds Transferred from Other Systems

In some countries, participants can obtain intraday funds through existing linkages between different payment and settlement systems. By using these linkages, participants can prefund their opening balances or obtain additional liquidity during the operating day.

Usually, the LVPS that facilitates monetary policy operations and through which the central bank provides intraday credit is also used as a source of liquidity for other systems.

**In Practice**

**Funds Transfer in Practice**

In practice, funds are not necessarily "transferred" from one system to another. One system may hold an account in another system (either on its own behalf or on behalf of its participants), which the participants in the first system use to settle payments. The funds, however, are left in the account in the second system during the first system's settlement.
Roles of the Central Banks

Central banks play a number of roles in payment systems. These roles tend to fall into three different categories: Provider of payment systems, Regulator of payment systems and User of payment systems.

Provider

- Operator/Owner
- Settlement Institution

Regulator

- Overseer/Supervisor
- Catalyst/Facilitator

User

- User

Click each role for more information.
Around the World

Large Value Payment Systems play a key role in the financial infrastructure of economies around the world.

For details of each system's name, acronym and year of implementation, click each country.
Interactive animations, audios, subtitles

Large-Value Payment Systems

Settlement Mode

Multilateral Netting

Bank A

+ 30 (A)
+ 40 (A)
+ 50 (A)
- 50 (A)
- 100 (C)

Bank B

= 30 (A)
= 40 (A)
= 50 (A)
- 50 (A)
- 100 (C)

Bank C

= 10 (A)
+ 100 (C)
- 40 (A)
- 80 (A)

Under multilateral netting, each participant settles only its net balance vis-à-vis all other participants. Each participant’s settlement obligations are calculated by taking into consideration all the incoming and outgoing payments due from and due to all other participants.

Click Next to continue.

Each participant’s settlement obligations are calculated
Summary, Print function

http://fsibeta.intuition.com - Large-value Payment Systems - Microsoft Internet ...

Summary

Question
What is a large-value payment system?

Answer
A large-value payment system (LVPS) is an interbank payment system which processes mainly large-value and time-critical payments.

Payments related to important financial market activities such as money market, foreign exchange or securities transactions, as well as some commercial transactions are processed through these systems.

Most countries have at least one LVPS. Some LVPSs may also settle small-value or retail payments.

What is a SIPS?

A systemically important payment system (SIPS) is a payment system where, if the system were insufficiently protected against risk, disruption within that system could trigger or transmit further disruptions amongst participants or systemic disruptions in the financial area more widely.

LVPSs are usually considered SIPS. In some countries, large-value and some retail payment systems might be considered SIPS.

Are there internationally recognised standards for SIPS?

Yes. The Core Principles for Systemically Important Payment Systems (Core Principles), published by the Committee on Payment and Settlement Systems (CPSS), are internationally recognised standards for SIPS.

The Core Principles, together with the CPSS/IOSCO (International Organization of Securities Commissions)
Test Yourself

Question 6 of 8

Match each type of payment system risk with its correct description.

The risk that a counterparty will not settle an obligation for full value, either when due or at any time thereafter (in exchange for-value systems, the risk is generally defined to include replacement cost risk and principal risk).

The risk that a counterparty (or participant in a settlement system) will not settle an obligation for full value when due.

The risk that the inability of one institution to meet its obligations when due will cause other institutions to be unable to meet their obligations when due.

The risk of loss resulting from inadequate or failed internal processes, people and systems or from external events.

Select your answer(s), then click Submit.

Submit
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