



BANK FOR INTERNATIONAL SETTLEMENTS

# Current work of the CPMI

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Views expressed in this presentation do not necessarily reflect those of the BIS or the CPMI



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  - Assessing the implications for central banks from digital innovations
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# Bank for International Settlements (BIS)



The **world's oldest international financial organisation**, established under the Hague Convention of 1930.

“The mission of the BIS is to serve central banks in their pursuit of monetary and financial stability, to foster international cooperation in those areas and to act as a bank for central banks”

- BIS pursues its mission by:
  - promoting discussion & collaboration among central banks;
  - conducting research on policy issues;
  - acting as “bank for central banks”; and
  - **hosting committees and secretariats of regulatory bodies**





# CPMI

- Committee on Payments and Market Infrastructure (known as CPSS prior to 2014).
- “Plumbers in suits”<sup>1</sup> **promoting** the **safety and efficiency** of payment, clearing, settlement and related arrangements.
- **Monitors and analyses developments** in these arrangements, both within and across jurisdictions.
- Serves as a forum for central bank **cooperation and coordinates** with IOSCO, FSB, BCBS, World Bank, IMF, CGFS etc.
- Chaired by Benoît Coeuré (ECB), hosted by the BIS, based in Basel, Switzerland. Secretariat of 10.



1. *Economist*. 6 July 2013

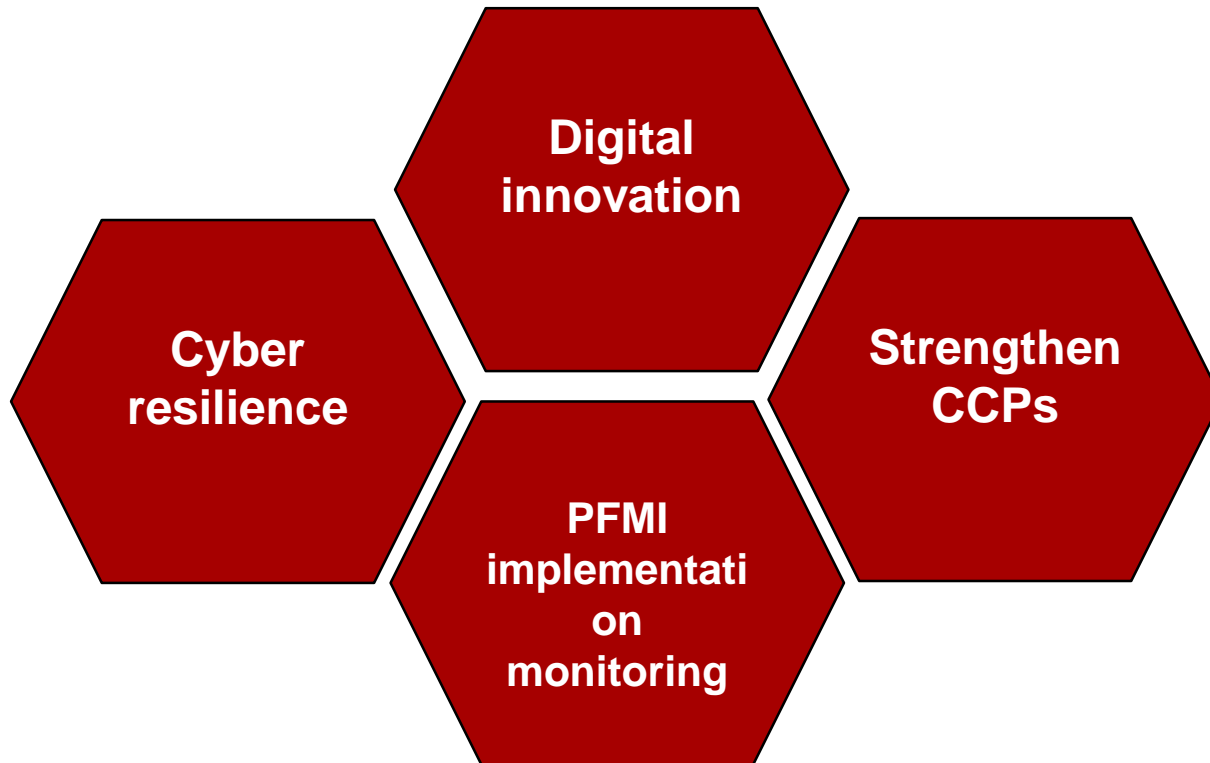


# Main areas of work for the CPMI

- Standard setting and implementation monitoring activities
  - **Standard setting** (with IOSCO)
  - **PFMI implementation monitoring** (with IOSCO)
  - Standard setting and implementation work (with BCBS)
- Analytical and monitoring activities
  - Working groups
  - Data collection and analysis
- Recurrent work
  - **Red Books**
  - Glossary



# Presentation areas of focus



# Bank of Canada: DLT Won't Replace Canada's Payment System

## FSB Warns Of Risks From Emerging Fintech Credit Markets

Fintech possibilities "endless"

**ECB warns of DLT fragmentation risk in clearing and settlement**

**The Future of FinTech and Cybersecurity are Interlocked**

**DLT May Strain Liquidity**

## Singapore opens up on DLT trials

Good news – fintech could disrupt finance

Bank of England states central bank-issued digital currency will compete with commercial banks



## Digital innovations (cont.)

- Many statements, much interest, not a lot of clarity...
- CPMI published an analytical framework to assess the use of distributed ledger technology in payment, clearing and settlement in February 2017  
(<http://www.bis.org/cpmi/publ/d157.pdf>)
- Questions:
  - How does this new technology impact central banks?
  - What are the implications if it is embraced?
  - What are the implications if it is not?





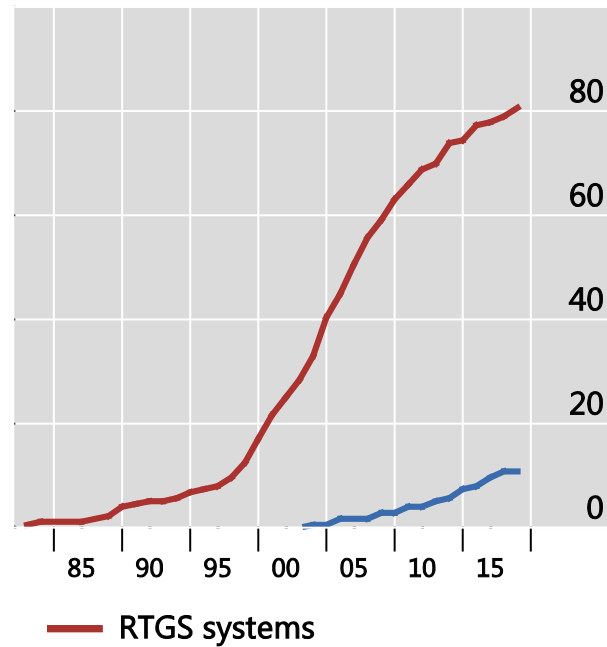
# When looking ahead it is sometimes good to learn from the past...

Comparing the diffusion of fast payments and RTGS

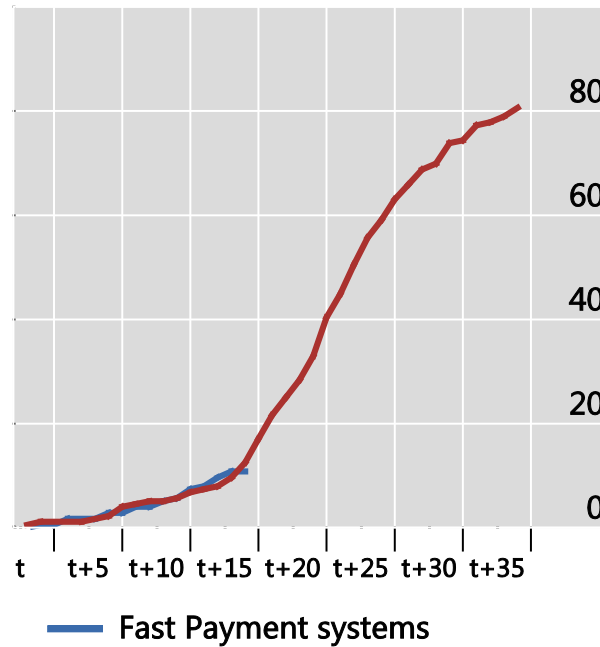
In percent

Graph 2

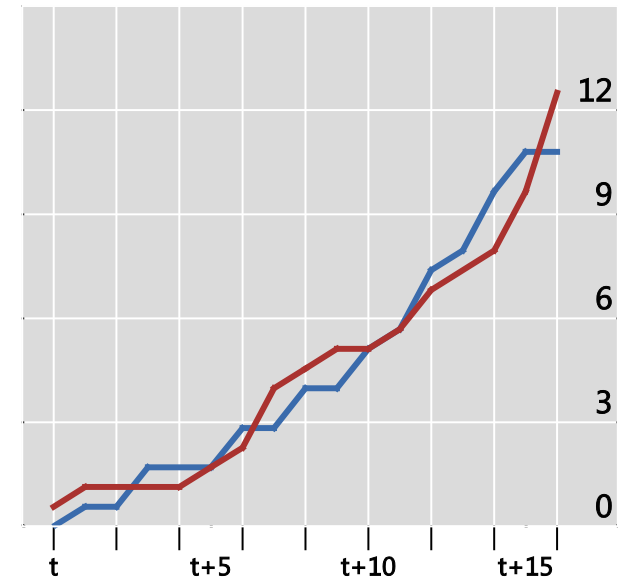
Actual diffusions



Diffusions on common time scale



The first 15 years



Source: CPMI (2016), Clear2Pay (2014), BIS survey.



# Cyber risks for FMIs

- Traditional operational risk
  - Scenario-based
  - Identification less complex
  - Effective business continuity protocols
  - Potential costs can be reckoned by risk forecast
- Cyber risk
  - Constantly evolving
  - Pervasive scope
  - Recovery path not clear
  - Entry points are multiplying
  - No limit to the damage a cyber attack can do



# Improving cyber resilience for FMIs

- Published, with IOSCO, cyber guidance in June 2016 ([www.bis.org/cpmi/publ/d146.htm](http://www.bis.org/cpmi/publ/d146.htm))
- Five primary risk management categories
  - governance
  - identification
  - protection
  - detection
  - response and recovery
- Three overarching components
  - testing
  - situational awareness
  - learning and evolving



# Improving cyber resilience for FMIs (cont.)



Not a box ticking exercise



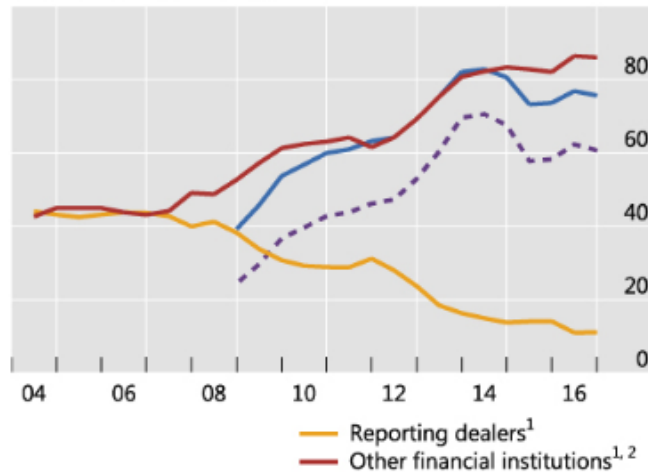
# Strengthening CCPs

- Especially important as more and more OTC derivatives are being centrally cleared

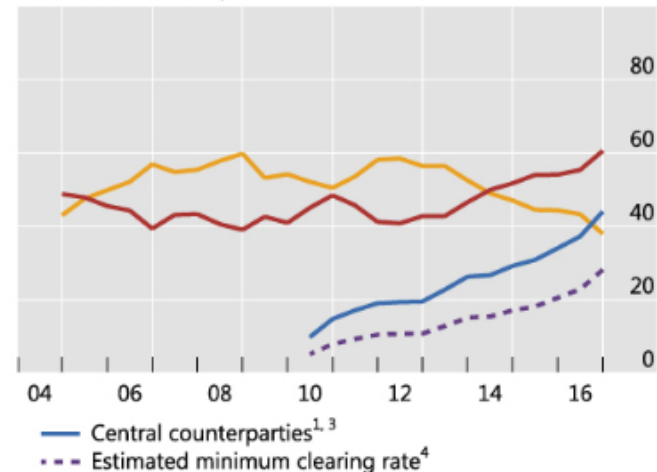
## Growth of central clearing

Notional amounts outstanding by counterparty, in per cent

### Interest rate derivatives



### Credit default swaps



- *Central clearing makes further inroads* – BIS Quarterly Review (June 2017)



## Strengthening CCPs (contd)

- Post financial crisis focus on strengthening CCPs'
  - Resilience
  - Recovery
  - Resolution
- Implementation monitoring of the PFMI
- CPMI-IOSCO reports on CCP resilience and recovery
- Analysis of central clearing interdependencies
- Guidance for supervisory stress testing (consultative report)
- Contribution to FSB work on CCP resolution



## PFMI: International standards for FMIs

- A *comprehensive review* of the old sets of standards was launched in February 2010 by CPMI and IOSCO
- A final version of the PFMI published in April 2012
- Contains 24 Principles for FMIs and 5 Responsibilities for authorities



## Why monitor implementation of PFMI?

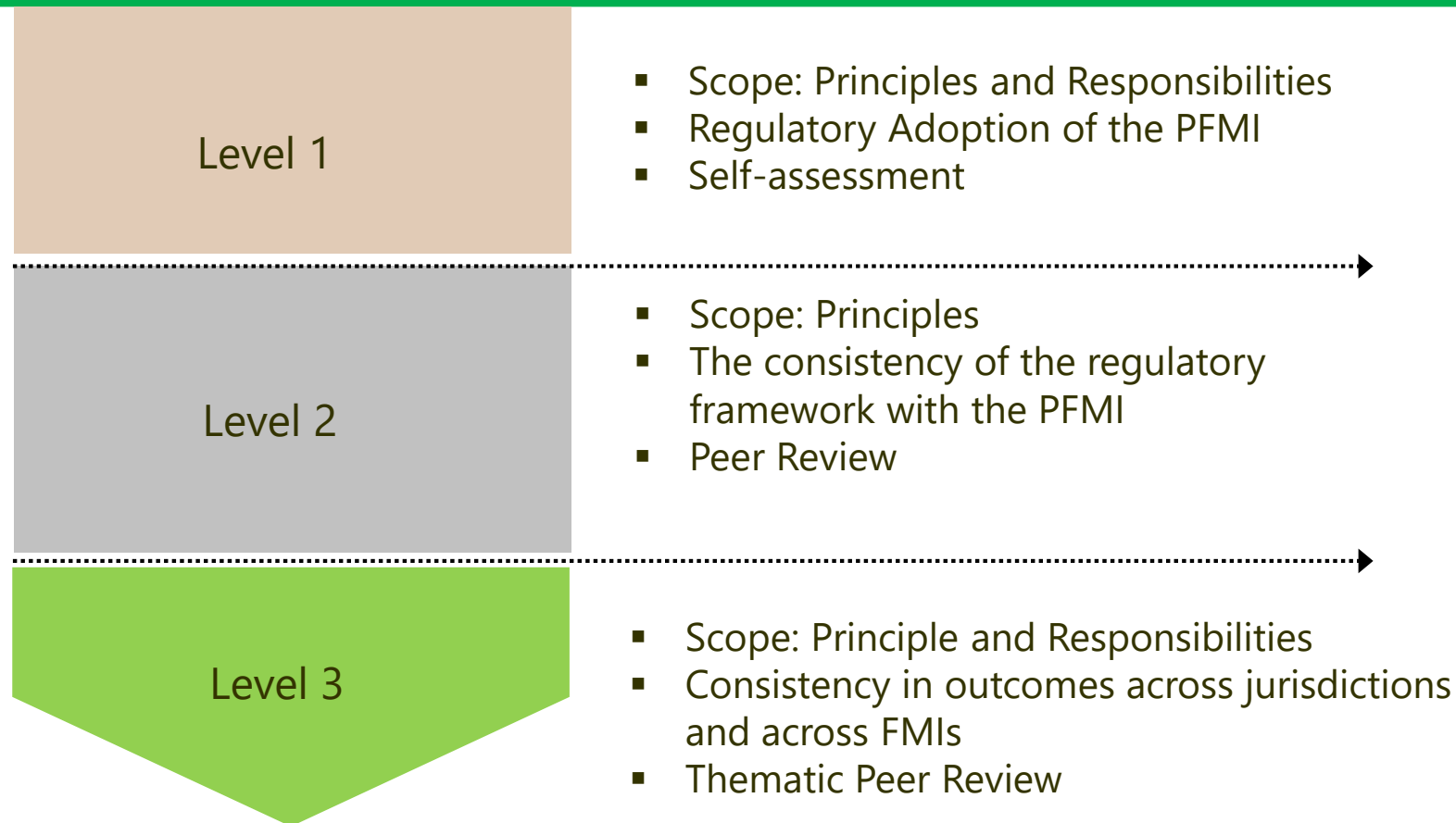
- Full and timely implementation of the PFMI will be fundamental to ensuring the safety and soundness of key financial market infrastructures and to support the resilience of the global financial system
- The PFMI will also play an important part in the G20's mandate that all standardised OTC derivatives should be centrally cleared, and all OTC derivatives contracts reported to trade repositories
- **Need for global consistency**



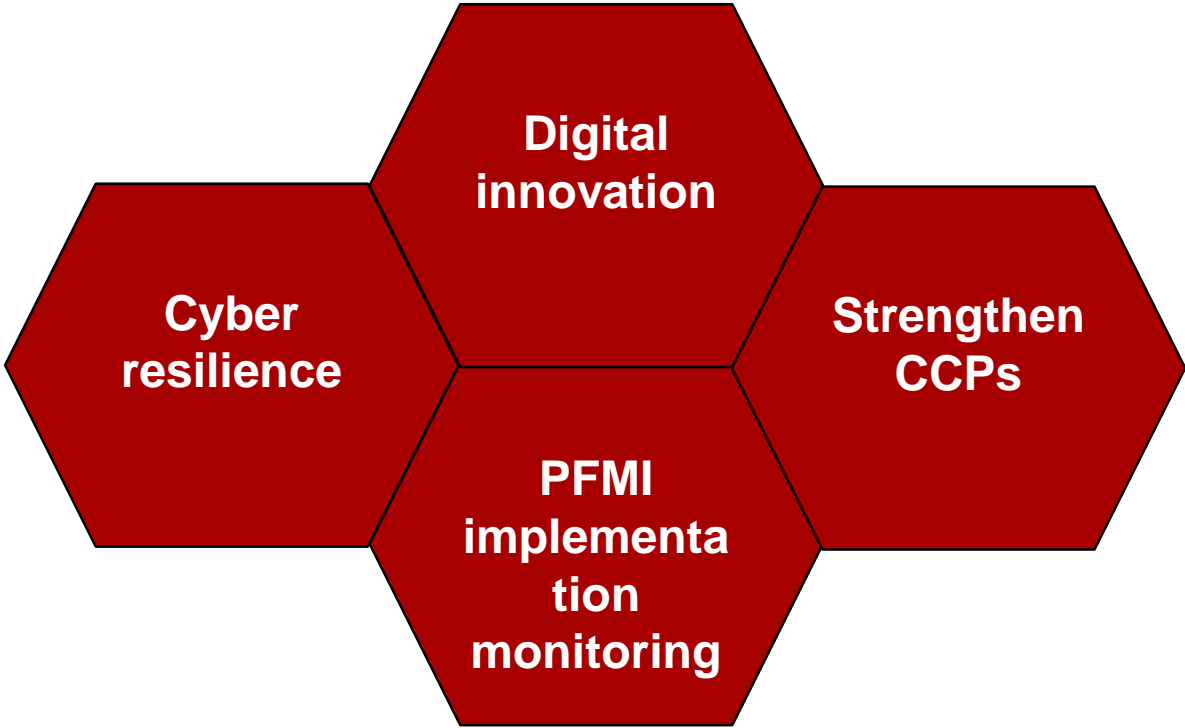


# Structure of the PFMI implementation monitoring work

## CPMI-IOSCO implementation monitoring standing group ("IMSG")



# Presentation areas of focus



Many thanks

Any questions?

