



An overview of the workshop program

AFW2/AFS/AFE Observance of CPSS-IOSCO PFMI and Cyber Resilience of FMIs
Interregional Hybrid Workshop Jan 29 – Feb 2, 2024

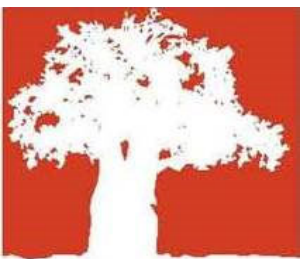
ACCRA, GHANA

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Monetary Policy & FX Operations and Payment System



Outline

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- **PFMI – The new global standards for FMIs**
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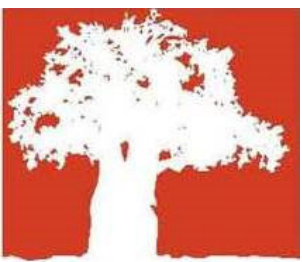


Aim and Participants



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- The workshop aims to support the central banks of the region in strengthening their oversight and risk management framework for financial market infrastructures (FMI).
- The workshop will elaborate into details on CPSS-IOSCO Principles for FMI (PFMI), disclosure framework and assessment methodology, Guidance note on cyber security and resilience for FMI, and provide a forum to exchange country experiences on observance with the PFMI, the challenges facing the authorities, and the strategies to improve observance with PFMI and cybersecurity resilience of FMI.
- 26 central banks; 48 in-person participants; 40 online participants



Workshop Program

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The Five
Responsibilities of PFMI



Overview of
the CPSS-
IOSCO PFMI

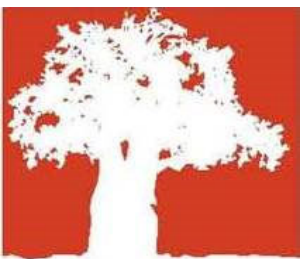


Assessment
of FMIs
against the
PFMI



Cyber
Resilience of
FMIs

Four Themes



The CPSS and IOSCO



The Committee on Payments and Market Infrastructures (CPMI)

Established in 1990 as *Committee on Payments and Settlement Systems*, since 1 September 2014 the group is called *Committee on Payments and Market Infrastructures*

Hosted by the Bank for International Settlements (in Basel, Switzerland)

Mandate (revised in September 2014)

- ✓ Promote the **safety** and **efficiency** of payment, clearing, settlement and related arrangements, thereby supporting **financial stability** and the wider economy
- ✓ The CPMI is a global **standard setting body** in the field of payments, clearing and settlement systems and related activities
- ✓ It also serves as a **forum for central banks** to monitor and analyze developments in large value and retail payment, clearing and settlement arrangements, schemes and instruments both within and across jurisdictions



The CPSS and IOSCO



The International Organization of Securities Commissions

IOSCO established in 1983. Membership regulates more than 95% of the world's securities markets in more than 115 jurisdictions

IOSCO principles of securities regulations are endorsed by G20 and FSB

IOSCO **develops standards** of regulation/oversight/enforcement

IOSCO provides TA /education/training/research to members and other regulators to build **sound global capital markets** and **robust global regulatory frameworks**

IOSCO members aim to:

- ✓ **Cooperate** in developing standards of regulation and oversight to protect investors, maintain fair, efficient and transparent markets, and address systemic risks
- ✓ Enhance investor **confidence** in the integrity of securities markets via strengthened market information and supervision
- ✓ Exchange **information** globally/regionally on experiences to assist in developing markets, strengthening FMIs, implementing appropriate regulation

PFMI – The new global standards for FMIs



Part of the **post-crisis** G20 regulatory response

The PFMIs were published by CPMI and IOSCO in April 2012. Consist of:

- 24 Principles for FMIs

- 5 Responsibilities for authorities

- 5 Expectations for critical service providers

- Guidance on cyber resilience for financial market infrastructures

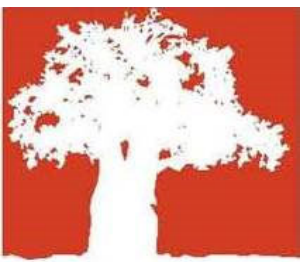
Main goal: improve the **risk management framework and practices** of FMIs and augment the **resilience** of the financial system to negative shocks.

PFMI apply to systemically important FMIs

It is assumed that all CSDs, SSSs, CCPs and TRs are systemically important.

PFMI may be used for non systemically important systems (e.g., retail).

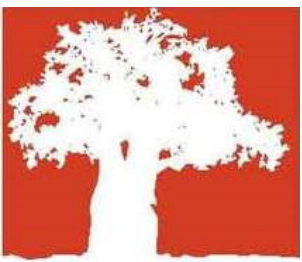
All FMIs are “encouraged” to observe the PFMI



Scope of PFMI



- Provide guidance for addressing safety and efficiency in FMIs
- The PFMI do not prescribe a specific tool or arrangements to achieve their requirements
- They allow for different means to implement achieve each principle
- Some principles establish a minimum requirement to help contain the risk and provide a level playing field
- Some principles build upon others and some complement others
- A few principles, i.e. those on governance and operational risk, include references to best practice that will evolve and improve over time
- FMIs and authorities are recommended to have a flexible approach and to consider imposing higher requirements



Status of PFMI

PFMI are recognized international standards applicable to FMIs:

- International best practice (“**soft law**”) for all jurisdictions
- **Objective-oriented** rather than rule-based
- **Commitment** of members to implement

IMF and World Bank rely on the PFMI in their FSAP and country assessment work

Implementation subject to monitoring by CPMI-IOSCO (as well as FSB, IMF/WB FSAP)

Focus is on consistency of outcomes across jurisdictions



Key objectives of CPSS- IOSCO Effort



Harmonize existing standards

- Core Principles for systemically important payment systems
- Recommendations for securities settlement systems
- Recommendations for central counterparties

Strengthen existing standards

- Lessons from the crisis
- Experience/gaps in applying standards

Introduce new standards

- Segregation and portability
- General business risk
- Tiered participation arrangements
- Disclosure of market data

Extend coverage to trade repositories

Consistent recommendations for the policy authorities

Ensure consistent application

CPSS-IOSCO members commit to apply “to the fullest extent possible”

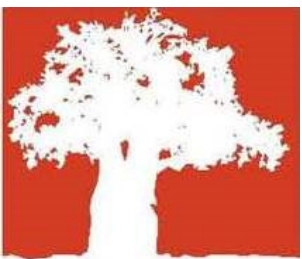
Strengthen implementation

“disclosure framework”, “assessment methodology”, and “implementation monitoring”



The 24 PFMI

General organization <ol style="list-style-type: none"> 1. Legal basis 2. Governance 3. Framework for the comprehensive management of risks 	Credit and liquidity risk management <ol style="list-style-type: none"> 4. Credit risk 5. Collateral 6. Margin 7. Liquidity risk 	Settlement <ol style="list-style-type: none"> 8. Settlement finality 9. Money settlements 10. Physical deliveries
CSDs and exchange-of-value settlement systems <ol style="list-style-type: none"> 11. CSDs 12. Exchange-of-value settlement systems 	Default management <ol style="list-style-type: none"> 13. Participant-default rules and procedures 14. Segregation and portability 	General business and operational risk management <ol style="list-style-type: none"> 15. General business risk 16. Custody and investment risks 17. Operational risk
Access <ol style="list-style-type: none"> 18. Access and participation requirements 19. Tiered participation 20. FMI links 	Efficiency <ol style="list-style-type: none"> 21. Efficiency and effectiveness 22. Communication procedures and standards 	Transparency <ol style="list-style-type: none"> 23. Disclosure of rules, key procedures, and market data 24. Disclosure of market data by TRs



The (Five) Responsibilities of Central Banks, Market Regulators, and Other Relevant Authorities for FMIs



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- A. Regulation, supervision and oversight of FMIs
 - Define/publicise criteria
- B. Regulatory, supervisory and oversight powers and resources
 - Have sufficient powers to obtain information and enforce change
 - Have sufficient resources
- C. Disclosure of policies with respect to FMIs
 - Define policies (objectives, roles, regulation)
 - Disclose relevant policies
- D. Application of the PFMI
 - Adopt the PFMI
 - Apply them to all systemically important FMIs
 - Apply them consistently across FMIs
- E. Cooperation with other authorities



***General instructions for completion of assessment of FMIs against PFMI**



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- *Step 1; Determine the appropriate scope of the assessment**
 - * Which FMI to assess, which FMI Operation and Service to assess, which principle to assess.
- *Step 2; Gather facts on each applicable consideration**
 - * Sufficient to develop key conclusion for each principle (questions provided as tools in the assessment methodology report)
- *Step 3; Develop key conclusion for each principle**
 - * Narrative summary for each applicable principle based on facts gathered
- *Step 4; Assign a rating for each principle**
 - * Rating framework with 5 grades
- * Step 5; Indicate the appropriate time frame for addresseing each issue of concern**
 - * Should have clear identification of the issues of concern that need to be addressed, if any, and an indication of an appropriate time frame (for all other than graded 'Observed')
- * Step 6; Prepare assessment report, i.e. according to template**



Importance of FMs for monetary policy, financial markets and financial stability



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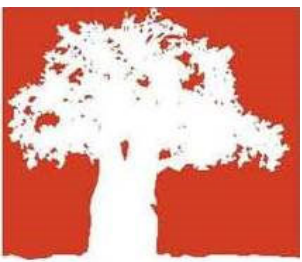
Efficiency, Effectiveness & Safety

An **efficient** payment system

- ✓ Reduces the cost of exchanging goods, services, and assets (including money)
- ✓ Enhances the practicality and cost of service provision to participants, their customers, and other relevant parties
- ✓ Economizes on the use of (costly) liquidity to settle payments
- ✓ Supports a large volume of transactions for any given quantity of money
- ✓ Transmits monetary policy signals at higher speed and more uniformly
- ✓ Provides its users with more speedy, affordable, easy to access and to use services
- ✓ Responds flexibly to changing demand and new technologies

An **effective** payment system

- ✓ Reliably meets its obligations in a timely manner
- ✓ Achieves service and security requirements
- ✓ Enables participants and their customers to conduct robust risk management



Importance of FMIs for monetary policy, financial markets and financial stability



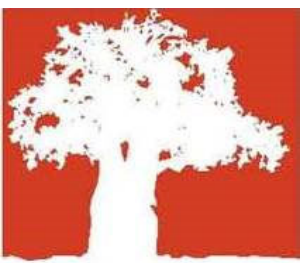
Efficiency, Effectiveness & Safety (cont'd)

A **safe** payment system

- ✓ Mitigates financial and non-financial risks
- ✓ Offers reliability, security, continuity of operation, and resilience
- ✓ Protects user rights by:
 - ✓ Providing safeguards for user funds
 - ✓ Protecting data integrity and privacy
 - ✓ Preventing criminal abuse of systems
 - ✓ Disclosing information
 - ✓ Providing claim redressal and dispute resolution mechanisms

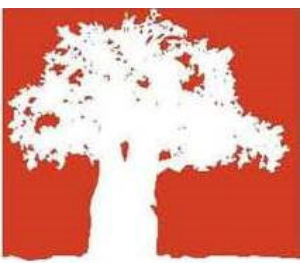
Monitoring PFMI Implementation Progress

- **PFMI Self assessments by FMIs** (i.e., by the operator)
 - Ongoing basis
 - Discuss findings with authorities
 - Complete the CPSS-IOSCO disclosure framework (Principle 23)
- **PFMI Assessments by authorities (central bank, regulators,...)** – assessment by overseers: Assessment of FMIs in individual jurisdictions; Promote observance
- **Assessments by international financial institutions** (IMF, World Bank) - Financial Sector Assessment Program (FSAP); Technical assistance
- **CPMI Implementation monitoring of PFMI** – at three levels: (Level 1) Self-assessments that report on whether a jurisdiction has completed the process of adopting the legislation and other policies that will enable it to implement the PFMI; (Level 2) Peer reviews that assess the extent to which the content of the jurisdiction's implementation measures is complete and consistent with the PFMI, and (Level 3) Peer reviews that examine consistency in the outcomes of implementation of the PFMI



Emerging Issues

- ✓ The **objectives and scope** of regulation, supervision and oversight continues to expand
 - Objectives: not only safety and efficiency, also market integrity, consumer protection, and financial inclusion
 - Scope: not only large-value, also retail (including schemes, providers, instruments), market conduct (competition, pricing, unfair practices)
- ✓ Application of PFMI to **non systemically** important FMIs



AFRITAC West 2

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Thank you!



Monday, January 29, 2024

Presenters and Moderators

Session 2: The Five Responsibilities of the PFMI – Responsibility (A) Regulation, Supervision and Oversight of FMIs; and Responsibility (B) Regulatory, Supervisory, and Oversight Powers and Resources Responsibility (C) Disclosure of Policies with Respect to FMIs; Responsibility (D) Application of the Principles for FMIs; and Responsibility (E) Cooperation with Other Authorities



Presenter: Faith Stewart (IMF STX) is a former central banker and commercial banker. At the Bank of Jamaica, she spearheaded the country's national payment system reform agenda. She also served on the Boards of the Jamaica Stock Exchange and Jamaica Central Securities Depository where she helped advance regional initiatives to modernize and integrate equities trading and settlement across the Caribbean.

Faith has been an international payments system consultant for the IMF, Asian Development Bank and World Bank since 2008. From 2016 – 2020, she was the IMF's *Resident Advisor for Financial Market Infrastructures (FMIs) and Payments* for two Regional Technical Assistance Centers – AFRITAC East and AFRITAC South. Her consulting engagements span the globe – Africa, Southeast Asia, Macedonia, the Middle East, and the Caribbean. She continues to deliver policy analysis and capacity building support for payments system and fintech innovations focusing, *inter alia*, on the macro-financial, risk and oversight implications of digitization.

Monday, January 29, 2024

Presenters and Moderators



Session 3: Panel discussion: The Five Responsibilities of the PFMI

Panelists: **Nigeria, Uganda, Eswatini**



Moderator: Callie Hugo (IMF/AFE Advisor). After working for the South African Reserve Bank (SARB) for 30.5 years in different departments and in various capacities, he joined IMF AFRITAC East (AFE) in October 2020 as Advisor for Monetary and Foreign Exchange Operations and Financial Market Infrastructure and Payments. Chaired the SARB working group who drafted the consultation paper on interest rate benchmark reforms in the domestic market.

Represented the SARB on several external committees with market participants as well as with the National Treasury. Board Member of the Bond Exchange of South Africa and the Futures Exchange of South Africa. Represented the SARB on international committees, among others, the Bank for International Settlement Central Bank Risk Committee and Study Group on Central Bank Finances. Also consulted for Collaborative Africa Budget Reform Initiative (CABRI) on bond market development frameworks in various African countries. Hold Master's Degrees in Economics (University of Stellenbosch) and Business Leadership (University of South Africa – UNISA).

Monday, January 29, 2024

Presenters and Moderators

Session 3: Panel discussion: The Five Responsibilities of the PFMI

Panelists: **Ghana, Rwanda, South Africa**

Moderator: Gani Gerguri (IMF/AFW2 Advisor). Gani Gerguri joined AFRITAC West 2 (AFW2) in August 2020 as a Regional Advisor for Monetary Policy and Foreign Exchange Operations, and Payment Systems. He began his central banking career in 1984 as an Analyst for Monetary Analysis with the National Bank of Kosovo. He later joined the Central Bank of Kosovo where he worked for over 14 years, initially as a Director of Research and Statistics, then Chief Operations Officer, Deputy Governor for Central Bank Operations and at the end as a Governor.

During 2014-2020, he served as an IMF Resident Advisor on modernizing monetary and financial stability frameworks to the Central Bank of Suriname and the Bank of Sierra Leone. He holds a BS degree in Economic Development (First Class Distinction, University of Prishtina), Postgraduate Diploma in Organization and Management (University of Zagreb), and an MBA degree in Finance (First Class Distinction, University of Sheffield).



Selected African Proverbs