



AFW2 –AFE – AFS INTERREGIONAL HYBRID WORKSHOP

Observance of CPSS – IOSCO Principles for Financial Market Infrastructures and Cyber Resilience of FMI
January 29 – February 2, 2024
ACCRA, Ghana

Presented by: Dale Connock
IMF Short-term Expert

THE
DISCLOSURE
FRAMEWORK

AND

ASSESSMENT
METHODOLOGY





IDIOM

**YOU CAN LEAD A HORSE
TO WATER, BUT YOU
CAN'T MAKE IT DRINK**

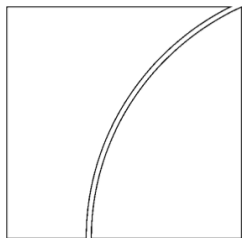


So.....

Our challenge is
to make it
thirsty!!

Committee on Payment and
Settlement Systems

Technical Committee of the
International Organization of
Securities Commissions



**Principles for financial
market infrastructures**

April 2012



BANK FOR INTERNATIONAL SETTLEMENTS



IOSCO



Adoption of the PFMI

12 years on...

a timely review of the
progress being made
towards the adoption of the
PFMI

ADOPTION

The PFMI represent minimum risk management standards

They draw on the collective experience of the proverbial “brains trust” from around the world – regulators and practitioners alike

CONSISTENCY

They represent consistency in the way that they require us to think about our businesses

By considering questions like “what risks do we pose to others” and “what risks they pose to us”

we are able to

- bridge the differences in organizational roles and functions
- Help prevent any exploitation of weaknesses



There is some DNA
that runs through all
24 Principles

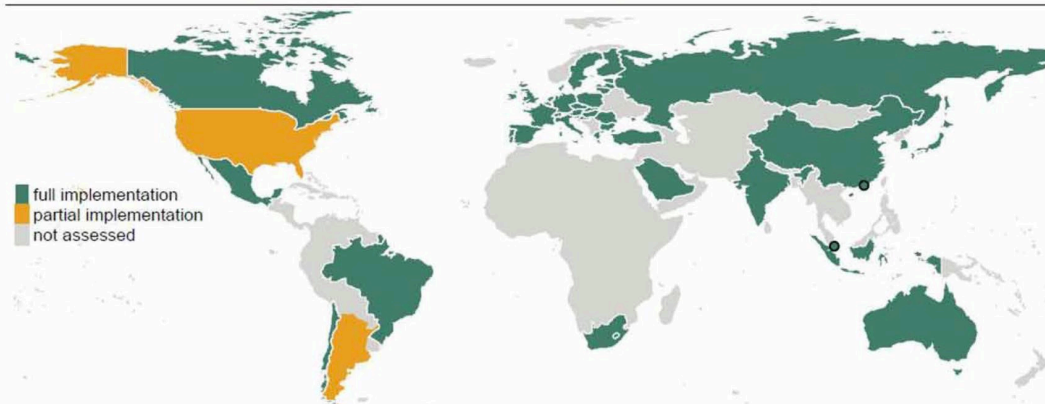
Self-assessed PFMI implementation rating for Responsibilities¹

Graph 3



Self-assessed PFMI implementation rating for all FMI types¹

Graph 1



¹ The black circles represent Hong Kong SAR and Singapore.

The use of this map does not constitute, and should not be construed as constituting, an expression of a position by the BIS regarding the legal status of, or sovereignty of any territory or its authorities, to the delimitation of international frontiers and boundaries and/or to the name and designation of any territory, city or area.

Source: www.bis.org – as at January 2023



Role of the CPMI

..... promote the safety and efficiency of payment, clearing, settlement and related arrangements, thereby supporting financial stability and the wider economy

.... monitor and analyse developments both within and across jurisdictions....a forum for central bank cooperation

....does not possess any formal supranational authority. It *relies on the commitment of its members to carry out its mandate*

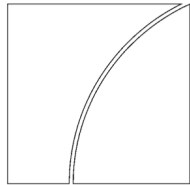
Currently 28 members

AM & DF developed in parallel to ensure cohesion



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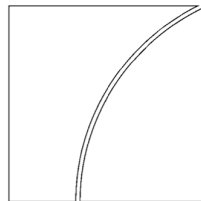
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Committee on Payment and
Settlement Systems

Board of the International
Organization of Securities
Commissions



Principles for financial market infrastructures:

**Disclosure framework
and
Assessment methodology**

December 2012



In this session we will cover:

The objectives and use of:

- Disclosure Framework
- Assessment Methodology
- Structure of the Templates provided

Disclosure Framework

- DF prescribes the form and content of public disclosures required by **Principle 23, key consideration (KC) 5**
- **Public** disclosures aid **transparency**, essential for **financial stability**
 - Assist FMI participants, authorities and the broader public in better **understanding the activities** of an FMI, its **risk profile** and its **risk management practices**
- **Standardized disclosure** practices
 - Enable more **robust comparison of FMIs** by participants, authorities, and the broader public



- **Principle 23: “Disclosure of rules, key procedures and market data”** requires an FMI to provide sufficient information by publicly disclosing rules, key procedures and market data to enable participants to have an accurate understanding of the risks and costs incurred by participating in the FMI
- **Key Consideration 5:** An FMI should complete regularly and disclose publicly responses to the CPSS-IOSCO Disclosure framework for financial market infrastructures...

Assessment Methodology



Promotes **consistent** implementation and **ongoing** observance

Use by FMIs

- Useful tool in decision-making
- Useful tool for assessing observance of the Principles
- Helps identify areas of improvement

Enables the **common goal** – to determine whether
> the **FMI observes** the Principles
> the **Authority(ies) to fulfil** their responsibilities

Use by Authorities

- Authorities are expected to regularly assess observance of principles by FMIs
- Authorities are encouraged to regularly self-assess their observance of the responsibilities

Promotes full observance by effectively **helping identify issues** of concern that should be addressed

Use by external assessors

- Determine observance of the Principles and the Responsibilities by the FMI and Authorities
- FSAP and technical assistance programs
- Comparisons at an international level to identify best practices
- Identify development needs and build assessment capacity

Assessment methodology for the *Principles for FMI's*



6 Steps

Determine appropriate scope of assessment

Gather facts on each key consideration

Develop key conclusions for each principle

Assign a rating for each principle
Indicate appropriate times frames to address each issue of concern

Prepare an assessment report

Layout:

PS	CSD	SSS	CCP	TR
●	●	●	●	●

Principle 1 : Legal basis

An FMI should have a well-founded, clear, transparent, and enforceable legal basis for each material aspect of its activities in all relevant jurisdictions.

Key consideration 1: The legal basis should provide a high degree of certainty for each material aspect of an FMI's activities in all relevant jurisdictions

Q.1.1.1: Xxxxxx

Q.1.1.2: Xxxxxx

Q.1.1.3: Xxxxxx

(a) Xxxxx

(b) Xxxxx



Rating scale:



OBSERVED	The principle is observed, Identified gaps and shortcomings are not of concern / are minor and manageable and are of a nature that the FMI believes can be resolved in the normal course of business
BROADLY OBSERVED	The FMI broadly observes the principle. The assessment has identified one or more issues of concern that the FMI should address and follow up on in a defined timeline
PARTLY OBSERVED	The FMI partly observes the principle. The assessment has identified one or more issues of concern that could become serious if not addressed promptly. The FMI should address as a matter of priority.
NOT OBSERVED	The FMI does not observe the principle. The assessment has identified one or more serious issues of concern that warrant immediate action. The FMI should address as a matter of highest priority
NOT APPLICABLE	The principle does not apply to the particular FMI type

General applicability of principles to specific types of FMI						
	Principle	PS	CSD	SSS	CCP	TR
1	Legal basis	♦	♦	♦	♦	♦
2	Governance	♦	♦	♦	♦	♦
3	Framework for the effective management of Risk	♦	♦	♦	♦	♦
4	Credit Risk	♦		♦	♦	
5	Collateral	♦		♦	♦	
6	Margin				♦	
7	Liquidity	♦		♦	♦	
8	Settlement finality	♦		♦	♦	
9	Money settlement	♦		♦	♦	
10	Physical deliveries		♦	♦	♦	
11	Central Securities Depositories		♦			
12	Exchange of Value settlement systems	♦		♦	♦	
13	Participant default rules and procedures	♦	♦	♦	♦	
14	Segregation and Portability				♦	
15	General Business Risk	♦	♦	♦	♦	♦
16	Custody and Investment Risks	♦	♦	♦	♦	
17	Operational Risks	♦	♦	♦	♦	♦
18	Access and Participation requirements	♦	♦	♦	♦	♦
19	Tiered Participation Requirements	♦	♦	♦	♦	♦
20	FMI Links		♦	♦	♦	♦
21	Efficiency and and Effectiveness	♦	♦	♦	♦	♦
22	Communication procedures and Standards	♦	♦	♦	♦	♦
23	Disclosure of Rules, key procedures, and market data	♦	♦	♦	♦	♦
24	Disclosure of market data by Trade Repositories					♦



Types of FMI

- Payment System
- CSD
- Securities Settlement System
- Central CounterParty
- Trade Repository