

News Bulletin

DNB applies new CPSS-IOSCO oversight standards from 2013

In April 2012 new [oversight standards](#) were published, which DNB will apply from January 2013 onwards. The new standards have been updated, harmonised and tightened compared with those drawn up in the previous decade. They are intended to bolster the resilience of payment and securities systems in the face of financial and operational crises, in order to mitigate systemic risks.

The new standards will apply to systemically important payment systems (e.g. TARGET2), central securities depositories and securities settlement systems (e.g. Euroclear Nederland), central counterparties (e.g. EMCF) and trade repositories. This group of oversight objects is referred to by the generic term of Financial Markets Infrastructure (FMI). The standards also include directives for central counterparties (CCPs) clearing over-the-counter (OTC) derivatives.

The oversight standards were developed by the Committee on Payment and Settlement Systems (CPSS) together with the Technical Committee of the International Organisation of Securities Commissions (IOSCO), and are referred to as the CPSS-IOSCO “*Principles for financial market infrastructures (PFMI’s)*.”

The vast majority of the standards are principle-based, meaning that the different FMIs have the scope to meet the standards in different ways. In some cases the standards include specific requirements in order to achieve a commonly agreed minimum level of risk control.

The new standards also apply to relatively new FMIs such as trade repositories. Some new requirements have been drawn up and the requirements for risk management have been tightened. Certain FMIs are for instance required to maintain higher buffers in order to cushion credit and liquidity risks. Also, additional demands are made on governance, transparency is emphasised more and specific requirements have been formulated for risks relating to tiered participation in FMIs.

The 24 principles have been grouped into nine categories, which all include important elements that contribute to a safe and efficient design and functioning of FMIs (see Figure 1).

FIGURE 1 24 CPSS-IOSCO OVERSIGHT STANDARDS FOR FMIs



In addition to the 24 principles, there are five standards referred to as “responsibilities”, which authorities such as central banks and securities regulators are required to meet. These standards put the responsibility for ensuring effective regulation, supervision and oversight on the authorities. The principles and responsibilities are consistent with the G20 and the Financial Stability Board (FSB) strategies.

The document on PFMI also includes five standards for critical service providers called “Oversight expectations applicable to critical service providers”; these are service providers rendering services to one or more financial market infrastructures critical to their adequate performance. An example is SWIFT, which processes worldwide message flows for a large number of FMIs. These five “oversight expectations” have been used in the oversight on SWIFT for several years now.

FMIs are expected to meet the new standards as soon as possible. In 2013 DNB will include the new PFMI in its assessments of the FMIs in which it is lead-overseer (whether or not together with the AFM). For 2013 this concerns the following oversight objects: TARGET2.NL, European Multilateral Clearing Facility and Euroclear Nederland. The [complete list of oversight objects](#) and the applicable standards are published annually on DNB's website in the “Oversight

on payments and securities systems” report. In addition to this, DNB's own oversight function must also meet the five responsibilities, which will be assessed by the International Monetary Fund.

On 14 December 2012, the closing document relating to the oversight standards and their 2012 revision was published. This is the [“Disclosure Framework and Assessment Methodology”](#) document. The aim of the Disclosure Framework is to enhance consistency of the information that the different FMIs are required to publish as part of the transparency standards (see the principle concerning Disclosure of System Rules in Figure 1). The Assessment Methodology serves as a reference manual for those examining an oversight object's compliance. This includes the IMF, the World Bank and the national overseers and securities regulators. FMIs and authorities can also use the methodology when drawing up self-assessments.

If you have any questions, please contact the Information Desk: Monday to Friday between 9:00 and 5:00 p.m. at number 0800 - 020 1068 (domestic calls only, free of charge). If you call from abroad please dial +31 20 524 91 11.