



OVERSIGHT part I – Conceptual issues

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AGENDA

Central questions

- What is Oversight?
- How do we conduct/implement Oversight?

- Today: conceptual issues
- Tomorrow: practical issues

DEFINITION, BIS 2005

Oversight of payment and settlement systems is a central bank function whereby the objectives of safety and efficiency are promoted by monitoring existing and planned systems, assessing them against these objectives and, where necessary, inducing changes

Questions

Why oversight?

- Crucial public infrastructure
- Risk concentrators

What systems?

- Payments: SIPS
- Securities: CCPs, CSDs, SSSs
- Trade Repositories

Why central bank function?

- Traditionally, CBs operate wholesale payment systems (for interbank payments)
- Nowadays, securities regulators are involved

DEFINITION, BIS 2005

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OBJECTIVES: IT'S ALL ABOUT FINANCIAL STABILITY

DNB: Central bank, supervisory authority and resolution authority

Mission Statement

DNB seeks to safeguard financial stability and thus contributes to sustainable prosperity in the Netherlands

DNB works in tandem with European partners, to achieve

- Price stability and balanced macroeconomic development
- Resilient financial system and safe and efficient payment systems
- Strong and sound financial institutions that meet their obligations and commitments (and can be orderly resolved, if needed)

Oversight: contribute to DNB wide objective of financial stability

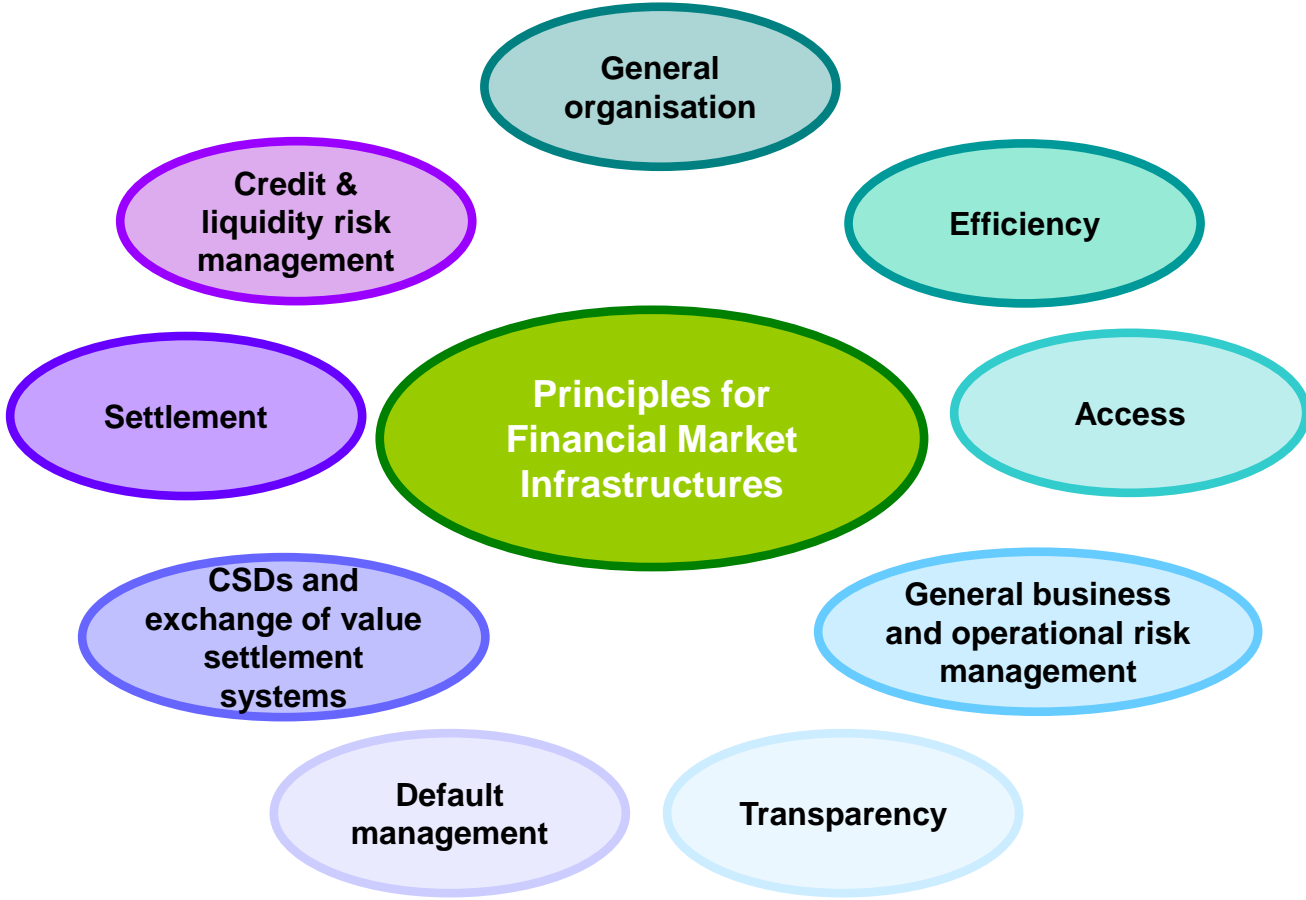
IMPLEMENTATION: NO OVERSIGHT NO STANDARDS

WHY STANDARDS?

- Improve safety and reliability against background of efficiency → financial stability
- International level playing field, both with respect to compliance and competition
- Transparency for users of Financial Market Infrastructures
- Induce compliance of oversight subjects with the standards

most important standards are...

Principles for Financial Market Infrastructures



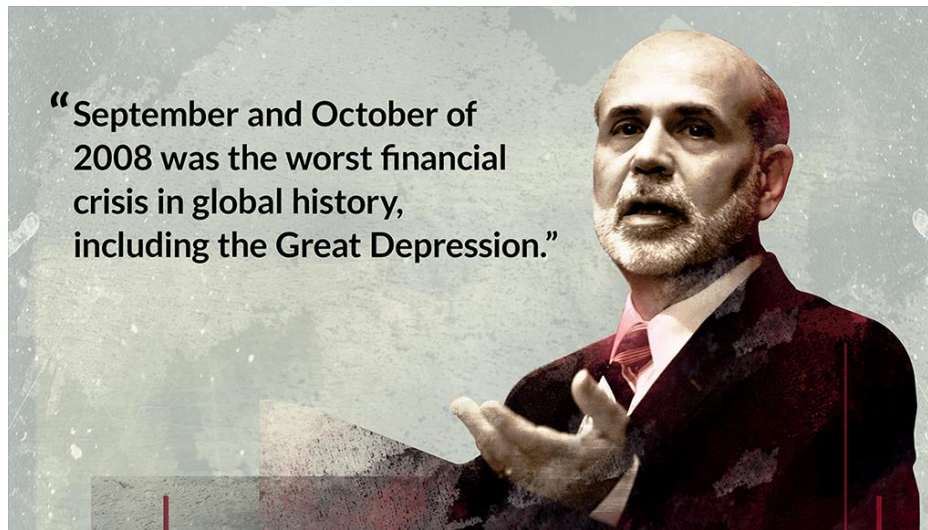
WHO IS THE STANDARD SETTER?

- CPMI (Committee on Payments and Market Infrastructures)
(was CPSS)
- IOSCO (Technical Committee of the International
Organization of Securities Commissions)

General Characteristics of PFMIs

- Risk reduction
- Minimum standards
- Principle based
- Preventive
- Feedback (after go-live), monitoring

One step back: the financial crisis



There is an elephant in the room



Lessons to be learned

Strengthen Supervision

More Standardization

Clear need to raise the bar



Oversight - Lessons to be learned

Among other things

- Standardize sets of standards

Pre crisis

- Core Principles for SIPS
- Recommendations for Securities Settlement Systems
- Recommendations for Central Counterparties

New situation: Principles for Financial Market Infrastructures

- New legislation
- Improve our understanding (e.g. attention for interdependencies)
- Broaden scope of activities (e.g. attention for outsourcing)
- Intensify cooperation with other authorities

Oversight – major changes

Most important

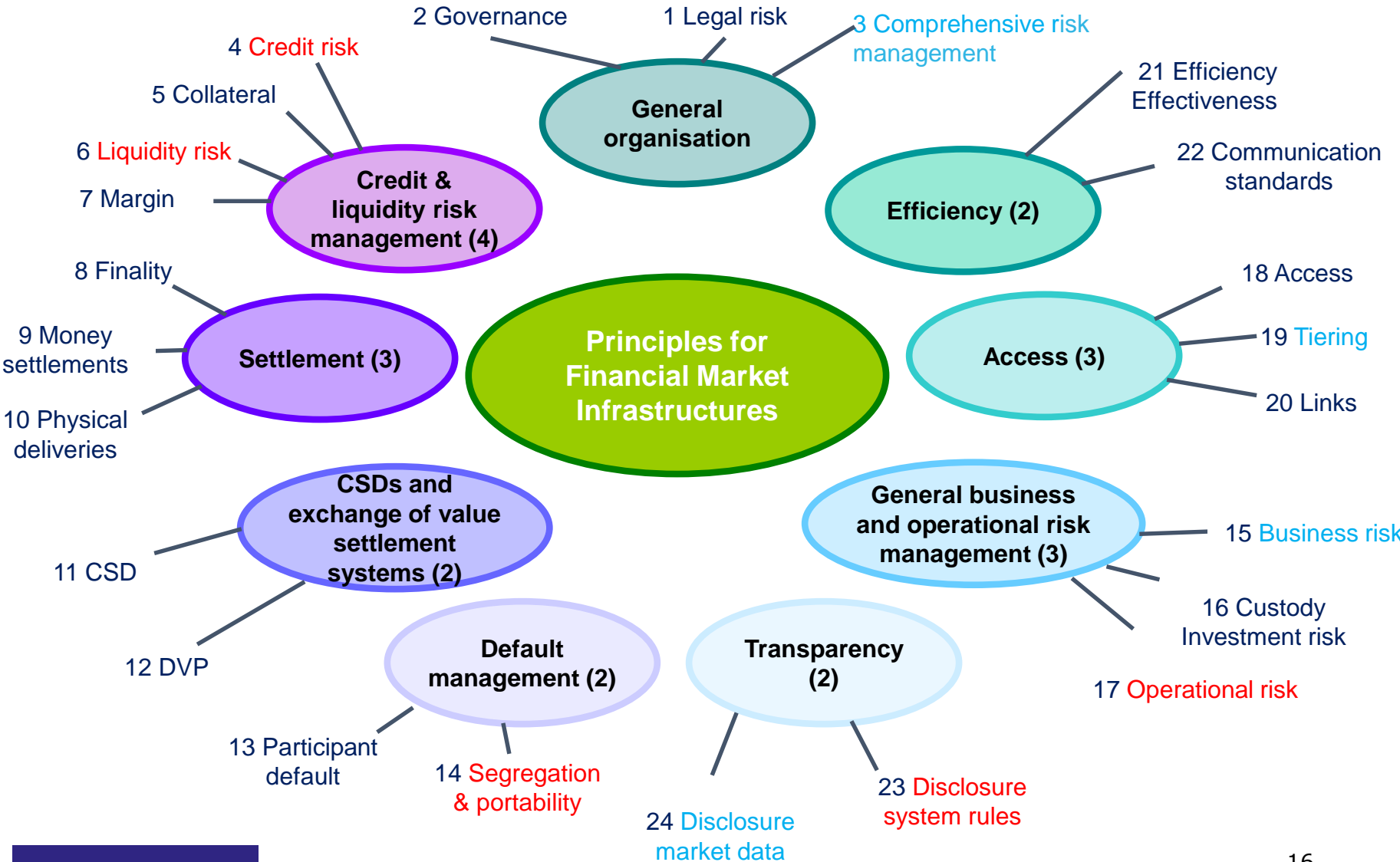
- New set of Standards: Principles of Financial Market Infrastructures

In many countries

- moral suasion -> oversight with legal instruments

Consequence: more formal Oversight setting

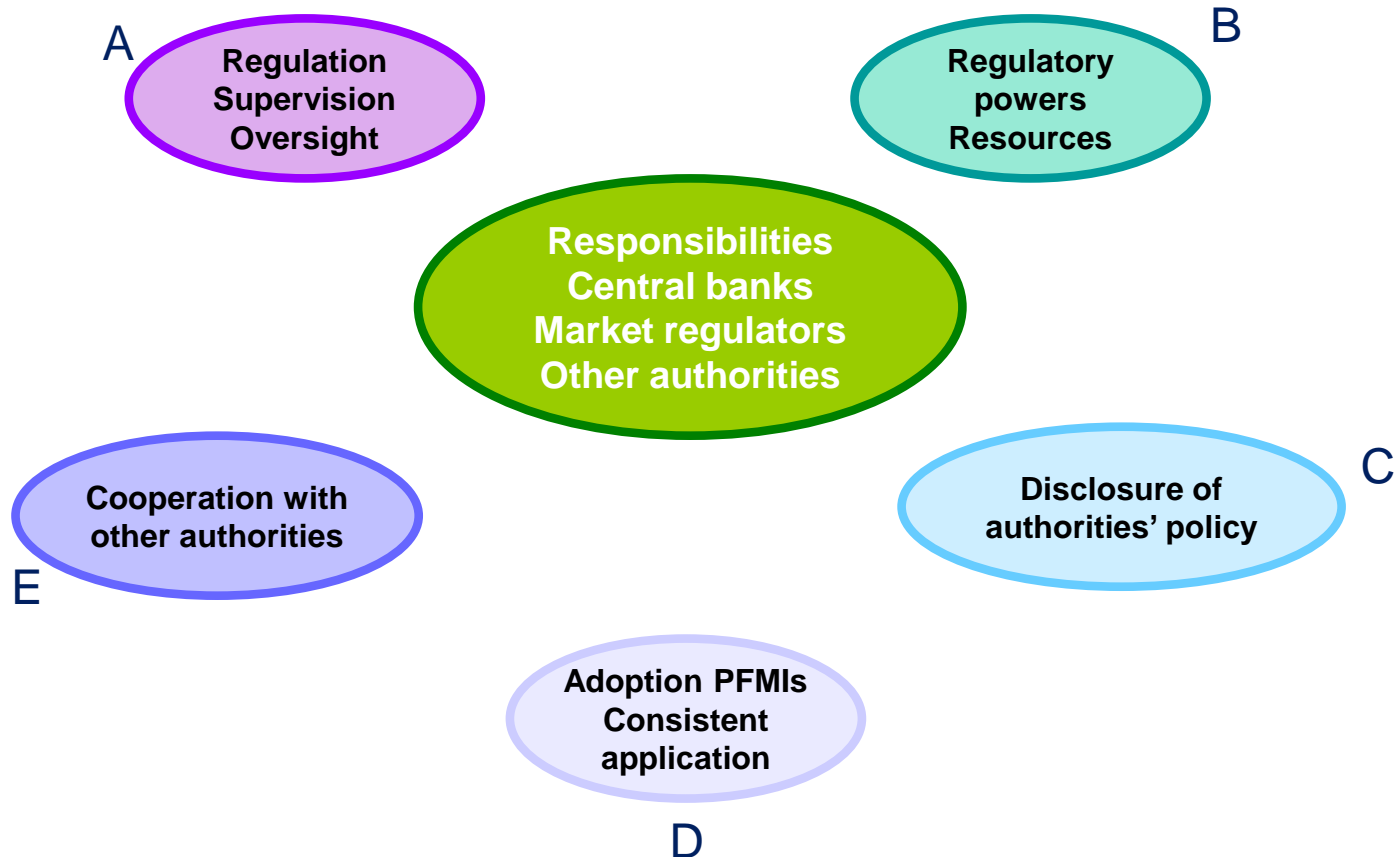
Principles for Financial Market Infrastructures



There's more than PFMI in the PFMI-report



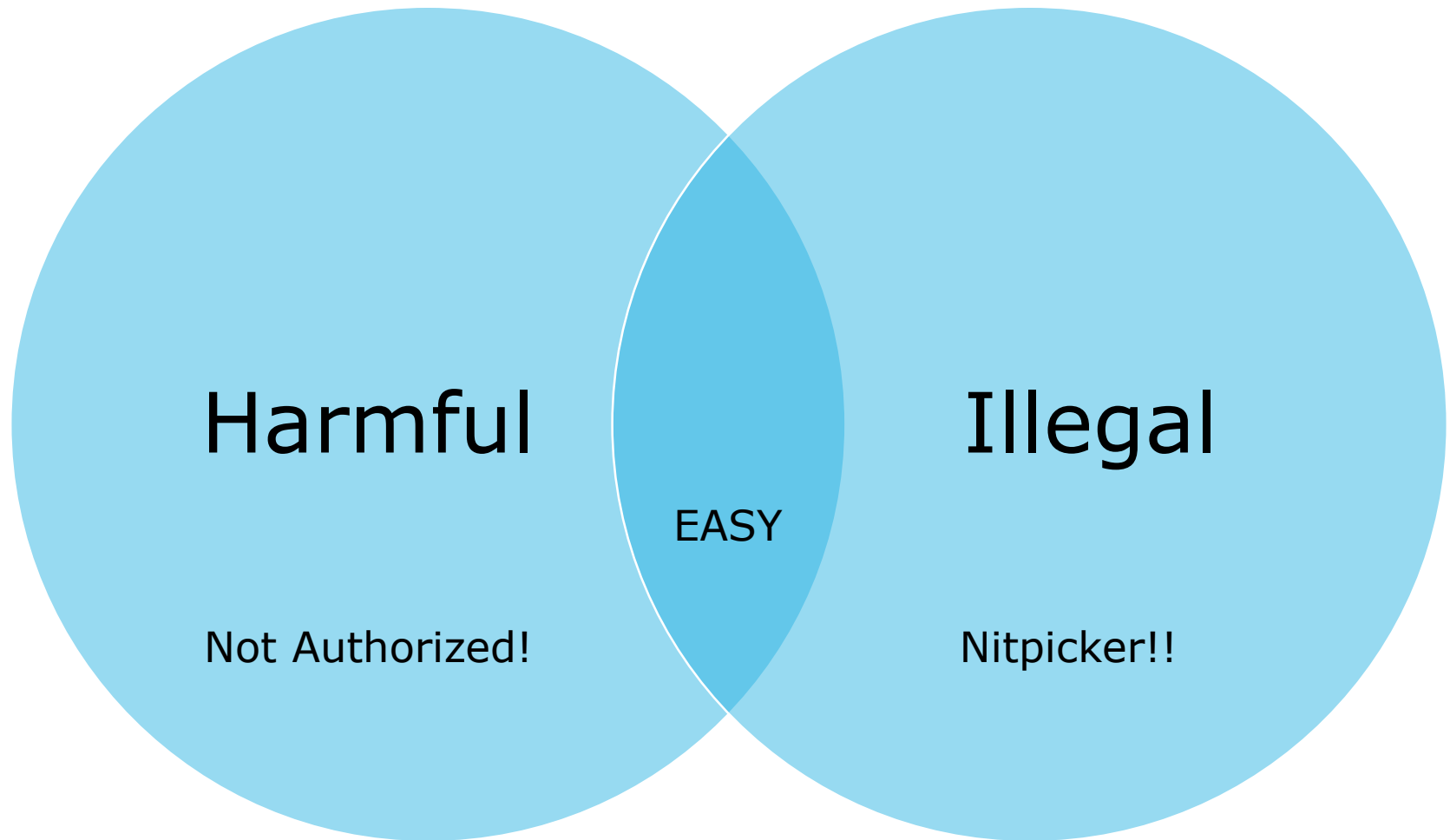
5 Responsibilities Authorities for FMIs



More Formal Oversight Setting



More Formal Oversight Setting



Question I

Should we focus on

A) Illegal activities, even if they are not harmful?

B) Harmful activities, even if we are not authorized?

Question 2

Which standards are most important

A) Credit risk and Operational Risk?

B) Operational risk and Liquidity risk?

C) Governance and Legal Risk?

D) Governance and Comprehensive Risk?

