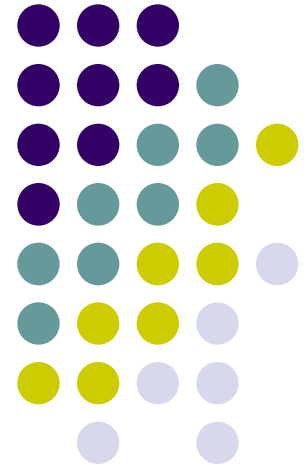


A new Assessment Methodology for the new FMI Principles



The World Bank

Presented by Massimo Cirasino (WB)
and Christine Sampic (IMF)
Financial Infrastructure Week
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Outline



- Role of the WB/IMF in designing the FMIs Principles
- Need to develop a new assessment methodology
- Impact on FSAPs (Financial Sector Assessment Programs)



Principles for FMIs

The 24 Principles + 5 Responsibilities will replace the 3 current sets of Standards:

- CPSS Core Principles for Systemically Important Payment Systems (CPSIPS), 2001
- CPSS-IOSCO Recommendations for Securities Settlement Systems (RSSS), 2001
- CPSS-IOSCO Recommendations for Central Counterparties (RCCP), 2004

taking into account:

- A decade of implementation experience
- The lessons from the crisis
- FSB's demand to strengthen core financial infrastructures

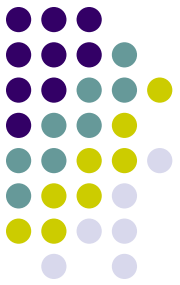


Principles for FMIs: WB and IMF role

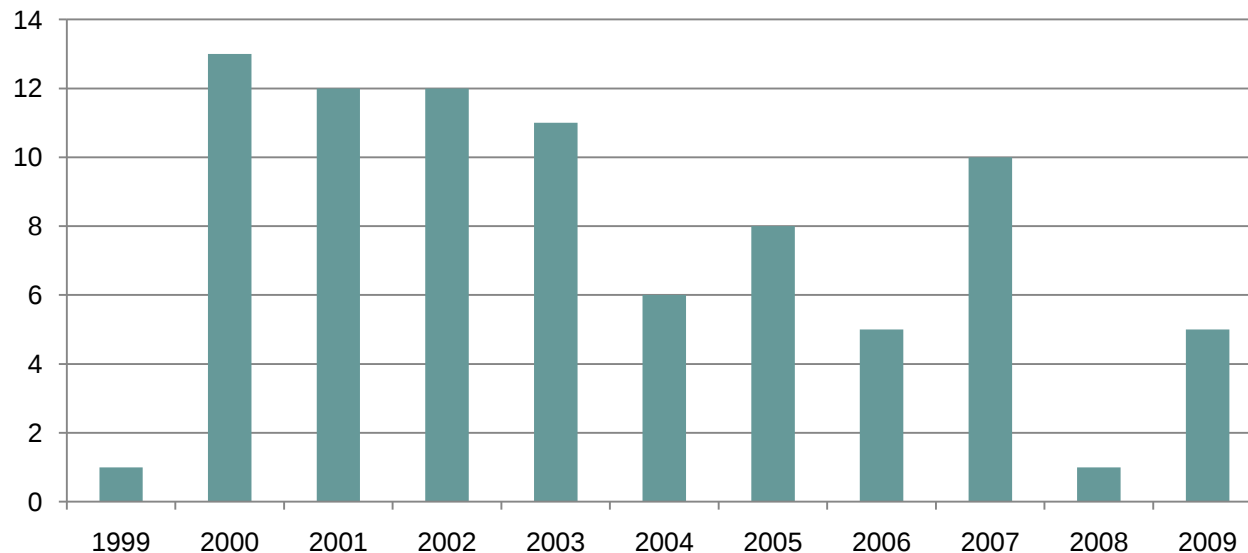
- WB and IMF are participating in the CPSS/IOSCO Steering Group, which takes the final decisions regarding the report. They have brought their experience of a decade of FSAPs in the discussions, insisting on strengthening the standards and clarifying the requirements
- WB and IMF co-chair the Assessment Methodology Sub-Group, with the mandate of drafting the new Assessment Methodology for Principles for FMIs



FSAP SIPS Assessments



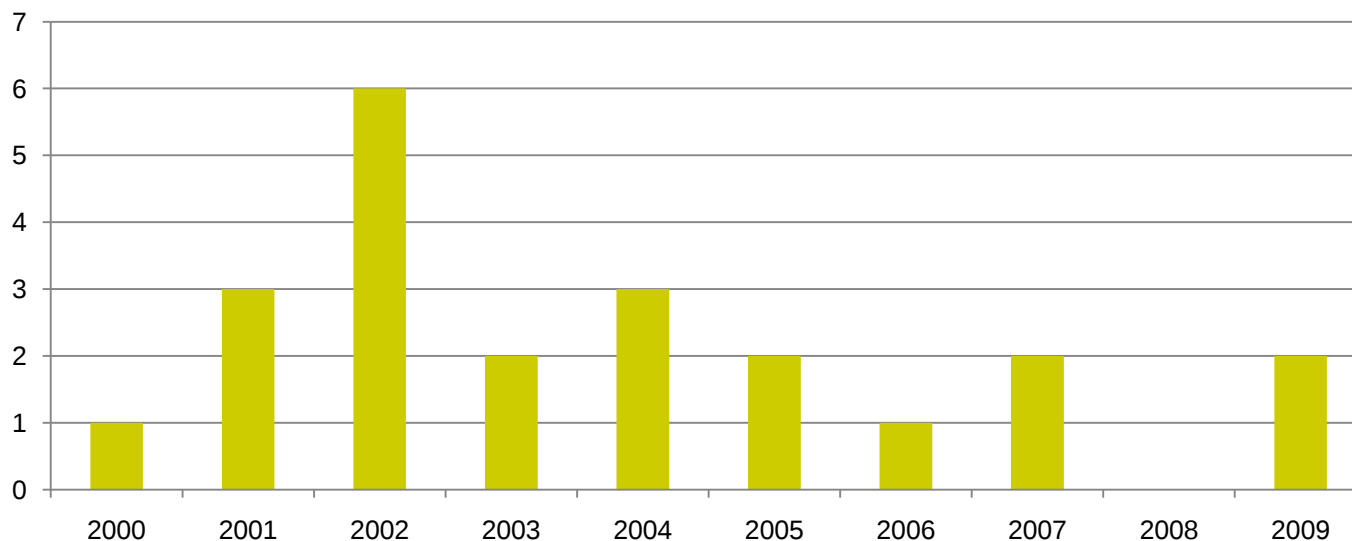
Between 1999 and 2009, 124 SIPS were assessed against the CPSIPS in 84 countries during FSAP and FSAP update missions. 40% of involved countries were in Europe, 20% in the Western Hemisphere, and between 15 and 10% in each of the 3 other regions: Asia and Pacific, Middle East and Central Asia, and Africa



FSAP SSS Assessments



Between 2000 and 2009, 35 SSS were assessed against the RSSS in 22 countries during FSAP and FSAP update missions. Most of involved countries were in Europe, with only 3 countries of the Western Hemisphere, and 5 from the Asia and Pacific regions.



New Assessment Methodology



Existing methodologies:

- While the CPSIPS report does not provide a detailed assessment methodology, the WB/IMF, in cooperation with the CPSS, prepared a Guidance note for their assessment to be used in the FSAP context in the months following the publication of the standards (2001)
- The CPSS-IOSCO Recommendations for SSS were complemented by a CPSS-IOSCO dedicated assessment methodology in November 2002
- The CPSS-IOSCO Recommendations for CCP have included a detailed assessment methodology from the start (November 2004)



New Assessment Methodology



The revision process:

- The Assessment Methodology Sub-Group, composed by experienced experts, is revising the existing assessment methodologies into a single one and will make proposals to the CPSS/IOSCO Steering Group
- The objective is to keep the strengths of the existing methodologies and add improvements where needed
- In particular there is a need to find the right balance between rule and risk-based approaches (taking the best of 2 worlds...)
- The AM SG has evaluated each existing methodology, identifying issues that have arisen during their use and possible commonalities and synergies across them



New Assessment Methodology



Scope:

- Each system will be assessed against the 24 principles for FMIs (one assessment by FMI), and
- The regulation, supervision, and oversight will be assessed against the five Responsibilities for the relevant authorities (one assessment per country or type of FMI)



New Assessment Methodology



Key points under discussions:

- How to ensure consistent assessments across assessors?
Methodology could include detailed key questions for each key consideration and a standardized list of background information, which will be tailored to the specific type of FMI (SIPS, CSD, SSS, CCP, TR)?
- How to ensure appropriate and timely improvements?
- Ratings could be complemented with classifications of the significance of the evaluations, such as “a serious shortcoming that needs to be rectified immediately” or an “opportunity for improvement for management to consider”?
- How to prepare an appropriate action plan for improvements based on priorities?



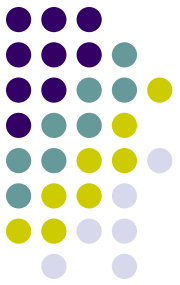
New Assessment Methodology



Timeline under discussion:

- 2010: evaluation of the current methodologies. Report on Assessment Methodologies delivered to the ET in July 2010
- March 2011: consultative report published with key considerations (with an annex sorting them by type of FMI)
- Summer 2011: Draft Assessment Methodology (process, ratings, etc.)
- By end 2011: pilot assessments
- Early 2012: finalized report with assessment methodology

Impact on FSAP

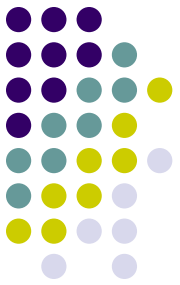


- FMI standards will be used for FSAP when endorsed by the IMF/WB boards, after the final CPSS/IOSCO report is published
- Assessments will take into account the transition period to comply with additional requirements
- Training will be needed, both for assessors and for authorities
- Propose pilot assessments ASAP, on a voluntary basis



Impact on FSAP

Recent changes approved by Fund Board Sept. 2010



- Changes approved in the context of the Fund review of its surveillance function
- Mandatory FSAP stability modules every 5 years for 25 countries with systemically important financial sectors, focused on:
 - Source, probability, and potential impact of the main risks to macro-financial stability in the near-term
 - Country's financial stability policy framework
 - Authorities' capacity to manage and resolve a financial crisis should the risks materialize



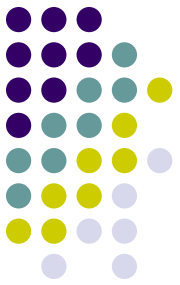
Impact on FSAP



Conditions to make FSAP assessments successful:

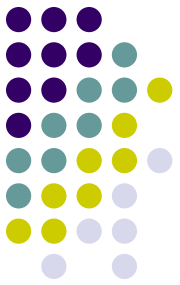
- Availability of quality self-assessments prior to the mission
- Prioritization of recommendations
- More frequent reassessments
- Dedicated TA program to ensure consistent follow up of the recommendations

Impact on FSAP



- In the meantime, assessments are being performed with the existing standards and related methodologies, some of these assessments refer to systems relevant for global financial stability (e.g. USA, China, UK, Germany, Luxembourg)
- CCPs are increasingly assessed, following the G20 commitment to centrally clear standardized OTC derivatives
- G20 countries have committed to publish their assessments





**Thank you for your
attention,
any questions?**

