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08 June 2012

- **Public comment on CPSS-IOSCO Consultative Report
on Assessment methodology for the principles for
FMIs and the responsibilities of authorities**

Dear Mr. Tucker and Mr. Kono.

Thank you for giving us the opportunity to comment on your Consultative Report on “Assessment methodology for the principles for FMIs and the responsibilities of authorities”. The assessment methodology provides a comprehensive framework for assessing and monitoring an FMI’s observance and compliance with each of the twenty four principles for financial market infrastructures, and the relevant authorities’ observance and compliance with each of the five responsibilities. This should help to improve confidence in financial market infrastructures and financial markets generally, promote market integrity and increase transparency and comparability across jurisdictions.

I support the assessment methodology and the practical matters to be considered when conducting an assessment, which include:

- access to information
- assessment of actual practice
- assessors’ background, experience and training
- assessment obstacles

I also broadly agree with the rating scale and language for communicating the assessment results. I would only add here that in practice, a rating of “Not Observed” may need to be accompanied by a recommended timeframe for addressing each identified concern, and with a clear escalation process should such timeframe not be agreed or accepted by the relevant party. This should help to improve investors’ and the general public’s perceptions of the effectiveness of the assessment framework, including the follow-up on assessment findings.

Framework for the comprehensive management of risks

Concerning principle 3 on risk management, an FMI would normally quantify and assess the net or residual risk, which is the risk net of any policies, procedures or controls in place to mitigate the risk. However, the FMI should also quantify and assess risk before allowing for any policies, procedures, controls or risk mitigations. Such a gross risk assessment is useful, as risk losses are caused and affected by both the extent of the gross risk and the effectiveness of the policies, procedures, controls and risk mitigations in place. A gross and net risk assessment would help the FMI to understand its potential risk losses if policies, procedures, controls or risk mitigations were ineffective, and also to help prioritise control assurance work. I would only recommend that this dual assessment should be considered in the questions by key consideration for principle 3 on risk management.

Yours sincerely

A handwritten signature in blue ink that reads "C.R. Barnard". The signature is written in a cursive, slightly slanted style.

Chris Barnard

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12 June 2012

- **Public comment on CPSS-IOSCO Consultative Report on
Disclosure framework for financial market infrastructures**

Dear Mr. Tucker and Mr. Kono.

Thank you for giving us the opportunity to comment on your Consultative Report on "Disclosure framework for financial market infrastructures". The disclosure framework will assist an FMI in preparing clear, consistent and comprehensive disclosure required under Principle 23. This will enable participants to have an accurate understanding of the risks, fees, and other material costs they incur by participating in the FMI. It will also improve the transparency of FMI governance and operating structure, which should help to promote market integrity, increase transparency and facilitate comparability across FMIs and jurisdictions. Under Principle 23, an FMI should complete the disclosure framework and disclose the answers publicly on a regular basis.

The disclosure framework is sufficient and complete in order to meet the requirements under Principle 23. The framework includes an appropriate level of detail concerning quantitative and qualitative disclosure requirements. I agree with the structure of the proposed disclosure template, which consists of :

- Executive summary
- General description of the FMI
- Summary of major changes since last update

Please note that the comments expressed herein are solely my personal views

- Principle-by-principle narrative disclosure
- Annex of additional publicly available resources

This is clear, transparent and complete, and it should ensure that FMIs' disclosure is aligned to a common structure, which should facilitate comparability across all FMIs.

Yours sincerely

A handwritten signature in dark ink, appearing to read "C.R. Barnard". The script is cursive and somewhat informal.

Chris Barnard