



June 2012

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For the attention of:

The Committee on Payment and Settlement Systems

and

The Technical Committee of the International Organisation of Securities Commissions

By email to CPSS secretariat (cpss@bis.org) and to IOSCO secretariat (fmi@iosco.org)

**Response to the CPSS-IOSCO consultative report on the
“Assessment methodology for the principles for FMIs and the
responsibilities of authorities” and “Disclosure framework for
financial market infrastructures”**

SWIFT has reviewed the consultative report on the “Assessment methodology for the principles for FMIs and the responsibilities of authorities” and “Disclosure framework for financial market infrastructures” issued by CPSS/IOSCO in April 2012, and welcomes the opportunity to provide feedback.

SWIFT is a member-owned, cooperative society that provides its community of banking, securities, market infrastructures and other regulated organizations, as well as corporations, with a comprehensive suite of messaging products and services. Through these products and services SWIFT supports every aspect of global financial services, including payments processing and securities post trading. SWIFT also has a proven track record of bringing the financial community together to work collaboratively, through its country National Member Groups, to shape market practice, define formal standards and debate issues of mutual interest.

SWIFT is organized under Belgian law and is owned and controlled by its shareholding Users, comprising over 2,300 financial institutions. The user community exceeds 9,600 connected firms, across 210 countries. A fundamental tenant of SWIFT's governance is to continually reduce the costs and risks borne by the industry.

SWIFT is not covered directly by the 24 principles as we do not fall into one of the defined categories of FMIs. SWIFT does, however, provide services of a critical nature to all of the defined categories of FMIs covered by the principles. SWIFT is therefore a critical service provider to the FMIs, as defined under Annex F in the FMI principles.

Please find below our feedback in respect of the specific points upon which we would like to comment.

Feedback on the “Assessment methodology for the principles for FMIs and the responsibilities of authorities” report

General Comment

SWIFT strongly supports standardisation as a critical mechanism to ensure consistency as well as the minimisation of the cost of compliance for Financial Market Infrastructures (FMIs) and their Critical Service Providers (CSPs) alike. Standardisation also helps to deliver a level playing field for FMIs and their critical service providers. Consequently, we endorse CPSS-IOSCO's efforts to standardise the assessment methodology relating to the principles. SWIFT has noted that no similar standardisation of the assessment exists for the expectations for critical service providers. As such the assessment of the CSPs may be left to the interpretation of individual governments, regulators or FMIs. The risks of this approach are clear and eventually may lead to failure to properly identify risks related to CSPs. To maximise efficiency and effectiveness, SWIFT recommends a single report to address the assurance requirements of all FMIs.

Principle 17

Principle 17 is focused on operational risk and in our view the contribution of critical service providers to the minimisation of operational risk is crucial. In Appendix 3 of the consultation paper on the Assessment framework, we suggest that the questions relating to principle 17 should be strengthened by including clear references to critical service providers used by the FMIs. In the

questions for this principle in the current document, the only references to CSPs are found in questions 17.6.9 and 17.7.2. Whilst these questions are appropriate, we would recommend incorporating additional questions to require FMIs to comment on:

- the steps they have taken to ensure that they have identified correctly all their CSPs (internal and external); and,
- the due diligence they have undertaken to ensure that all their CSPs conform to the requirements for CSPs that are set out in Annex F of the principles.

As highlighted above, the contribution made by CSPs to the operational resiliency of FMIs needs to be prominently reflected in the assessment methodology. Annex F describes the oversight expectations that apply to critical service providers, and in our view FMIs should be required to evidence that they have taken appropriate steps to obtain reasonable assurance that their CSPs have adequately designed control activities to comply with Annex F, and that such controls were effective during the reporting period.

Principle 22

Whilst supporting the Assessment questions in this section we think it might be useful to ask FMIs to clearly identify which internationally accepted communication procedures and standards they are using. This would help to build up a better picture of the range of such standards that are used by FMIs and could facilitate a greater consolidation around a core set of standards and hence reduction of risk.

Feedback on “Disclosure framework for financial market infrastructures” report

General comment

We believe that it would be helpful to further ensure a level playing field by encouraging the development of a comprehensive industry standard for reporting with appropriate granularity and scope. The need for a single standard for CSP reporting could be described within the FMI disclosure template of FMI principle 17.

The consultative report states that FMIs should provide responses that are thorough and at an appropriate level of detail in order to provide current and prospective participants, other market participants, authorities, and the general public with a comprehensive understanding of the FMI.

While, we believe that sharing a CSP disclosure framework with the FMI, its participants and authorities will be not an issue for the type of information that the CSP report will contain, we recommend, however, that the CSP disclosure report is not shared with the general public, for reasons of privacy, security and commercial sensitivity.

We hope our comments will be useful to you in finalising the proposed assessment methodology and disclosure framework, and we are available should you wish to discuss our comments.

Yours sincerely

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F. VAN DER LINDEN

A handwritten signature in black ink, appearing to be 'H. NEWMAN', written in a cursive style.

H. NEWMAN

Copy: National Bank of Belgium, Lead Overseer of SWIFT