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Subject: Comments on Consultative Report on Recovery of Financial Market Infrastructures

Dear sirs,

Thank you for the opportunity to provide comments on the above referenced consultation.

1. It's known that in August, 2006 the 'High-level principles for business continuity' were published by the Joint Forum (the BCBS, IOSCO and IAIS) to provide guidance to financial institutions and their supervisors on business continuity, mostly in the light of operational or non-financial risks (although those risks could certainly have financial consequences).

The Joint Forum determined that high-level principles on business continuity would contribute beneficially to the resilience of the global financial system. It was aimed to

support international standard setting organisations and national financial authorities by providing a broad framework within which more detailed business continuity arrangements might be developed that are more closely tailored to unique sectorial and local circumstances. The principles also provide a consistent context for those arrangements and thereby promote a common base level of resilience across national boundaries.

The high-level principles have been developed for both financial industry participants and financial authorities, which are integral in any meaningful effort to improve the financial system's resilience to major operational disruptions. An organisation's business continuity management should be proportionate to its business risk (arising from both internal and external sources) and tailored to the scale and scope of its operations. That paper outlines seven high-level principles that build upon traditional concepts of effective business continuity management.

Now, the report on Recovery of FMIs provides guidance on recovering financial risks, including those that might result from non-financial risks, that might in some cases also lead to insolvency.

Thus, these two documents are overlapping in some contexts (albeit they deal with somewhat different risks and are aimed at different types of institutions), so I would see them somewhat similar rather than complementary.

On the other part, the ‘Business Continuity Oversight Expectations for Systemically Important Payment Systems (SIPS)’ were issued by ECB in June, 2006 presenting to the financial industry a set of business continuity expectations to be integrated into its oversight policy framework. And it’s appropriate the following extractions be briefly cited that have been adopted there:

– more comprehensive coverage of the key elements of business continuity management, such as the formulation of a business continuity strategy and objectives, the development of effective business continuity plans, the formulation of efficient crisis and communication management procedures, and the implementation of effective testing, updating and reviewing processes;

– updating of the oversight expectations to be taken into account by system operators with regard to the content of these key elements, most notably on the basis of the lessons drawn from terrorist attacks and major disruptions, for instance in terms of scenarios to be considered and recovery and resumption objectives to be met.

Those expectations are used to provide guidance to SIPS operators in order that all such systems achieve a sufficiently high and consistent level of resilience. Moreover, each SIPS should remain responsible for its own business continuity management and, in particular, should endeavor to achieve higher resilience objectives for the system, its critical participants and its critical function/service third-party providers.

At the same time, later on this document was accompanied with the ‘Guide for the Assessment Against the Business Continuity Oversight Expectations for SIPS’. The latter itemized in detail full assessment process of compliance with the principles and requirements stipulated in the first document.

Thus, it turns out that there are several documents having, if not identical, but the similar purposes and tasks, concerning ensuring stability and recovery of financial market infrastructure in whole or its separate component. And these documents to some extent overlap the aims and assignments of each other.

Summing up the above-mentioned arguments, I believe that the document proposed for comments should contain links and references to these moments and at the same time, generalization and signification of certain features of them can be made to tie together all these documents. Because these said documents are already used everywhere, and it would be rational to specify the features associated with the expediency of the use of each of these documents in more suitable conditions as well.

2. 2.3 The process of recovery planning says that ‘Recovery plans should be formulated on the presumption that any stress can be met by the FMI’s, its owners’, and its participants’ own resources and allocation of exposures. Accordingly, ***recovery plans should not assume any extraordinary form of state or central bank support***. Recovery plans also assist resolution authorities in preparing and executing their resolution plans for the FMI.’

It is somehow impossible to understand why central bank’s support should be excluded, quite the contrary, it seems reasonable that in some cases a central bank could provide certain assistance to eliminate failure or defects in extraordinary situations.

At the same time a central bank should take into account how to proportion to specify definite requirements for SIPS’s participants them to be able to ensure stable functioning and prompt recovery.

Best regards,

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