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**- Public comment on CPSS-IOSCO Consultative Report on
Assessment methodology for the oversight expectations
applicable to critical service providers**

Dear Mr. Cœuré and Mr. Kono.

Thank you for giving us the opportunity to comment on your Consultative Report on “Assessment methodology for the oversight expectations applicable to critical service providers”. The assessment methodology provides a comprehensive framework for assessing and monitoring a critical service provider's observance and compliance with each of the five oversight expectations¹ applicable to critical service providers. This should help to improve confidence in financial market infrastructures and financial markets generally, promote market integrity and increase regulatory transparency, comparability and consistency across jurisdictions.

I support the assessment methodology and the non-exhaustive set of key questions for each oversight expectation, which address the critical service provider's approach or framework to managing risks. I also support the guidance to critical service providers in complying with the oversight expectations, which usefully anchors and manages the expectations of critical service providers in this regard.

¹ Risk identification and management, information security, reliability and resilience, technology planning, and communication with users.

I also broadly agree with applying the same rating scale for oversight expectations developed for the CPSS-IOSCO *Principles for financial market infrastructures: Disclosure framework and Assessment methodology* report². 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 methodology, including the follow-up on assessment findings.

Risk identification and management

Concerning oversight expectation 1 on risk identification and management, a critical service provider 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 critical service provider 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 critical service provider 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 key questions for oversight expectation 1 on risk identification and management.

Yours sincerely

C.R.B.

Chris Barnard

² Available at: <http://www.iosco.org/library/pubdocs/pdf/IOSCOPD396.pdf>