

**SG Group answer to CPSS – IOSCO Consultative Report on the
“Assessment methodology for the oversight expectations applicable to
critical service providers », December 2013**

SG Group welcomes the proposed consultative report on the assessment methodology for the oversight expectations applicable to critical service providers issued on December 18, 2013, and would like to thank CPSS-IOSCO for the opportunity given to comment on the document. SG Group strongly supports initiatives aiming at strengthening FMIs operational resilience.

We would like to introduce our comments raising a question concerning the definition of “critical service” and “critical service provider”. We indeed think it is of the utmost importance that a clear frame of definition on those two terms be stated in the above mentioned consultative report in order to eliminate any potential difference of interpretation from one jurisdiction to another and from one market infrastructure to another.

With reference to the definition of critical service, we recommend the consultative report also provide further guidance as to who should have the authority to define which service is critical for a given market infrastructure. It is indeed still very unclear for us who would be the final decision maker (a regional/local jurisdiction? a market infrastructure itself? ...). As stated in our answer to consultations on Recovery and Resolution Plans, we do believe that such identification could not be done without involving financial market infrastructures participants since they may be required to cover losses in case of recovery or resolution.

With reference to the definition of a provider, it would be appreciated to have a better view on which criteria the decision to include or exclude a provider from the critical service providers’ list would be based. We are concerned that too much room left for interpretation could hamper the application of a strict level playing field, as discrepancies in the way providers are analysed and overseen would end up being inevitable.

We also think that the perimeter of critical service providers’ assessments should not apply to financial institutions that are already submitted to specific regulatory and overseeing rules moreover when they have been designated as systemically important. It should be indeed as far as possible avoided to impose overlapping controls and redundant self assessment procedures on the same financial entities. Should CPSS IOSCO views on this item differ, we would very much appreciate to be given the opportunity to participate to a new think tank focus/consultation on the definition of “critical service” for FMIs.

As a final point, we would like to highlight that further guidance in the report would also be appreciated for what regards market infrastructures run by Central Banks. Central Banks operating systems (e.g. Target2 Securities systems that will provide services to the European CSDs) could indeed fall within the frame of the “critical services” definition, thus rendering specific assessment methodologies necessary.