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Mr. Daniel Heller
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Availing of this opportunity, we would like to express our respect to you.

We highly appreciate the initiatives of the BIS Committee on Payment and Settlement Systems concerning development of the Draft Principles for Financial Market Infrastructures (hereinafter - Principles) that shall replace existing standards for systemically important payment systems, securities settlement systems and central counterparties¹.

We are confident that these are the standards to be followed by central banks in performing oversight of systemically important payment systems, securities settlements systems etc.

We support harmonization of the standards and principles for systemically important financial market infrastructures and believe it to be a significant methodological development. In our opinion, to combine principles and standards for payment systems, securities settlement systems and depository system in one document in the current context is reasonable and is determined by the experience in operation of the financial system, whose all segments are interdependent and, consequently, need comprehensive regulation.

We should also underline the importance of this document for Ukraine, as one of the topical issues nowadays is establishing new and reforming the existing key institutions on the domestic financial market (including stock market).

¹ Core Principles for Systemically Important Payment Systems, Bank for International Settlements, 2001;
Recommendations for Securities Settlement Systems, Bank for International Organization of Securities Commissions (IOSCO), 2001;
Recommendations for Central Counterparties, Bank for International Settlements and International Organization of Securities Commissions (IOSCO), 2004.

We believe that methodological recommendations will be timely and useful for reforming the financial market of Ukraine.

With a view to finalizing the document, we would like to submit our commentaries to the Draft Principles based on peculiarities of development and operation of payment systems functioning in Ukraine (please, find attached).

We would also like to mention that in order to facilitate sustainable and efficient operation of payment systems in Ukraine and of the oversight performed by the National Bank of Ukraine, the Concept of the Draft Law on Amending some Laws and Regulations of Ukraine (related to payment systems operation and cashless payments development)², which reads that payment systems oversight is one of the core functions of a central bank.

In order to implement the measures defined in the Concept, the National Bank of Ukraine has prepared Draft Amendments to the Law of Ukraine On Payment Systems and Money Transfer in Ukraine, which provides for introduction of supervision (oversight) over payment systems in Ukraine.

We are looking forward to further fruitful cooperation.

Yours sincerely,

Vira I. Rychakivska
Deputy Governor



² Resolution of the Board of the National Bank of Ukraine No 179 of 02.06.2011.

National Bank of Ukraine's commentaries to the Draft Principles for Financial Market.

1. With a view to facilitate stability of the financial market infrastructures (FMIs) operation, we propose to add to Chapter 2.0. *Overview of key risks in financial market infrastructures* a new type of risk - Interference Risk (with definition of Interference Risk to be added to Annex H: Glossary) or treat the interference risk as one of the sources for other risks.

In our opinion, the interference risk arises because interference in FMI's functioning may hamper its operation consistency. Interference in an FMI functioning may have an effect on such risks as legal risk or operational risk and may trigger changes in the rules of FMI functioning, which in turn may affect the rights of this infrastructure participants that have built their business activity taking into account the existing rules.

2. Paragraph 5 of Key Considerations to Principle 17. *Operational Risk* requires that critical information technology systems shall resume operations within two hours irrespectively of the nature of situation and the level of damage. We think that by no means all the countries and infrastructures will easily meet such a requirement. Therefore, we propose to add the following recommendation to paragraph 5 of Key Consideration:

"In case there is a probability of a disruptive event that will reasonably cause the system to take longer time to resume operations, as well as other events due to which operations cannot be resumed in full or the scope of the infrastructure's functions has to be limited, the financial market infrastructure shall determine the range of such events, deadlines for resuming operations, the list of functions and inform the information system participants of the above".

3. Principle 22. *Communications procedures and standards* establishes that an FMI should use or accommodate the relevant internationally accepted communication procedures and standards.

Note 130 to provision 3.22.2 of the Explanatory Note reads that this recommendation is not obligatory for FMIs that perform domestic transactions.

In our opinion this clarification is very important as it distinguishes between the FMIs that are obliged to follow this Principle and those FMIs that are not covered with it and are allowed to use domestic communications procedures and standards.

As the clarification is given in the note 130, it is not perceived as important. Besides, we need to bear in mind that later on the main text will be used when applying this principle, which may lead to misunderstandings in evaluating certain FMIs.

We propose to move the text of Note 130 to the main text of Explanatory note or to include it as a separate paragraph in the Key considerations section of this Principle and amend Annex D accordingly.

Also, we propose to add the following indent to the Explanatory note of Principle 22:

“It should be noted that for domestic FMIs to use domestic procedures and standards may be more expedient, in particular if: 1) it is important to ensure its low cost; 2) the country has already got its own communications infrastructure for some FMIs.”