

To

The CPSS secretariat and the IOSCO secretariat

July 15, 2011

VPS' response to the consultation on the CPSS-IOSCO Principles for financial market infrastructures

Please find below the response from Verdipapirsentralen ASA (VPS) to the CPSS-IOSCO consultative report on new "Principles for financial market infrastructures" issued on 10 March 2011.

VPS is a CSD authorized under the Norwegian Securities Register Act of 5 July 2002 no. 64. The VPS also runs a SSS approved under the Norwegian Settlement Systems Act.

VPS supports the general remarks made by ECSDA on the report.

However, we do have some further remarks that we would like to express. Like ECSDA, we find that there is a need for a clearer distinction between the different types of FMIs in the final CPSS-IOSCO report. The most obvious consequence of giving a single set of standards for all types of FMIs is that it would be difficult to see what principles applies to which types of FMIs, whether they apply purely to CCPs, or to other types of FMIs such as CSDs and SSSs. Another consequence is that by applying one set of principles for all types of FMIs there is less room for distinguishing between different types of institutions within one type of FMI.

In our judgment, this lack of distinguishing between different types of institutions within one type of FMI, is a particular concern related to Principle 4 and 7. The key considerations and explanatory notes to those principles seem unclear as to whether they apply to CSDs/ SSSs that operate a net settlement system but do not itself give credit or guarantee settlement to its participants. We request that the CPSS- IOSCO in the next version of the document will expand the text under those principles and be more precise on this issue. If Principle 4 and/or 7 apply to such systems, the text should more clearly spell out which measures a CSD/ SSS needs to put in place to be in compliance with the principles.

In paragraph 3.18.5 it is said that "where participants act for other entities (indirect participants or users) it may be appropriate for the FMI to impose additional requirements to ensure that they have the capacity to do so". VPS advocates a more moderate and flexible approach on the need to monitor externalities and recalls that, unlike regulators, CSDs do not have a complete visibility of the risks faced by entities other than themselves. A CSD will not



have the necessary information to ensure that a participant have the capacity to act for other entities. This should be the task of the participants itself and its regulators.

Sincerely yours,

Verdipapirsentralen ASA

Jorunn B. Øystese

Jorunn B. Øystese
Head of Legal Affairs