



Statement on the Adoption of the CPSS-IOSCO Principles for Financial Market Infrastructures

Bank of Jamaica (the Bank) is adopting the Principles for Financial Market Infrastructures (PFMIs) in keeping with international best practice and will apply the Principles within our regulatory frameworks, at minimum for Financial Market Infrastructures (FMIs) that are deemed to be systemically important.

Effective 2 January 2020, the Bank fully adopts the PFMIs when carrying out its oversight of FMIs. Accordingly, the oversight framework is being revised based on the experience gathered and taking into account the standards issued by the Committee on Payment and Settlement Systems (CPSS) and International Organization of Securities Commissions (IOSCO).

A FMI is defined as a multilateral system among participating institutions, including the operator of the system, used for the purposes of clearing, settling, or recording payments, securities, derivatives, or other financial transactions¹. The term Financial Market Infrastructures generally refers to systemically important payment systems, Central Securities Depositories (CSDs), Securities Settlement Systems (SSSs), Central Counter Parties (CCPs), and Trade Repositories (TRs) that facilitate the clearing, settlement, and recording of financial transactions².

FMIs play a critical role in the financial system and the broader economy and contribute to maintaining and promoting financial stability and economic growth. At the same time, FMIs that are not properly managed can pose significant risks to the financial system and become a potential source of contagion. To address these risks, the Committee on Payment and Settlement Systems (CPSS) and International Organization of Securities Commissions (IOSCO) have established, over the years, various international standards:

- (i) the Core Principles for Systemically Important Payment Systems (CPSIPS) (January 2001);
- (ii) the Recommendations for Securities Settlement Systems (RSSS) (November 2001); and
- (iii) the Recommendations for Central Counterparties (RCCP) (November 2004).

CPSS and IOSCO launched a comprehensive review of the three existing sets of standards for FMIs in February 2010 in support of the Financial Stability Board's (FSB) broader efforts to strengthen core financial infrastructures and markets by ensuring that gaps in international standards are identified and addressed. The review also incorporated the lessons learned from the financial crisis to adapt to greater uncertainties and risks in financial markets. As a result of the review by CPSS and IOSCO, a comprehensive set of 24 principles were issued as part of the report titled "Principles for Financial Market Infrastructures" (PFMIs) published in April 2012. The CPSS-IOSCO "Principles for Financial Market Infrastructures" unified and

¹ <https://www.bis.org/cpmi/publ/d101a.pdf>

² Bank of Jamaica has oversight responsibility for payment systems (large-value payment systems and retail payment systems) and the Central Securities Depository.

harmonized the three existing sets of standards. The new principles have strengthened the existing standards, introduced new standards, and enhanced the responsibilities of authorities.

The PFMI were supplemented in December 2012 by the *Principles for financial market infrastructures: Disclosure framework and assessment methodology*, to help authorities assess compliance with the Principles.

The PFMI are designed to ensure that the financial market infrastructures supporting global financial markets are robust and well placed to withstand financial shocks. The overall objective is to ensure that financial market infrastructures promote safety and efficiency in payment, clearing, settlement, and recording arrangements, and more broadly, to limit systemic risk and foster transparency and financial stability.

The PFMI, which sets the benchmark for the supervision of FMIs, are expressed as broad principles, in recognition of the differences among FMIs, and provide guidance to FMIs and authorities on the identification, monitoring, mitigation and management of the full range of risks that arise in or are transmitted by FMIs. These include the responsibilities for Central Banks, market regulators and other relevant authorities in their supervision of financial market infrastructures, as well as arrangements for cooperation between the relevant authorities.

The Bank will commence the implementation of the PFMI with the Real Time Gross Settlement System and the Central Securities Depository labelled JamClear®-RTGS and JamClear®-CSD respectively.