

Effective Oversight of Financial Market Infrastructures

4-day intensive residential programme
11 – 14 September 2012

Christ's College, Cambridge

Course adviser:
Ron Berndsen
Head of Oversight,
The Netherlands Bank

Series adviser:
Charles Goodhart, CBE
Professor Emeritus
London School of Economics
Financial Markets Group



Dear Delegate,

"During the crisis, financial market infrastructures performed very well. In fact, FMIs were actually a source of strength. They enabled market participants to settle obligations when they came due in a timely way.

... Despite this excellent record of performance during a period of unprecedented stress, there still is room for improvement."

William C. Dudley, Federal Reserve Bank of New York,
March 22, 2012

It is widely acknowledged that payments, clearing and settlement systems withstood the financial crisis.

But that does not mean, as overseers know, that their operations and the standards against which they are assessed, can stand still.

This year saw the finalisation of a revolutionary set of principles. For the first time, "financial plumbers" have a set of oversight norms to cover the range of financial market infrastructures (FMI). Soon payment, clearing, settlement and trade repositories will be tested against a common set of standards. The new standards update existing standards, incorporate new specifications and, crucially, make reference to the interlinkages and connections between FMIs.

It is these connections, as overseers know, have the potential to transmit and amplify risk.

For you, your central bank and its oversight team, the challenge is to formulate an oversight framework for FMIs that ensures safety and reliability as well as, increasingly, addressing issues of competition, accessibility, efficiency and the prevention of fraud.

This course, "Effective Oversight of Financial Market Infrastructures", is designed to equip overseers in central banks to meet these challenges.

The four-day programme of interactive roundtable seminars and workshops offers practical examples of oversight, with discussion encompassing its scope and depth, as well as questioning the organisation and resourcing function within the central bank. Throughout

the focus is on the new principles and how they will impact oversight.

The panel of expert speakers combines practical central banking experience and expertise in technical aspects of payment systems, as well as views from private sector experts, to tackle the latest policy questions in retail and wholesale systems.

The format encourages delegates to quiz presenters, raise issues and discuss solutions.

This year we are pleased to welcome:

- **Janet Cosier**, Chair of Canadian Payments Association
- **Richard Heckinger**, Federal Reserve Bank of Chicago
- **Alexandre Stervinou**, Banque de France
- **Knut Sandal**, Norges Bank

We are delighted to welcome Ron Berndsen, head of oversight at the Netherlands Bank and a member of the taskforce that produced the FMI principles as chairman.

Key practitioner-led sessions address:

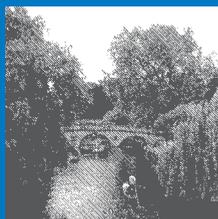
- The new "Principles for financial market infrastructures"
- Interlinkages: risk and liquidity management
- Cards: the emerging framework of oversight
- Immediate funds transfer

We look forward to welcoming you to Cambridge on September 11th.

Yours sincerely



Robert Pringle
Chairman
Central Banking Publications



■ ■ The interactions were rich and focused, conference well organised. Issues brought to the table relevant, oversight is evolving. ■ ■

Josephat Mutepa, Reserve Bank of Zimbabwe

Tuesday 11 September

A new framework for oversight

The new CPSS-IOSCO “Principles for financial market infrastructures”

Daniela Russo, Director-General of Payments and Markets Infrastructure, ECB and co-chair of the CPSS group

April 2012 saw the publication of the final report on a ground-breaking set of principles. The principles are unprecedented for a number of reasons. They define a new area in financial policy: financial market infrastructures, they combine three sets of existing standards; and they include areas of the market never covered before. While the market impact of the principles remains uncertain, one thing is already clear: these new standards will change the practice of oversight for decades to come. In this session the speaker, co-chair of the CPSS group that produced the report, will discuss the new principles, their origins and aims, taking in the new assessment methodology and disclosure framework.

Financial market infrastructures: a warehouse perspective

Led by the chairman **Ron Berndsen**, Head of Oversight, The Netherlands Bank

FMI will change oversight. But how can overseers understand this concept? In this session, the chairman will set out to explain FMIs using a multi-storey warehouse as a metaphor. In the warehouse, payment flows and the clearing and settlement of securities and derivatives are processed on a macroeconomic scale. Also, the interdependencies between FMIs on domestic and cross-border basis, through which operational and financial risks can spread, are highlighted. This session provides the groundwork for the rest of the course and discussion will draw out the changes the oversight function has had to respond to in light of the financial crisis.

Governance: scheme ownership and operation

Paul Aning, Partner and Head of Financial Institutions Group, Osborne Clarke and **Janet Cosier**, Adviser on Strategic Planning and Risk Management, Bank of Canada and Chair of the Board of Directors, Canadian Payments Association

The past decade has seen a revolution in retail payments with the separation of the ownership and operation of payment schemes. In the UK, at the heart of this new model of governance sits the Payment Council, an industry body charged with formulating the strategy for UK payments. Similarly, the Canadian Payments Association is tasked with setting an efficient framework for the settling and clearing of retail payments. In this session the two expert speakers will debate the development of the mechanics of retail payment governance and assess the impact the change has had on the market, service providers and customers.



About the course adviser

Professor Dr R.J. (Ron) Berndsen is Head of the Oversight Department of The Netherlands Bank and attached to the department of Economics at the University of Tilburg as an endowed professor of Financial Infrastructure and Systemic Risk. He is also a member of the Payment and Settlement Systems Committee of the European System of Central Banks and the cooperative oversight committees for CLS, Euroclear, LCH, Clearnet and SWIFT. He has worked for The Netherlands Bank since 1992, including in various management functions in the field of monetary and economic policy. He was awarded a doctorate with the Faculty of Economics and Business Administration of the University of Tilburg in 1992 for his thesis entitled 'Knowledge representation and qualitative reasoning in economic models'.

Wednesday 12 September

Large-value systems: resilience and efficiency

Lessons learnt from OTC infrastructure

Richard Heckinger, Vice President and Senior Policy Advisor, Financial Markets Group, Federal Reserve Bank of Chicago

In 2009, the G20 agreed that OTC derivatives should be centrally cleared and reported to a repository by the end of 2012. The agreement resulted from the financial crisis. Since 2009, work has begun in the United States, Europe and Japan on clearing solutions and continues today. This session will discuss these developments as well as consider questions of governance, ownership, competition and oversight for this important new infrastructure. More broadly the group will debate what those working in oversight can take from OTC derivatives and their debate over infrastructure.

Foreign exchange: are risks being managed?

Jim Hughes, Director, Business Risk Analysis, CLS Bank and **Peter Lightfoot**, Head of Positioning and Collateral Management, Money Markets, RBS Global Banking & Markets

More than a decade after it was set up, CLS settles the majority of interbank foreign exchange transactions. However, some uncertainties still remain – has settlement risk been comprehensively mitigated? What of liquidity and credit risks? This session will focus on the developments in the service and plans for future expansion. The speakers, from CLS and the market respectively, will debate the current state of the market and the policy and oversight environment following the financial crisis.

Operations: ensuring robustness and continuity

Speaker to be confirmed

As technologically intensive sectors, payment systems and their support networks are heavily exposed to operational and security risks. The financial crisis underscored, if it was necessary, the importance of systems being available at times of peak market stress. Such a high level of resilience will obviously demand commitment of resources and investment, both in terms of build and maintenance. In this session, the speaker will consider how an overseer can identify the single points of vulnerability in a system. Broader group discussion will address the importance of comprehensive and robust continuity planning for financial sector emergencies.

Interlinkages: risk and liquidity management

Peter Lightfoot, Head of Positioning and Collateral Management, Money Markets, RBS Global Banking & Markets

Today, balance sheets of market players are more complex, the instruments they invest in more diverse, and markets more closely linked, rendering liquidity risk more important but more opaque. This session, drawing on private-sector expertise, considers the implications of growing trends such as group-wide liquidity management and central banks broadening the range of collateral they accept, as well as the demands being placed on today's RTGS.

Liquidity saving: a case study

Speaker to be confirmed

The crisis has placed liquidity at the top of the regulatory agendas. At the same time markets and regulators alike are raising the collateral bar both in terms of quality and amounts. It is essential therefore that market infrastructures are designed and operated to manage liquidity efficiently and mitigate liquidity risk effectively within a system. This session will focus on the ways in which different features can tackle this trade-off drawing on specific examples from liquidity-saving mechanisms already in place.

Thursday 13 September

Retail systems: opportunities and challenges

Immediate funds transfer: making real-time retail payments a reality

Chris Dunne, Strategy Director, Vocalink (invited)

Payment systems have traditionally been separated by into wholesale and retail silos, with the former settling in real time in central bank money and the latter settling on a net basis over a number of days. Recent years, however, have seen this distinction blur with the introduction of systems for near-real-time or immediate funds transfer. A number of policy questions follow from this development: is the RTGS the best location for all payments or should a new “fast” retail system be built? How should pricing be structured? Who should have access? What new risks does it create? What are the implications for monetary policy?

Non-banks and payment media: a case study of M-PESA

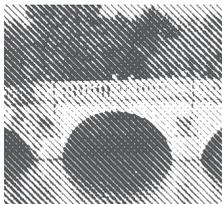
Stephen Mwaura, Head of Oversight, Central Bank of Kenya (invited)

The use of mobile phones is revolutionising how payments are made and the way consumers manage their money broadly. This is no more so than in Kenya where M-PESA, which was introduced in 2007, now carries out more than 2 million transactions a day and is a crucial piece of infrastructure in the country. The service is acknowledged as a world leader in this area and similar services have been launched in other countries. This session, led by the head of oversight at the Central Bank of Kenya, will draw on the experience of M-PESA, to discuss the roles authorities can play in encouraging and overseeing mobile payments.

Cards: the emerging framework of oversight and tackling online fraud

Alexandre Stervinou, Deputy Head, Non-Cash Means of Payment Oversight Division, Banque de France and **Ross Anderson**, Professor of Security Engineering, Cambridge University

As a significant proportion of payments in most economies, card payments have the potential to impact on financial stability and monetary policy and, more broadly, public confidence in payment instruments as online banking fraud threatens the integrity of retail systems. It is for these reasons that central banks are increasingly adopting a more active stance towards oversight and intervention in the market. This session will look at the risks the sector faces, the framework and tools central banks are using to oversee this sector and the particular complications the international nature of the sector brings.



“ This is the very best payment system course. Very high-level speakers, very useful information. ”

A central banking delegate



“ Excellent training. ”

Ali Sakti, Bank of Indonesia

Friday 14 September

Oversight: implementation and assessment

Case study: oversight in practice

Knut Sandal, Director, Payment Systems Department, Norges Bank

This session builds on the discussion of the previous days to focus in on the practicalities and challenges of oversight. The speaker, from the Norges Bank, will set out an example of the framework, data and tools required to assess systems before discussing how best to communicate findings. Points for discussion will include how the financial crisis has impacted the function, as well as the differences in overseeing interbank and retail systems, and the challenges of meeting multiple and occasionally conflicting aims.

Workshop: building an oversight framework

Led by the chairman

In this session, delegates will be split into small groups and asked to develop an oversight framework. The framework will focus on how those working within central banks should implement effective oversight for a specific financial market infrastructure. Participants will be challenged to build a framework that captures key elements including payments, clearing and settlement.

Course conclusion

Roundtable discussion led by the chairman

The day and the course will conclude with a session led by the chairman drawing in the main points of the course. Delegates will be encouraged to pool their thoughts and consider lessons to take back to their home institutions.



“ The course is very well arranged, topics are very good and venue is very nice. ”

Ali Al-Jabri, Central Bank of Oman

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Booking details

Course fee: £3,000

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4-day (3 nights) residential course

Course fee includes: en-suite accommodation, meals, refreshments, course documentation and a complimentary copy of the most recent issue of the Central Banking journal. Substitute delegates can be accepted should the registered delegate be unable to attend; please let us know prior to the event.

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The venue

Christ's College is one of England's oldest university colleges and traces its origins back to 1439 when it was founded by William Byngam as "God's house" and adopted by King Henry VI.

The college is conveniently situated in the heart of Cambridge surrounded by all the historical sites, and is one hour by train from London.

About Central Banking Publications

Central Banking Publications' events division is the leading independent organiser of public policy seminars/training courses for the official sector. Since 1997, CBP has hosted roundtable seminars and training courses for over 3,500 senior policymakers from central banks, ministries of finance and financial regulatory agencies around the world. Senior officials from more than 120 countries have attended these meetings over the past ten years.

Effective Oversight of Financial Market Infrastructures

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First name: _____

Job title: _____

Organisation: _____

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