

Oversight standards for euro retail payment systems

1. What is your opinion on the use of a subset of the Core Principles on certain retail payment systems in euro, even if those are not system critical systems? Should the selected Core Principles also apply for other payment systems?

In Belgium it is about the CEC and the manual clearing house.

I think that the chosen subset of the Core Principles should also apply on the retail payment systems in euro, either national or international, regardless whether they are systemically critical or not.

Nevertheless a few remarks:

II Understanding of financial risks

We think that it is not 100% achievable that participants should gain insight in all financial risks they are running.

Example

Both the CEC as the manual clearing house know the 'unwinding procedure' (i.e. the 'turn back' of the transactions of the bank for which it can not be cleared, due to a default).

Certainly concerning the CEC, one can raise the question whether the conversion of this procedure is practical in reality. After all, all transactions, received from the concerned bank, were, in almost every bank, processed online on client accounts...

In this case, Belgian banks do not take risks in theory (because of the existence of the unwinding procedure), but they possibly do in practice.

VII Security and operational liability

For the realisation of a full 100% resilient and sound emergency procedure, the efforts (IT investments) are mostly very big, both for the participants as for the central bank (system administrator). The question is whether these efforts can be justified.

Example

The resiliency of the CEC is 99%.

The current emergency procedure implies that the last contemporary situation is booked on clearing day d. The, on that moment, unprocessed transactions will be processed with clearing date d+1.

A 100% sound emergency procedure could imply that clearing date d will be closed only when all transactions of that day are processed.

The National Bank should also pay an interest compensation to the participants when the system would be unavailable for more than one day. Such an emergency procedure will be discussed during the next CEC user group.

VIII Efficiency

Some payment systems, like the manual clearing house, can not come to a state of efficiency, nor make a straight through processing possible, due to their nature. That is exactly why they are working on the dismantling of the manual clearing house.

IX Access criteria

Sometimes, the access to a system is limited in order to protect the participants against the risks which arise from the participation of other parties. However, the question is whether the main purpose should not be a more fluent decision process because of a reduced number of members of the board.

Example

A criterion for accessing the CEC concerns a minimum number of transactions. Does a bank with little transactions (for relative small amounts) constitute a higher risk than a bank with more transactions?

X Governance

I think that some forms of company will rather search for goals that are important for the participants and, more generally, for the public, than others.

A plc of course has making profit as the main goal, while a non-profit institution can't intend to make a profit. I think that there will be more space for this Core Principle within a non-profit institution, while a plc will be tempted more to look for back doors.

A general remark concerning oversight:

Whether these Core Principles will be used or not (completely), will, according to me, depend on the oversight on it, in other words, it will depend on its organisation and possible sanctions for not observing the regulations.

2. What is your opinion about the proposed choice of the observed Core Principles for certain sorts of retail payment systems? Is the selection adequate or should other Core Principles need to be taken into account?

Especially IV should, according to us, also be taken into account.

Also IV (rapid final settlement) is, according to us, a principle at which a retail payment system should try to respond.

After all, the credit risk only disappears at the final settlement. This is important because of the fact that the implementation in practice of the unwinding procedure is, according to us, not that obvious.

V Settlement in multi-lateral balance systems

II means that the participants need to have an insight in the financial risks they run, V implies that the unwinding procedure can be realised. This is not obvious.

VI Settlement assets

Here, the European Central Bank cherishes the hope that the settlement assets will continue to belong to the Central Banks.

3. You are required to describe any occasional matter or problem what you probably will have to deal with when these Core Principles will be implemented.

No comment.