



Briefing Note

This note has been prepared for payment system experts and describes their role and responsibilities in the Financial Sector Assessment Program.

If you have questions about the payment system assessment, please contact one of the following Bank-Fund staff:

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Payment System Assessor

Purpose and scope of the payment system assessment

The payment system assessment is intended to:

- show the authorities how their systematically important payment system(s) (SIPS) compares with the internationally-accepted benchmark, the Committee on Payment and Settlement Systems (CPSS) Core Principles for SIPS (CPSIPS).
- compare the efficacy of the supervisory and regulatory framework over the SIPS (payment system oversight) to the CPSS Central Bank's responsibilities in applying the CPSIPS.
- provide the authorities, as well as the Fund and the Bank, input into the assessment of the risks and vulnerabilities of their country's financial system.
- help authorities identify the developmental needs of their payment system and make informed policy decisions about needed reforms.

In addition to a formal assessment of the CPSIPS and of the central bank's responsibilities in applying them, the transparency of payment system oversight will be assessed using the payment system module of the IMF's Code of Good Practices on Transparency in Monetary and Financial Policies (MFP Transparency Code). The payment system expert(s) may also examine other payment systems which are deemed important in the country.

The role of the payment expert

As a payment system expert, you will be responsible for all issues covering payments, clearing, and settlement for the duration of the mission, you will report to the FSAP team leader responsible for payment system issues. You are expected to:

- take an active part in internal mission discussions about potential vulnerabilities in the financial system;
- assess a country's systemically important payment systems against the CPSIPS in accordance with the IMF/WB/CPSS Guidance Note and template and the payment system module of the IMF's MFP Transparency Code. In addition, depending on the importance of securities settlements in the country, you may be asked to assess such systems using the RSSS;
- coordinate closely with your fellow mission members assessing other modules of the MPF Transparency Code such as banking supervision, securities, and monetary policy;
- consult regularly with other experts assessing additional internationally-accepted financial sector standards and codes;

- participate in team meetings, hold your own meetings with authorities and private payment system participants, and occasionally participate in meetings with other team members assessing international standards; and
- be solely responsible for the discussions that you have on site. Your counterparts with the authorities will come primarily from the central bank and the supervisory agency, but if necessary, you may also have discussions with staff from the Ministry of Finance.

In accordance with the Guidance Note for assessing SIPS, the primary discussion about a system's observance of the CPSIPS should take place with the central bank, even if the system is operated by the private sector. As the overseer of the payment system, the central bank should have full knowledge of the system, and already have assessed the system against the CPSIPS. If the central bank lacks full knowledge, the primary discussion should take place with the operator, but the central bank should be in attendance. Even if the primary discussion is with the central bank, your assessment should be discussed with the system operator in a separate meeting.

To get a comprehensive view of the situation in the payments, clearing, and settlement area, you should interview as many institutions as you deem necessary. These institutions should include, but are not limited to, payment system operators, clearing organizations, and banks.

Once the first draft of the assessment is completed, you are required to hold a meeting with the central bank to ensure that the information on which the assessment is based has been understood and interpreted correctly. This also provides the central bank an opportunity to comment on your assessment. Should any disagreements about the assessment remain after these discussions, you are expected to record the authorities views,. Usually, the draft assessment is discussed again at the end of the mission and then left with the authorities for further review.

While on mission, you may be asked by the team leader, to write on aspects of payments, clearing and settlement systems for the Special Issues section of the FSAP report.

Deliverables

When writing your report, you should make use of, as much as possible, the responses to the questionnaire, as well as any self-assessment that the authorities have provided. At the same time, you must take care that the responses give a true picture of the situation. The language to be used in your deliverables will be determined by you and the team leader.

With the possible additional issues that may be specified in your specific terms of reference, or on site by the team leader, you will be required to produce the following in writing:

- a completed template for the detailed CPSIPS assessment, as well as a template for the summary assessment, which will become the

- Report on Observance of Standards and Codes (the ROSC) and is usually published on the website of the Fund-Bank;
- a completed template for the payment system module of the MFP Transparency Code unless otherwise determined by the team leader;
 - a contribution to the aide-mémoire articulating and prioritizing the risks and vulnerabilities you defined, and developing ad hoc recommendations;
 - a short summary for the aide-mémoire of important findings, which will be left with the authorities.
 - a report on possible vulnerabilities in the financial system resulting from deficiencies in the payment, clearing, and settlement system; and
 - an analysis of areas where improvements in the specific system(s) and regulatory framework are needed and how those improvements could be implemented by the authorities. Later during the mission, you may be asked to provide a summary of the detailed assessment reports (ROSCs) which, after discussion by the Executive Boards of the Fund-Bank, will be published on their respective websites.

Preparation for an FSAP mission

Prior to your arrival in the assessment country, you will receive a number of communiqués providing tools and background materials, including material sent to and received from the country's payment systems officials to guide your preparatory work.

In the past, the assessment of the observance of some of the core principles, particularly CP1 (legal issues) and CP7 (operational risks), has proven especially difficult. If you feel that you have received insufficient information about these issues from the country to be assessed, you may want to consult staff in your home institution who have expertise on these issues.

The mission agenda will be finalized to the extent possible before the mission, and provided to you as early as possible. After studying the relevant material for the country in question, you should provide the team leader a list of meetings you would like to schedule during the mission. This list should include meetings with both the authorities and the private sector; experience indicates that it is best to meet with the authorities first.

To the best of its ability, the mission team will provide you with the following materials:

- Background notes on the country
- Information about its payment systems
- A draft of the questionnaire to be sent to country officials for your comments and suggestions
- The Guidance Note and the template for the CPSIPS standard
- A self-assessment if the country has prepared one
- A template for the payment system module of the IMF's MFP Transparency Code (Code of Good Practices on Transparency in Monetary and Financial Policies; available at <http://www.imf.org/external/np/mae/mft/index.htm>.)

- Completed, publicly-available CPSIPS assessments from other countries, published on the respective central banks' websites; summary assessments known as Report on Observance of Standards and Codes (ROSC) can be found on the Fund's web page (<http://www.imf.org/external/np/rosc/rosc.asp>).
- Information about any technical assistance—past, present, or future) provided to the country by the Fund-Bank.

Review of the assessment

The team leader will submit your assessments, any Special Issues chapters you may have written, and the remainder of the FSAP report to the Fund/Bank for internal review. During the review process, which may take several weeks to complete, the authorities again will have the opportunity to comment on the draft. If any issues of substance arise, you will be contacted by the Fund or the Bank. The mission leaders will keep you informed of the schedule and any deadlines that pertain to your comments. You will be able to review your assessment and other contributions before they are finalized.

The Final FSAP Report

Following clearance by the Fund and the Bank, the final FSAP report—the Main FSAP Report, any Special Issues annexes, and the complete set of standards and codes assessments—will be delivered to the authorities. You will receive the final version of your reports.

Confidentiality

All documents prepared by the FSAP mission remain confidential until the FSAP report is finalized. While the Main FSAP report is confidential always, the authorities may choose to publish certain other sections such as the ROSCs. The authorities may also petition the Fund and the Bank to publish the detailed assessment reports.

In carrying out your assignment under the FSAP, you must exercise the utmost discretion regarding all official business. Moreover, during or after your work as expert in this mission, you must not, disclose or use for private advantage confidential information known to you by reason of this assignment except with the written approval of the Fund-Bank.

Under the terms of your contract with the Fund or the Bank, you are to adhere to the institution's confidentiality protocol. You will be asked to sign a statement confirming your acceptance of the Protocol on Protection of Sensitive Information.