



Financial Services Commission  
www.fsc.go.kr

## Press Release

---

June 19, 2012

### FSC PLAN IN LINE WITH PRINCIPLES FOR FINANCIAL MARKET INFRASTRUCTURES ISSUED BY IOSCO-CPSS

#### **BACKGROUND**

The International Organization of Securities Commissions (IOSCO) and the Committee of Payment and Settlement System (CPSS) announced Principles for Financial Market Infrastructures (FMIs)<sup>1</sup>, new international standards for payment, clearing and settlement systems.

With the growing importance of FMIs' management of crisis and risk after the global financial crisis, the IOSCO and the CPSS established stronger principles for FMIs combining the existing sets of international standard<sup>2</sup> and recommended member jurisdictions to reflect the new principles into domestic supervisory standards by 2012.

#### **PRINCIPLES FOR FINANCIAL MARKET INFRASTRUCTURES**

##### **1. General organization**

An FMI should have a clear legal basis for its major activities, transparent governance arrangements, and a sound risk-management framework for comprehensively managing legal, credit, liquidity, operational and other risks.

##### **2. Credit and liquidity risk management**

An FMI should secure sufficient financial resources to deal with risk and have appropriate system to manage collateral and margin deposits.

---

<sup>1</sup> An FMI is defined as a multilateral system among participating institutions, including the operator of the system, used for the purposes of clearing, selling, or recording payments, securities, derivatives, or other financial transactions. (*Principles for Financial Market Infrastructures*, April 2011)

<sup>2</sup> Core Principles for Systemically Important Payment Systems (CPSS, 2001), Recommendations for Securities Settlement Systems (IOSCO/CPSS, 2001), Recommendations for Central Counterparties (IOSCO/CPSS, 2004)



Financial Services Commission  
[www.fsc.go.kr](http://www.fsc.go.kr)

### **3. Settlement**

An FMI should provide clear and certain final settlement, at a minimum by the end of the value date and strictly manage risks associated with payment and physical deliveries of securities.

### **4. Central securities depositories**

A central securities depository (CSD) should have appropriate rules and procedures to help ensure the integrity of securities issues and minimize the risks associated with the safekeeping and transfer of securities.

### **5. Default management**

An FMI should have clearly defined rules and procedures to manage a participant's default. Trusted assets should be kept separately by each participant.

### **6. General business and operational risk management**

An FMI should hold sufficient liquid net assets funded by equity to cover potential general business losses and have appropriate systems to identify plausible sources of operational risk, both internal and external, and mitigate their impact.

### **7. Access**

An FMI should have objective and risk-based criteria for participation, which permit fair and open access. An FMI that established a link with one or more FMIs should identify, monitor, and manage risk-related risks.

### **8. Efficiency**

An FMI should be efficient and effective in meeting the requirements of its participants and the markets it serves.

### **9. Transparency**

An FMI should publicly disclose its rules, procedure and data in regard to its clearing and settlement services.



Financial Services Commission  
www.fsc.go.kr

## **FSC PLAN IN LINE WITH PRINCIPLES FOR FMIs**

### **1. Creation of a consultative body (June 2012)**

A consultative body<sup>3</sup> will be established to monitor new developments of clearing and settlement system and to discuss related global issues.

### **2. Assessment of domestic infrastructures in accordance with principles for FMIs (2012)**

Guidelines will be set to assess domestic FMIs for clearing and settlement systems. If needed, measures will be taken to improve the current system.

### **3. Issuance of an annual report (1<sup>st</sup> half of 2013)**

A report will be issued on annual trend of clearing and settlement services, and developments in global discussion.

### **4. Active participation in global discussion (year-round)**

As a board member of the IOSCO, Korea will actively participate in global discussion to improve clearing and settlement systems.

---

<sup>3</sup> Financial Services Commission (FSC), Financial Supervisory Service (FSS), Korea Exchange (KRX), Korea Securities Depository (KSD), Korea Capital Market Institute (KCMI), Korea Institute of Finance (KIF)