



BANK OF ENGLAND

News release

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Oversight Of Payment Systems

The Bank of England is today publishing a paper explaining how it intends to fulfil its payment systems oversight responsibilities under Part 5 of the Banking Act 2009. The paper sets out a brief overview of the relevant provisions of the Act and describes the planned operation of the Bank's oversight of recognised payment systems in practice.

A key aspect of the paper is a consultation on draft Principles for recognised payment systems. Under section 188 of the Act, the Bank can, subject to the approval of HM Treasury, publish Principles to which operators of recognised payment systems must have regard. The Bank is proposing a set of 14 draft Principles; these incorporate the ten internationally agreed Core Principles for Systemically-Important Payment Systems, and include four new Principles that supplement the Core Principles and address issues that are particularly important for the UK's financial system. Responses to the consultation are invited by 30 October 2009. A final set of Principles will be published, subject to the outcome of the consultation and the approval of HM Treasury, once section 188 comes into force. This is expected to be later this year.

The paper also covers the Bank's framework for assessing risks to payment systems; the day-to-day processes it will follow; its relationship with other UK bodies with interests in payment systems; the exercise of its new powers; and its wider role in relation to payment systems.

<http://www.bankofengland.co.uk/publications/Documents/other/financialstability/oips/oips090928.pdf>

Note to Editors

1. At present the Bank of England oversees payment systems on a non statutory basis: this is a responsibility given to it under the MoU between HM Treasury, the FSA and the Bank.
2. Part 5 of the Banking Act 2009 establishes a statutory regulatory regime for inter bank payment systems. This regime, which will be operated by the Bank, will replace the current non statutory arrangements. Certain provisions, allowing the Bank to gather information and HM Treasury to 'recognise' systems for oversight, came into force on 4 August 2009; the remaining sections are expected to come into force by the end of the

year. Further information about the recognition process can be found in HM Treasury's guidance note on recognition, "*The recognition process for inter-bank payment systems: a guidance note*".

3. Under the new regime, payment systems which meet the criteria set out in the Act (section 185(1)) may be recognised by HM Treasury and brought within the Bank's oversight regime under Part 5 of the Act. Payment systems that are not recognised will not be subject to the statutory oversight regime. The Bank will not have any responsibility for the protection of individual users of payment systems: this will be the responsibility of the FSA under the Payment Services Regulations 2009.

4. The Core Principles for Systemically-Important Payment Systems were published by the Committee on Payment and Settlement Systems (CPSS) in January 2001, and have been widely adopted by central banks in their oversight of payment systems. This publication proposes four additional Principles. They cover business risk (the risk that a system, or a key service provider, becomes insolvent), and the risks arising from interdependencies between systems, payment system participants' relationships with indirect participants, and outsourcing.

5. Copies of the paper are available on the Bank's website

www.bankofengland.co.uk/publications/other/financialstability/oips/index.htm, from the Payments & Infrastructure Division, Bank of England, Threadneedle Street, EC2R 8AH, and by telephone 020 7601 4629 or fax 020 7601 3217.