



**BANK OF ENGLAND**

**Press Office**

Threadneedle Street

London EC2R 8AH

T 020 7601 4411

F 020 7601 5460

press@bankofengland.co.uk

www.bankofengland.co.uk

# News release

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## **The Bank of England's approach to the supervision of financial market infrastructures**

The Bank is today publishing a document setting out its proposed approach to the supervision of central counterparties and securities settlement systems.

Responsibility for the supervision of central counterparties and securities settlement systems will transfer to the Bank of England from the Financial Services Authority following the enactment of the Financial Services Bill. The transfer of responsibility is expected to take effect on 1 April 2013. It will sit alongside the Bank's existing responsibilities for oversight of recognised payment systems.

Financial market infrastructures (FMIs), such as central counterparties and securities settlement systems, and the payment systems already overseen by the Bank, play an important role in the financial system. Through their design and their rules, they can enhance the stability of markets and promote wider financial stability.

Poor FMI design, however, can mean unnecessary exposures arise between market participants. Operational failures, or disorderly insolvency of an FMI could lead to systemic disruption, particularly where market functioning is dependent on the continuity of the services provided by FMIs. Supervision of FMIs is therefore an important part of preserving financial stability.

Consistent with that, the Bank will undertake its supervision of FMIs with a view to protecting and enhancing the stability of the financial system as a whole.

A key foundation stone for the Bank's supervisory approach is formed by the Principles for Financial Market Infrastructures published by the Committee on Payment and Settlement Systems (CPSS) and the International Organization of Securities Commissions (IOSCO) in April 2012.

Responsibility for each FMI's design and operation sits firstly with the board and management of the firm that operates the FMI. The Bank's supervisory approach will aim to ensure that FMIs' rules and policies are

designed in ways that reduce risk to the FMI and have regard to the financial system as a whole. For example, one key set of rules determine what happens when a participant in an FMI defaults, and how the impact of that default on other participants and the FMI itself is managed. Another key part of the rule set is the actions the FMI would take in the event of its own distress, in order to recover. Beyond its own rules, FMIs will be subject to statutory resolution regimes.

Many FMIs serve international markets. Foreign authorities therefore have a legitimate interest in the robustness of UK FMIs supervised by the Bank. The Bank is committed to effective information sharing, consultation and co-operation with other central banks and supervisory authorities.

### **Key Resources**

[The Bank of England's approach to supervision of financial market infrastructures](#) (4MB)

[Draft Memorandum of Understanding Between the FCA and the Bank of England, including the PRA](#)  
(106KB)