



BANK OF ENGLAND

News release

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The Bank of England's supervision of financial market infrastructures - Annual Report

Today the Bank of England publishes its Annual Report on the supervision of financial market infrastructures.

As part of its mission to promote the good of the people of the United Kingdom by maintaining monetary and financial stability, the Bank supervises UK central counterparties (CCPs), recognised payment systems and securities settlement systems. These financial market infrastructures (FMIs) are at the heart of the UK economy and financial system, and their importance is only set to increase.

The Report published today sets out how the Bank exercised its responsibilities for FMI supervision over the past year. Areas of focus included:

- Enhancing cyber resilience, working with FMIs at the core of the UK financial system to ensure that they complete CBEST tests and adopt individual cyber resilience action plans.¹
- Increasing the robustness of a range of financial risk mitigants across FMIs. For example, in September 2015, prefunding was introduced for two UK 'deferred net settlement' payment systems — Bacs and FPS. This represented the completion of a long-term project which will bring material benefits for UK financial stability.
- Improving the governance of FMIs, in particular the effectiveness of FMI boards, and of CCP board risk committees. CCP board risk committees are composed of independent members, clearing members and clients, whose role is to advise the CCP board in its decision-making regarding key areas of risk for the CCP.

The Committee on Payments and Market Infrastructures (CPMI) and the International Organization of Securities Commissions (IOSCO) independently assessed the Bank's supervision of FMIs against the

¹ CBEST delivers controlled, bespoke, intelligence-led cyber security tests, which provide the Bank with information on an FMI's capability to detect and respond to cyber attacks.

Responsibilities set out in the CPMI-IOSCO Principles for Financial Market Infrastructures, and concluded that all Responsibilities were fully observed. The Bank continues to enhance its risk-based supervisory approach.

The *Report* outlines the Bank's priorities for 2016-17. For example, the Bank is taking an active role in shaping and delivering several elements of the international regulatory CCP Workplan published in April 2015 by the Financial Stability Board, together with the Basel Committee on Banking Supervision and CPMI-IOSCO.

Sir Jon Cunliffe, Deputy Governor for Financial Stability, said: "The supervision of FMIs which sit at the heart of the UK economy and financial system is an important part of the Bank's mission. Many of these FMIs are key to truly global financial markets, and, as described in this *Report*, the Bank therefore collaborates closely in its supervision with authorities across the globe."

David Bailey, Director for Financial Market Infrastructure, said: "The *Annual Report* outlines the real progress we have made over the past year in addressing risk in FMIs, as well as our priorities for 2016. The FMI sector continues to grow in systemic importance and complexity and the Bank's approach to supervision, as well as the standards applied by the international regulatory community, continue to evolve to deliver continued resilience of the key infrastructure."

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Note to editors

1. The *Annual Report* is available here:

<http://www.bankofengland.co.uk/publications/Pages/fmi/annualreport2016.aspx>