

The Core Principles for Systemically Important Payment Systems and Central Bank Responsibilities

Any payment system designated by the RBM as SIPS shall comply with the BIS Core Principles for Systemically Important Payment System which are as follows:

Core Principle I

The system should have a well founded legal basis under all relevant jurisdictions.

Core Principle II

The system's rules and procedures should enable the participants to have a clear understanding of the system's impact on each of the financial risks they incur through participation in it.

Core Principle III

The system should have clearly defined procedures for the management of credit and liquidity risks, which specify the respective responsibilities of the system operator and the participants and which provide appropriate incentives to manage and contain those risks.

Core Principle IV

The system should provide prompt final settlement on the day of value, preferably during the day and at a minimum at the end of the day

Core Principle V

A system in which multilateral netting takes place should, at a minimum, be capable of ensuring the timely completion of daily settlements in the event of an inability to settle by the participant with the largest single settlement obligation.

Core Principle VI

Assets used for settlement should preferably be a claim on the central bank; where other assets are used, they should carry little or no credit risk and little or no liquidity risk.

Core Principle VII

The system should ensure a high degree of security and operational reliability and should have contingency arrangements for the timely completion of daily processing.

Core Principle VIII

The system should provide a means of making payments which is practical for its users and efficient for the economy.

Core Principle IX

The system should have objective and publicly disclosed criteria for participation, which permit fair and open access.

Core Principle X

The system's governance arrangements should be effective, accountable and transparent.

While all the ten Core Principles are in particular meant to address SIPS, many of the principles are also appropriate for more limited systems that are not systemically important (like SWIPS). Specifically, Core Principles Nos: I, II, VII, VIII, IX and X are obligatory for SWIPS while the remaining Core Principles i.e. Nos: III, IV, V and VI may not be obligatory. The application of the entire set of the Core Principles to SWIPS by system operators is however desirable.

In applying the Core Principles, the RBM shall also observe the following central bank responsibilities as stipulated by the CPSS:

Responsibility A

The central bank should define clearly its payment system objectives and should disclose publicly its role and major policies with respect to systemically important payment systems.

Responsibility B

The central bank should ensure that the systems it operates comply with the Core Principles

Responsibility C

The central bank should oversee compliance with the Core Principles by systems it does not operate and it should have ability to carry out oversight

Responsibility D

The central bank, in promoting payment systems safety and efficiency through the Core Principles, should co-operate with other central banks and with any other relevant domestic or foreign authorities.