

**Reporting and Disclosure Requirements  
Associated with the Policy on Payments System Risk (PSR Policy)  
(FR 4102; OMB No. 7100-0315)**

**Description of Information Collection**

The Federal Reserve adopted several revisions to Part I of its PSR Policy addressing risk management in payments and settlement systems. Specifically, the Federal Reserve (1) incorporated into the PSR Policy the Recommendations for CCP as the Federal Reserve's minimum standards for central counterparties, (2) clarified the purpose of Part I of the policy and revised its scope with regard to central counterparties, and (3) established an expectation that systemically important systems (subject to the Federal Reserve Board's authority) disclose publicly self-assessments against the Core Principles, Recommendations for SSS, or Recommendations for CCP, as appropriate, demonstrating the extent to which these systems meet the principles or minimum standards.

The Federal Reserve believes that the effective implementation of these principles and minimum standards by systemically important systems can foster greater financial stability in payments and settlement systems. Users and others commonly are interested in understanding how these systems function in order to manage their risks.

In the past, different disclosure practices and requirements for payments and settlement systems resulted in varying levels of information being disseminated to users of the systems and other interested persons. Users and persons outside the user community (such as prospective users or other public authorities) found it difficult to obtain sufficient information to understand and assess a particular system's approach to risk management against internationally accepted principles and minimum standards. Broadening the availability of information concerning a system's risk management controls, governance, and legal framework, for example, could assist those interested in a system in evaluating and managing their risk exposures.

It is the Federal Reserve's opinion that operators of systemically important systems are well-positioned to assess and demonstrate the extent to which they have implemented the principles or minimum standards of the PSR Policy. Therefore, in furtherance of policy objectives, it is expected that systemically important systems subject to Federal Reserve authority complete comprehensive, objective self-assessments against the applicable principles or minimum standards in the PSR Policy and disclose publicly the results of these efforts. Adopting this self-assessment framework, however, does not preclude the Federal Reserve from independently assessing compliance of systemically important systems with relevant rules, regulations, and Federal Reserve policies.

The Federal Reserve expects systemically important systems subject to its authority to complete self-assessments based on the following guidelines.

## Self-Assessment Review, Approval, and Disclosure

First, systemically important systems are expected to document the basis for their self-assessment and support any conclusions regarding the extent to which they meet a particular principle or minimum standard.<sup>1</sup> The Federal Reserve notes that the CPSS and CPSS-IOSCO have developed implementation measures and assessment methodologies that can assist system operators in structuring their self-assessments.<sup>2</sup> Accordingly, payment system operators are encouraged to consult Section 7 of the Core Principles for guidance when developing their self-assessments and in measuring the extent to which the system meets each principle. Likewise system operators for securities settlement systems and central counterparties are encouraged to consult the assessment methodologies for the relevant minimum standards for further guidance on each minimum standard and are encouraged to respond to the key questions included therein.<sup>3</sup>

Second, to further ensure system accountability for accuracy and completeness, the system's senior management and board of directors are expected to review and approve self-assessments upon completion. Third, to achieve broad disclosure, the system is expected to make its self-assessments readily available to the public, such as by posting the self-assessment on the system's public website. Finally, in order for self-assessments to reflect correctly the system's current rules, procedures, and operations, a systemically important system is expected to update statements in the self-assessment following material changes to the system or its environment. At a minimum, a systemically important system should review its self-assessment biennially to ensure continued accuracy.

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<sup>1</sup> System operators should use one of the following assessment categories to describe the extent to which the system meets a particular principle or minimum standard: observed, broadly observed, partly observed, or non-observed. The assessment should contain information robust enough to enable users and other interested persons to independently assess the risks associated with the system. The Federal Reserve, however, does not expect payments and settlement systems to disclose publicly sensitive information that would expose system vulnerabilities or otherwise put the system at risk (e.g., specific business continuity plans).

<sup>2</sup> The World Bank and International Monetary Fund have published a handbook of guidance for completing assessments against various international standards, including the Core Principles. See <http://www.imf.org/external/pubs/ft/fsa/eng/index.htm>. In November 2002, CPSS-IOSCO published an Assessment Methodology for the Recommendations for SSS available at <http://www.bis.org/publ/cpss51.htm>. In November 2004, CPSS-IOSCO published the CCP Recommendations and an Assessment Methodology available at <http://www.bis.org/publ/cpss64.htm>.

<sup>3</sup> The assessment methodologies for the CPSS-IOSCO Recommendations include key questions to assist an assessor in determining to what extent a system meets a particular minimum standard.