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Comments on proposed changes to the Board of Governors' of the Federal Reserve System's Policy on Payments System Risk (Docket No. OP-1259)

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Sveriges Riksbank appreciates the possibility to comment on the Board's proposed changes to its Policy on Payments System Risk. Both the Board and the Riksbank have as overseers a common interest in the practices for assessing risks in payment and settlement systems and for the disclosure of relevant information. The Board and the Riksbank also cooperate in the oversight of CLS and SWIFT. Hence the Board's policy on those issues is of importance for the Riksbank.

The Riksbank shares the view of the Board that central counterparties should be within the scope of central bank oversight and that the CPSS/IOSCO Recommendations for Central Counterparties should be one of the minimum standards set by the overseer. Given the Board's role as responsible for both supervision and oversight, the requirement that systemically important systems should publish self-assessments, seems appropriate.

The inclusion of central counterparties in the scope of the policy and the CPSS/IOSCO Recommendations for Central Counterparties among the minimum standards is, in the Riksbank's opinion, a natural consequence of the work in the CPSS. It is furthermore in line with the Riksbank's interpretation and implementation of its mandate as overseer.

The Riksbank is a very strong advocate of publicly disclosed assessments. Consequently, the Riksbank's yearly assessments of the Swedish large-value payment system, the securities settlement system, the central counterparty and the operator of the main retail system infrastructure are made public. In addition to providing information on the systems and their risks and risk management, the public disclosure of these assessments is a way of fulfilling our accountability.

We understand that the Board does not see public disclosure of central bank assessments as an option given the role of the Federal Reserve System and the US legislation. Under such circumstances, the Riksbank would consider self-assessment to be the appropriate alternative for providing the information that both the Riksbank and the Board see as vital. One of the issues raised in the proposal is whether such self-assessments should be made public. A non-public assessment could only be useful for the central bank's internal assessment, and would not provide the necessary information to other stake-holders. This would not address the question of asymmetric information on the systems' risks. In the

■ debate it has been argued that disclosing assessments with a (very) bad rating, could lead to financial stress. We are of the opinion that such risks are fairly limited within the CPSS countries.

An additional and perhaps more complex question is whether the operator should rate (observed, broadly observed etc.) its own system. We believe that ratings in the assessment can have some added value for the readers. It could also be useful for the central bank in evaluating the competence and self-awareness of the management. A potentially important draw-back is that the self-assessments would generate inappropriate (i.e. too positive) ratings. The extent to which such a risk can be mitigated is, in the view of the Riksbank, dependent on the overseer's possibilities to influence the operator to correct such "mistakes". In the Board proposal it is made clear that the Board will communicate its view to senior management and if necessary the Board of Directors of the system. In this communication the Board is not only an overseer but also a supervisor. This should limit the risk of inappropriate ratings and false information.

To conclude, public self-assessments with ratings as proposed by the Board, is an appropriate way of making the relevant information on systemically important systems available to different stake-holders. We also believe that such self-assessments are important to ensure that the central banks have common ground for the co-operative oversight, e.g. in the case of CLS. In addition, we hope that an introduction of assessments of US systems will help foster a global use of assessments, which we believe would be beneficial for global financial stability.

Sveriges Riksbank, Sweden