Research Document Working Paper

Implementation of PFMIs

May 2021

Policy Research and Planning

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TTSEC-PR&P-22981-SM-17/9/2024

List of Acronyms

Acronym	Full Name
CCP	Central Counter Party
CPSS	The Committee on Payment and Settlement Systems
CSD	Central Securities Depositary
DECEMBER 2012 REPORT	"Principles for financial market infrastructures: Disclosure framework and Assessment methodology"
FMI	Financial Market Infrastructure
FSAP	The joint IMF/-World Bank "Financial Sector Assessment Programme"
GSS	Government Securities Settlement System
IOSCO	International Organization of Securities Commissions
PFMI	The Principles of Financial Market Infrastructures published in April 2012 by the Committee on Payment and Settlement Systems and the Technical Committee of the International Organization of Securities Commissions (IOSCO)
ROSC	Reports on the Observance of Standards and Codes
SSS	Securities Settlement System
TR	Trade Repository
TTCD	Trinidad and Tobago Central Depository Limited
TTSE	Trinidad and Tobago Stock Exchange Limited
TTSEC	Trinidad and Tobago Securities and Exchange Commission

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Executive Summary

The Principles of Financial Market Infrastructures ("PFMIs") are part of a set of twelve (12) key standards that the international community considers essential to strengthening and preserving financial stability. The PFMI standards represent the harmonisation of the three (3) existing sets of international standards defined within:

a. The Core principles for systemically important payment systems (CPSS, 2001);
b. Recommendations for securities settlement systems ("SSSs") (CPSS-IOSCO, 2001); and
c. Recommendations for central counterparties ("CCPs") (CPSS-IOSCO, 2004).

These standards included the raising of minimum requirements, the provision of more detailed guidance and broadening the scope of the standards to cover new risk management areas and new types of FMIs (Bank for International Settlements (BIS) 2015).

The PFMIs are categorised based on the following classifications, which are specific to steps that the FMI must undertake in order to be compliant with the PFMIs:

1. ***General organisation***: "Legal basis" (Principle 1), "Governance" (Principle 2), and "Framework for the comprehensive management of risks" (Principle 3).
2. ***Credit and liquidity risk management***: "Credit risk management" (Principle 4), "Collateral" (Principle 5), "Margin" (Principle 6), and "Liquidity risk management" (Principle 7).
3. ***Settlement***: "Settlement finality" (Principle 8), "Money settlements" (Principle 9), and "Physical deliveries" (Principle 10).
4. ***Central securities depositories ('CSDs') and exchange-of-value settlement systems***: "Specific guidance to CSDs" (Principle 11) and "Exchange-of-value settlement systems" (Principle 12).
5. ***Default management***: "Participant-default rules and procedures for all FMIs" (Principle 13) and "Segregation and portability issues for Central Counter Parties" (Principle 14).
6. ***General business and operational risk management***: "Guidance on managing General business risk" (Principle 15), "Custody and investment risks" (Principle 16), and "Operational risk" (Principle 17).
7. ***Access***: "Guidance on Access and participation requirements" (Principle 18), "The management of tiered participation arrangements" (Principle 19), and "The management of FMI links" (Principle 20).
8. ***Efficiency***: "Guidance to FMIs on efficiency and effectiveness" (Principle 21) and "Communication procedures and standards", which is one traditional aspect of efficiency (Principle 22).
9. ***Transparency*****:** "Guidance to all FMIs on the disclosure of rules, key procedures, and market data to enable participants and other interested parties to have a clear understanding of the risks and controls on risks associated with a FMI, as well as fees and other costs incurred by participation in the FMI" (Principle 23); and "Trade Repositories ("TRs") on the disclosure of market data to allow participants, authorities, and the public to make timely assessments of over-the-counter ("OTC") derivatives markets and, if relevant, other markets served by the TR" (Principle 24).

The PFMIs are used by the joint IMF/World Bank Financial Sector Assessment Programme ("FSAP") and the Reports on the Observance of Standards and Codes ("ROSC"). The PFMIs were accompanied by the publications of "Principles for financial market infrastructures:

disclosure framework and assessment methodology[1]" and "Recovery of financial market infrastructures[2]" (Bank for International Settlements (BIS) 2015).

There were five (5) areas of responsibilities specific to regulators that were also identified in the PFMIs, which included:

1. ***Responsibility A: "FMIs should be subject to appropriate and effective regulation, supervision, and oversight by a central bank, market regulator, or other relevant authority."***
2. ***Responsibility B: "Central banks, market regulators, and other relevant authorities should have the powers and resources to carry out effectively their responsibilities in regulating, supervising, and overseeing FMIs."***
3. ***Responsibility C: "Central banks, market regulators, and other relevant authorities should clearly define and disclose their regulatory, supervisory, and oversight policies with respect to FMIs."***
4. ***Responsibility D: "Central banks, market regulators, and other relevant authorities should adopt the CPSS-IOSCO Principles for financial market infrastructures and apply them consistently."***
5. ***Responsibility E: "Central banks, market regulators, and other relevant authorities should cooperate with each other, both domestically and internationally, as appropriate, in promoting the safety and efficiency of FMIs."***

The Trinidad and Tobago Securities and Exchange Commission ("TTSEC") is responsible for the regulation of the following FMIs:

- The Trinidad and Tobago Stock Exchange("TTSE"), which operates the Avvento Trading and Surveillance System;
- The Trinidad and Tobago Central Depository("TTCD"), which is the country's sole Securities Clearing and Settlement System ("SSSs") for equity transactions; and
- The Government Securities Auctioning and Registry ("GSS"), which is the system for transactions in government securities.

The organisation intends to do the following as it relates to the PFMIs:

1. Use this document and the attached Policy Statement in its Appendices as the basis for the adoption of the PFMIs.
2. Review the regulatory framework as part of the process for incorporating the PFMIs as part of the TTSEC's regulatory framework;
3. Create and approve the submission documents that will be used under the Disclosure framework and the assessment methodology;
4. Develop and publish an Official Statement for the adoption of the PFMIs as part of its regulatory framework;
5. Administer the Disclosure framework and the Assessment methodology by the highlighted Divisions within the TTSEC (i.e. the Market Regulation and Surveillance ("MR&S" and Compliance and Inspections ("C&I") Divisions).

[1] This document can be accessed via the following: http://www.bis.org/cpmi/publ/d106.pdf.
[2] This document can be accessed via the following: http://www.bis.org/cpmi/publ/d121.pdf.

Section I – Rationale for the TTSEC's Implementation of the PFMIs

The purpose of this document is to outline the rationale and the strategy to be implemented by the TTSEC in adopting the PFMIs and ensuring FMIs operating in Trinidad and Tobago comply with the standards within the PFMIs. The implementation of the PFMIs and the continued monitoring of the country's FMIs by the regulator will form a major aspect of the international monitoring programmes. In one such example, the PFMIs will be used by the joint IMF/World Bank Financial Sector Assessment Programme ("FSAP") and the Reports on the Observance of Standards and Codes ("ROSC").

As a consequence, there is a need to ensure that the local regulatory framework is fit for purpose as it pertains to the regulation of FMIs. The local framework must also be aligned with international best practices. The International Organization of Securities Commissions (IOSCO) developed twelve key standards called Principle of Financial Market Infrastructures ("PFMIs") in April 2012 as a means to ensure the proper and standardised regulation of FMIs.

The remainder of this document seeks to map out the implementation of the PFMIs as part of our local regulatory framework. **Section II** below delves into a brief history and the substance of the PFMIs. **Section III** outlines the TTSEC's regulatory responsibilities under the PFMIs. **Section IV** outlines the TTSEC's approach regarding the implementation of the PFMIs. **Section V** provides the methodology to be used by a securities regulator in its assessment of FMIs under its regulatory ambit. **Section VI** concludes the paper and provides recommendations.

Section II - Background

Financial market infrastructures facilitate the clearing, settlement, and recording of monetary and other financial transactions. They are important to strengthen the markets they serve and play a critical role in fostering financial stability.

The IOSCO reports characterise FMIs as systemically important payment systems; and are defined as a multilateral system among participating institutions, including the operator of the system, used for the purposes of clearing, settling, or recording payments, securities, derivatives, or other financial transactions.

Currently, there are four (4) broad categories of FMIs operating within Trinidad and Tobago, of which two (2) pertains to the local securities industry. These categories are as follows:

- <u>*Retail Payment Systems*</u>: This refers to *"a funds transfer system that typically handles a large volume of relatively low-value payments in such forms as cheques, credit transfers, direct debits and card payment transactions"*. These systems include:

- the Cheque Clearing System which treats with Interbank Cheque Clearing and settlement;
  - the Automated Clearing House ("ACH") which handles the direct debits and credits within the financial system; and
  - LINX which handles all debit card Automated Teller Machine and Point-of-sale transactions.

  This falls under the regulatory ambit of the Central Bank of Trinidad and Tobago ("CBTT").
- *Large Value Payment Systems*: This system allows for the real-time settlement of payments, transfer instructions or other obligations individually on a transaction-by-transaction basis. This falls under the regulatory ambit of the CBTT. There is one such system in Trinidad and Tobago: SAFEtt ("Real Time Gross Settlement"). .
- *Securities Clearing and Settlement Systems*: The Bank of International Settlements defined it as *"an entity that enables securities to be transferred and settled by book entry according to a set of predetermined multilateral rules. Such systems allow transfers of securities either free of payment or against payment".* There are two (2) such systems operating in Trinidad and Tobago:
  - The TTCD; and
  - the GSS.

  These are the entities that allow for the clearing and settlement of equity and bond transactions on the TTSE and the government securities transactions on the GSS.
- *Securities Trading and Registry Systems*: There are two (2) systems operating within this capacity in Trinidad and Tobago:
  - Avvento Trading and Surveillance System (The TTSE and the TTCD); and
  - The GSS.

One key characteristic of the aforementioned entities is the large volumes and values of transactions that are handled by these institutions on a daily basis. It is as a result of this as well as their systemic importance to Trinidad and Tobago's financial stability that the TTSEC recognises the need for a robust regulatory framework to ensure the health and operational efficiency of FMIs. There are FMIs that operate within a jurisdiction's securities sector, which have importance to different operational areas within the industry. These include "SSSs"which are comprised of CSDs, CCPs and TRs. In Trinidad and Tobago, the "TTSE" and its subsidiary, the Trinidad and Tobago Central Depository Limited ("TTCD") are currently the only operators of FMIs within the local securities industry.[3]

[3] The mission of the TTSE is to "facilitate the efficient mobilization and allocation of capital, fair and orderly secondary market trading in securities and the efficient clearing and settlement of transactions within a dynamic legal and regulatory framework that instills confidence in the integrity of the Exchange and related institutions". The TTCD was established by the TTSE to facilitate the safekeeping of certificates and to enable investors buying and selling shares on the TTSE to settle such transactions through a computerized system. They both are considered to be key cogs in the proper functioning of the local securities industry. See the Mission of the organisation via the following

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4. ***CSDsand exchange-of-value settlement systems***: "Specific guidance to CSDs" (Principle 11) and "Exchange-of-value settlement systems" (Principle 12).
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9. ***Transparency*****:** "Guidance to all FMIs on the disclosure of rules, key procedures, and market data to enable participants and other interested parties to have a clear understanding of the risks and controls on risks associated with a FMI, as well as fees and other costs incurred by participation in the FMI" (Principle 23); and TRs on the disclosure of market data to allow participants, authorities, and the public to make timely assessments of Over-The-Counter

link: https://www.stockex.co.tt/mission-and-vision/. More information on the TTCD is available via the following link: https://www.stockex.co.tt/about-ttcd/.

("OTC") derivatives markets and, if relevant, other markets served by the TRs" (Principle 24).

The PFMIs April 2012 report also incorporated additional detailed guidance for CCPs and TRs handling OTC derivatives. These new standards were expressed as broad principles in recognition of FMIs' differing organisational structures, functions and designs and the range of methods available to achieve a particular result in a given area. In some cases, however, the PFMI do incorporate a specific quantitative minimum requirement (such as in the credit, liquidity, and general business risk principles) to ensure a common base level of risk management across FMIs and countries. In addition to the new principles themselves, the PFMI also outline the general responsibilities of relevant authorities for FMIs in implementing these standards (Bank for International Settlements (BIS) 2015).

The former, promotes consistent disclosures of information by FMIs and consistent assessments by international financial institutions and national authorities. The latter provided guidance to FMIs such as CCPs on developing plans which will enable them to recover from threats to their viability and financial soundness. These threats may hamper their ability to provide, critical services to their participants and the markets they serve or guidance to relevant authorities in carrying out their responsibilities associated with the development and implementation of recovery plans (Bank for International Settlements (BIS) 2015).

There were five (5) areas of responsibilities specific to regulators that were also identified in the PFMIs, which included:

1. ***Responsibility A:*** *"FMIs should be subject to appropriate and effective regulation, supervision, and oversight by a central bank, market regulator, or other relevant authority."*
2. ***Responsibility B:*** *"Central banks, market regulators, and other relevant authorities should have the powers and resources to carry out effectively their responsibilities in regulating, supervising, and overseeing FMIs."*
3. ***Responsibility C:*** *"Central banks, market regulators, and other relevant authorities should clearly define and disclose their regulatory, supervisory, and oversight policies with respect to FMIs."*
4. ***Responsibility D:*** *"Central banks, market regulators, and other relevant authorities should adopt the CPSS-IOSCO Principles for financial market infrastructures and apply them consistently."*
5. ***Responsibility E:*** *"Central banks, market regulators, and other relevant authorities should cooperate with each other, both domestically and internationally, as appropriate, in promoting the safety and efficiency of FMIs."*

Section III – The TTSEC's Regulatory Responsibilities under the PFMIs

The Staff of the TTSEC recommends that the following priority statuses be placed on the key considerations outlined within the following areas of regulatory responsibility:

1. ***Responsibility A: "FMIs should be subject to appropriate and effective regulation, supervision, and oversight by a central bank, market regulator, or other relevant authority"***: It is noted that the TTSEC has an effective mechanism for the regulation of local FMIs. The regulatory framework for FMIs locally are outlined in the Securities Act, 2012 ("SA 2012") and Securities (General) By-laws, 2015 ("the By-Laws").
    a. The FMIs that will be subject to the PFMIs upon adoption by the TTSEC are:
        i. the TTSE
        ii. the TTCD,
        iii. the Avvento Trading and Surveillance System, and
        iv. the GSS.
    b. These entities were chosen due to the key roles they play in ensuring the timely resolution of transactions conducted within the capital markets of Trinidad and Tobago.
    c. The TTSEC also envisions other exchanges that facilitates trade in securities e.g. equity or debt securities crowdfunding platforms or any automated trading system falling under the purview of the PFMIs and all relevant rules and legislation mandated by the TTSEC.

2. ***Responsibility B: "Central banks, market regulators, and other relevant authorities should have the powers and resources to carry out effectively their responsibilities in regulating, supervising, and overseeing FMIs"***: In regards to the fulfilment of Responsibility B, the TTSEC currently has expanded regulatory powers under the SA 2012 than under its previous iteration, which include:
    a. Section 4 – (Interpretation): This section defines an Alternative Trading System, clearing agency, securities exchange and securities market.
    b. Section 34 – (Registration of Stock Exchange and Central Depository).
    c. Section 35 – (Rules of the Stock Exchange and Central Depository).
    d. Section 36 – (Registration of a self-regulatory organisation).
    e. Section 37 – (Registration requirements).
    f. Section 38 (Application for registration).
    g. Section 39 – (Obligatory rules of governance).
    h. Section 40 – (Procedure on proposed amendment to rules of governance).
    i. Section 41 – (Power of Commission to require change in rules of governance).
    j. Section 42 – : Restriction on imposition of fees schedule.
    k. Section 43: Membership.
    l. Section 44 – : Application for review.
    m. Section 45 – : Delisting of securities.
    n. Section 46 : Appointment of auditor.
    o. Section 47: Contingency fund of securities exchange.
    p. Section 48 – : Sanctions re: self-regulatory organisations.
    q. Section 49 Complaints re: self-regulatory organisations and person required to be registered.
    r. Section 50: Dispute between members.

Additionally, the Securities (General) By-Laws, 2015 ("The By-Laws") also provides regulatory guidance as to the regulation of Financial Market Infrastructures. Part III of the By-Laws outlines two major aspects:

1. By-Law 15 prescribes the application process to which any self-regulatory organisation, including the Trinidad and Tobago Stock Exchange, must adhere for registration with the Trinidad and Tobago Securities and Exchange Commission.
2. By-Law 16 outlines the prescribed records that must be kept by the self-regulatory organisation.

Part V (By-Laws 27 – 53) outline the obligations of registrants and self-regulatory organisations, which includes:

- By-Law 27: Capital requirements and notification
- By-Law 28: Quarterly calculation of capital requirements
- By-Law 29: Record-keeping by registrants
- By-Law 30: Adequate precautions and access
- By-Law 31: Records of original entry
- By-Law 32: Ledgers
- By-Law 33: Ledger account
- By-Law 34: Securities record
- By-Law 35: Order and instructions
- By-Law 36: Confirmation and notice
- By-Law 37: Cash and margin account
- By-Law 38: Option records
- By-Law 39: Audited annual comparative financial statements of registrants
- By-Law 40: Interim financial statements
- By-Law 41: Financial statements to customer by registrants
- By-Law 42: Education and training
- By-Law 43: Standards of investment for filing
- By-Law 44: Statements of accounts
- By-Law 45: Acknowledgement of record entry transfers in contract
- By-Law 46: Branch offices
- By-Law 47: Filing of annual report
- By-Law 48: Annual comparative financial statements
- By-Law 49: Certificate of annual and interim comparative financial statements
- for collective investment schemes
- By-Law 50: Management discussion and analysis
- By-Law 51: Acceptable accounting principles
- By-Law 52: Filing of material sent to security holders or filed abroad
- By-Law 53: Notification of changes

Part IX (By-Law 80) states, ***"For the purposes of section 130(1) of the Act, an issuer shall give the clearing agency no less than seven days' notice of its intention to close its securities register or fix a record date."***

3. ***Responsibility C: "Central banks, market regulators, and other relevant authorities should clearly define and disclose their regulatory, supervisory, and oversight policies with respect to FMIs"*** – This section also identifies two (2) key considerations for the TTSEC, which are as follows:
    a. All policies with respect to FMIs should be clearly defined. These policies will include the TTSEC's objectives, roles, and regulations.
        i. This document proposes to ensure this requirement is achieved as it states that the TTSEC has adopted the PFMIs.
    b. All relevant policies with respect to the regulation, supervision, and oversight of FMIs shall be publicly disclosed

4. ***Responsibility D: "Central banks, market regulators, and other relevant authorities should adopt the CPSS-IOSCO Principles for financial market infrastructures and apply them consistently"*** – This section identified three (3) key considerations for the TTSEC, which are as follows:
    a. The TTSEC has adopted the CPSS-IOSCO Principles for FMIs.
    b. These principles are, at a minimum, applied to all systemically important payment systems, CSDs, SSSs, CCPs, and TRs.
    c. The TTSEC should apply these principles consistently within and across jurisdictions, including across borders, and to each type of FMI covered by the principles.

The TTSEC will publish an official statement which states that the organisation is adopting the PFMIs as part of its regulatory framework for FMIs (see **Appendix 1**). This may have to be done within a short to medium term timeframe. Once this is done, the TTSEC would need to ensure that the Trinidad and Tobago Central Securities Depository ("TTCD") are adhering to the PFMIs that are relevant to their operations. The TTSEC would also have to ensure that any CSD, SSS, CCP or TR registering with the TTSEC also adheres to the PFMIs. The identification of any deficiencies would most likely fall under the ambit of the C&I Division as part of its Inspection Programme. The Disclosure, Registration and Corporate Finance Division would play a role in reviewing any prospective registration packages to ensure that any new registrants classified as a FMI are following the practices of the PFMIs. The Legal, Advisory and Enforcement Division would be responsible for pursuing any breaches with the PFMIs.

As part of its regulatory ambit, the TTSEC will be subject to an assessment of the responsibilities for regulatory authorities outlined in the previous paragraphs. Similar to the aforementioned assessments of the FMI, there are six (6) steps involved in the assessment (see Appendix), which are as follows:

1. Determine the scope of the assessment;
2. Gather facts on each key consideration;

3. Develop key conclusions for each responsibility;
4. Assign a rating for each responsibility;
5. Indicate an appropriate time frame for addressing each issue of concern, if any, including a discussion of priorities; and
6. Prepare an assessment report.

5. ***Responsibility E: "Central banks, market regulators, and other relevant authorities should cooperate with each other, both domestically and internationally, as appropriate, in promoting the safety and efficiency of FMIs"*** **–** This section outlined 10 key considerations, the TTSEC should follow.These include:
   a. Relevant authorities such as theCBTT, the TTCD, the Financial Intelligence Unit of Trinidad and Tobago ("FIUTT"), IOSCO and other securities regulators should support and cooperate with each other to foster efficient and effective communication and consultation in order to fulfil their respective mandates with respect to FMIs. Such cooperation needs to be effective in normal circumstances and should be adequately flexible to facilitate effective communication, consultation, or coordination, as appropriate, during periods of market stress, crisis situations, and the potential recovery, wind-down, or resolution of a FMI.
   b. If the TTSEC has identified an actual or proposed operation of a cross-border or multicurrency FMI in its jurisdiction, it should, as soon as it is practicable, inform other relevant authorities (e.g. the CBTT, the FIUTT, the Ministry of Finance) that may have an interest in the FMI's observance of the CPSS-IOSCO Principles for financial market infrastructures.
   c. Cooperation may take a variety of forms. The form, degree of formalization and intensity of cooperation should promote the efficiency and effectiveness of the cooperation, and should be appropriate to the nature and scope of the TTSEC's responsibility for the supervision or oversight of the FMI and commensurate with the FMI's systemic importance in the cooperating authorities' various jurisdictions. Cooperative arrangements should be managed to ensure they are efficiency and effective for all participating authorities
   d. For a FMI where cooperative arrangements are appropriate, e.g. a US-based cryptocurrency exchange registered with the U.S. Securities and Exchange Commission that seeks to set up operations in Trinidad and Tobago, at least one authority should accept responsibility for establishing efficient and effective cooperation among all relevant authorities. In international cooperative arrangements where no other authority accepts this responsibility, the presumption is the authority or authorities with primary responsibility in the FMI's home jurisdiction should accept this responsibility. This will be defined in the Official Statement that will be issued.
   e. At least one authority should ensure that the FMI is periodically assessed against the PFMIs and should, in developing these assessments, consult with other authorities that conduct the supervision or oversight of the FMI and for which the FMI is systemically important.
   f. When assessing a FMI's payment and settlement arrangements and its related liquidity risk-management procedures in any currency for which the FMI's settlements are systemically important against the PFMIs, the authority or

authorities with primary responsibility with respect to the FMI should consider the views of the central banks of issue. If a central bank of issue is required under its responsibilities to conduct its own assessment of these arrangements and procedures, the central bank should consider the views of the authority or authorities with primary responsibility with respect to the FMI.

g. Relevant authorities such as the local financial regulatory bodies, the Ministry of Finance and IOSCO should provide advance notification, where practicable and otherwise as soon as possible thereafter, regarding pending material regulatory changes and adverse events with respect to the FMI that may significantly affect another authority's regulatory, supervisory, or oversight interests.
h. Relevant authorities such as the local financial regulatory bodies, the Ministry of Finance and IOSCO should coordinate to ensure timely access to trade data recorded in a TR.
i. Each authority maintains its discretion to discourage the use of a FMI or the provision of services to such a FMI if, in the authority's judgment, the FMI is not prudently designed or managed or the principles are not adequately observed. An authority exercising such discretion should provide a clear rationale for the action taken both to the FMI and to the authority or authorities with primary responsibility for the supervision or oversight of the FMI.
j. Cooperative arrangements between authorities in no way prejudice the statutory or legal or other powers of each participating authority, nor do these arrangements constrain in any way an authority's powers to fulfil its statutory or legislative mandate or its discretion to act in accordance with those powers.

Currently, there is a Memorandum of Understanding between the CBTT, the FIUTT and the TTSEC. Additionally, the TTSEC is a signatory to IOSCO's Multilateral Memorandum of Understanding Concerning Consultation and Cooperation and the Exchange of Information. These represent a strong foundation upon which domestic and international cooperation agreements can be continued and further strengthened. The strengthening of these frameworks should form the focus of the TTSEC's work within the medium-term.

Step 1: Determine the scope of the assessment

Authorities shall be assessed at a jurisdictional level and not at the level of the individual regulatory, supervisory or oversight authority. This shall allow assessors to perform a comprehensive assessment of the authorities' observance of the responsibilities and to identify regulatory gaps or overlaps in the jurisdiction. This will be in line with Responsibility E, which treats with cooperation between domestic authorities. It is noted that this does not preclude actions being addressed to a specific authority within the country's oversight framework. Additionally, authorities may wish to assess, jointly or individually, the jurisdiction's own observance of the responsibilities (The Committee on Payment and Settlement Systems and the International Organization of Securities Commissions 2012, 13).

Step 2: Gather facts on each key consideration

In order to build a contextual base for developing key conclusions and assigning ratings, assessors should develop a general understanding of the authorities' jurisdiction, rules and processes. Assessors shall keep in mind the following overarching questions for each responsibility during the assessment:

- What is the authorities' approach or method for observing the responsibility?
- What analyses, processes and rationale do the authorities use to ensure the effectiveness of their approach or method for observing the responsibility?
- How do the authorities measure and monitor their ongoing performance in observing the responsibility?
- What other evidence is available to help monitor the authorities' ongoing in observing the responsibility?

Step 3: Develop key conclusions for each responsibility

When drawing a key conclusion, assessors should:

- Summarise the authorities' practices and achievements, as warranted.
- Identify any gaps or shortcomings as they emerge from the facts gathered by assessors.
- For each gap or shortcoming, describe any associated risks or other issues and the implications for observing the responsibility.
- For each gap or shortcoming, determine if it is an issue of concern based on the associated risks and issues. Assessors should distinguish between the three (3) categories of issues of concern:
    i. Issues of concern that are serious and warrant immediate attention;
    ii. Issues of concern that could become serious if not addressed promptly; and
    iii. Issues of concern that should be addressed in a definite timeline.

The findings from such an exercise will serve as the building blocks for rating assignments.

Step 4: Assign a rating for each responsibility

The rating framework is similar to the one noted on pages 19 - 20 of this document. International Financial Institutions will use this rating framework, particularly in the FSAP context. National authorities, such as the TTSEC may also use this rating framework for their own self-assessments. The ratings should reflect conditions at the time of the assessment. The December 2012 report notes that any plans for improvement should be highlighted in the assessment report, where appropriate, but should not influence judgments about the observance of the responsibilities (The Committee on Payment and Settlement Systems and the International Organization of Securities Commissions 2012).

Step 5: Indicate an appropriate time frame for addressing each issue of concern, if any, including a discussion of priorities

The assessment report should conclude with the following:

- A clear identification of the issues of concern that need to be addressed, if any;
- An indication of an appropriate time frame for addressing each identified issue of concern; and
- An identification of the parties that are best positioned to address each identified issue of concern.

Where domestic authorities conduct self-assessments, they should prepare the action plan themselves. Assessments conducted by external assessors will result in the assessors usually preparing recommendations and discussing them with the authorities. In each case, the party best positioned to initiate each action or recommendation should be identified.

Step 6: Prepare an Assessment Report

The final step is the preparation of the assessment report. The assessment report template for assessing authorities against the Responsibilities is provided in **Appendix 4**. The assessment report template for assessing a country's FMIs and authorities against the PFMIs and the Responsibilities is provided in **Appendix 5.**

Section VII – Roles and Responsibilities of the Divisions

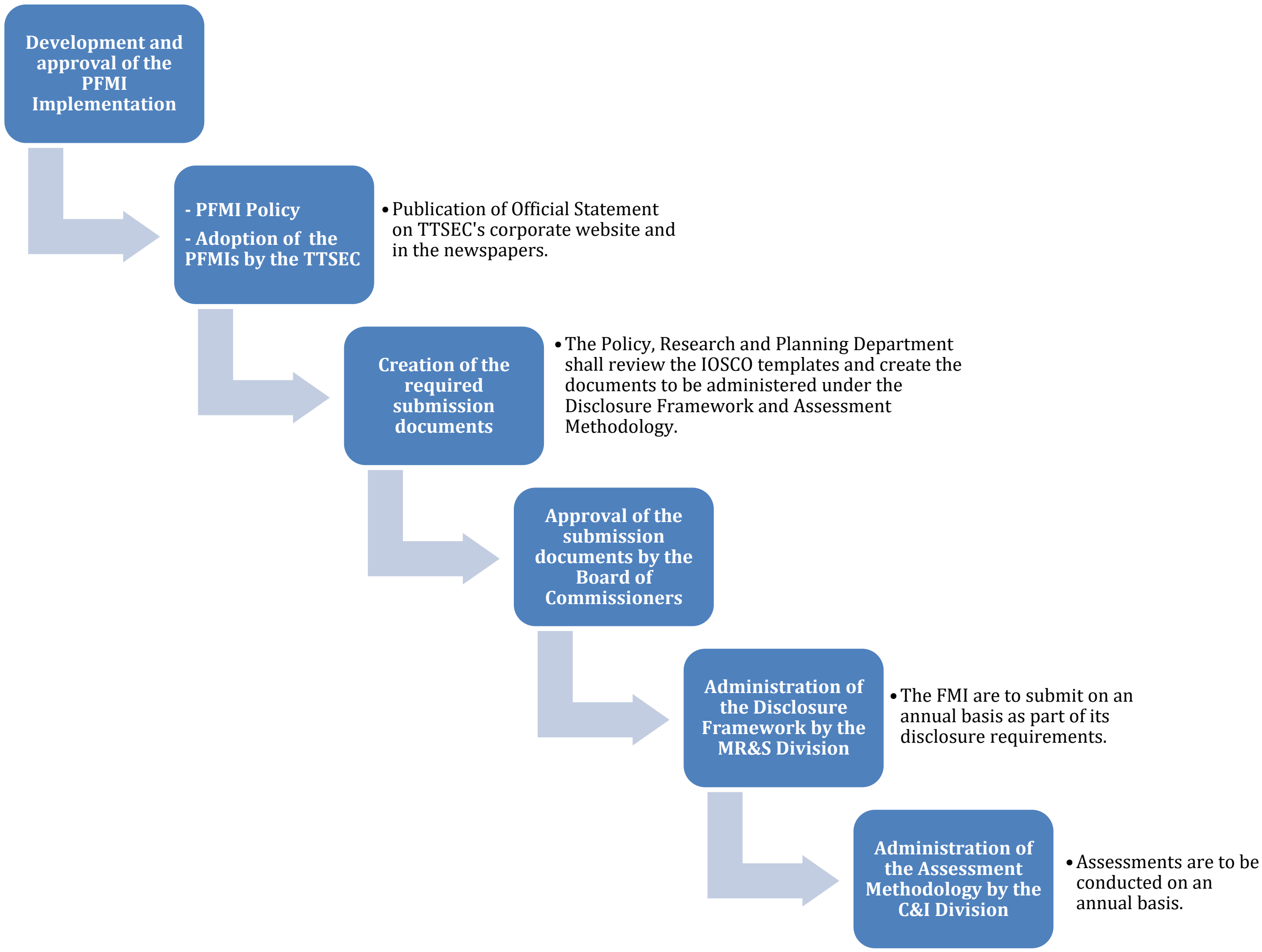
The roles and responsibilities of the following Divisions of the TTSEC under the PFMIs are outlined as follows:

- Policy, Research and Planning Department:
  - Development of the PFMI Policy Document;
  - Revision of the PFMI Policy in future iterations;
  - Development of the templates to be used under the Disclosure methodology.
- Compliance and Inspections Division:
  - Administration of the Assessment Methodology;
  - Development of the Assessment Methodology's templates.
- Market Regulation and Surveillance Division:
  - Administration of the Disclosure Methodology for registered FMIs.
  - Administration of Capital Requirements record-keeping for FMIs.
- Legal Division:
  - Administration of Enforcement Actions brought under the PFMI regulatory framework;
  - Provision of legal advice for the resolution of any disputes that may arise;
  - Provision of legal advice in the identification of regulatory gaps that may occur under the PFMI regulatory framework.
- Disclosure, Registration and Corporate Finance Division:
  - Registration of any new FMIs.
- Records Management Department:
  - Collection of all disclosure and assessment materials pertaining to FMIs that may be received via mail or email.
  - Distribution of same disclosure and assessment materials to the pertinent divisions or departments.

Section IV - The TTSEC's Overall Approach to the Implementation of the PFMIs

The recommended approach to the implementation of the PFMIs in Trinidad and Tobago is outlined in **Figure 1** below.

Figure 1 - Process Map for the Implementation of the PFMIs as part of the TTSEC's regulatory framework



1. This implementation process begins with the adoption of the PFMIs by the TTSEC as part of the regulatory framework for the local securities industry. This would entail the development and publication of an official statement by the TTSEC which confirms the adoption of the PFMIs. The official statement should consist of the following elements[4]:

- An opening paragraph which will declare that the TTSEC is officially adopting the PFMIs. This paragraph would also state that this is in keeping with international best practice and will apply the Principles within our regulatory frameworks, for the FMIs that are deemed to be systemically important.
- The statement should also state the effective date for the adoption and that the oversight framework shall be revised based on a combination of industry intelligence and the spirit of the issued standards.
- Definitions of FMIs and a history of the PFMIs will also be included in the official statement.
- The official statement should be concluded with the names of the FMIs which falls under the regulatory ambit of the regulator and the PFMIs. In this instance, the FMIs operating in the country that will fall under the TTSEC's administration of the PFMIs are:
  - **the Trinidad and Tobago Stock Exchange Limited,**
  - **the Trinidad and Tobago Central Depository Limited,**
  - **the Government Securities Settlement System** and
  - **the Government Registry and Auction.**

It is anticipated that the official statement will be published in the major newspapers and be also publicly available on the TTSEC's corporate website. Any regulatory gaps found will be treated with via the legislative amendment process.

2. Once the official statement is published, the TTSEC will conduct a comprehensive review of its current regulatory framework to ensure that the necessary amendments are made to bring compliance with the PFMIs' standards. This will be on a continuous basis. It is noted that certain Principles may not be applicable to the TTSEC as those are more closely relevant to financial regulators that banking and payment systems regulators. A market guidance document will be prepared and circulated to the current FMIs operating within the industry. This document will provide FMIs operating within the local securities industry with guidance on whether they are compliant with the PFMIs, and if they are not currently doing same, how this can be achieved. This should be undertaken as a cross-functional exercise within the TTSEC involving the Executive, the Legal Advisory and Enforcement Division, the Market Regulation and Surveillance Division, the Compliance and Inspection Division and the Policy, Research and Planning Department or its Legislative Review Committee alternatively.

[4] An example of an official statement made by a financial regulator can be found on the Bank of Jamaica's website: http://www.boj.org.jm/uploads/news/Statement-on-the-Adoption-of-the-PFMIs-31-December2019R.pdf.

3. One of the major steps would involve the adoption of the Disclosure framework and Assessment methodology for FMIs, which are discussed in greater detail in Section V below. This will involve the development of the required templates for both the framework and the methodology:

3.1 The TTSEC via its Policy, Research and Planning Department will create a disclosure document that will be administered by the (“MR&S”) Division. The MR&S Division will be consulted as part of this process.

3.2 The TTSEC via its Compliance and Inspection (“C&I”) Division will administer the Assessment methodology adopted by the TTSEC.

3.3 These documents will be based on the document templates that were provided by IOSCO in their respective documents on the topic. The Policy, Research and Planning Department will review and decide whether the forms can be adopted with or without changes of the IOSCO documents. Once the documents have been developed and reviewed by the TTSEC’s Executive, they will be sent to the Board of Commissioners for approval. After incorporating recommended changes by the Board of Commissioners and the documents are approved, they will be disseminated to the public.

4. Once fully adopted as part of the regulatory framework, the disclosure document will be sent to the respective FMIs for their review and completion. Once the FMI has completed the disclosure document, it will send it to the TTSEC via its MR&S Division as a submission under the FMI’s official disclosure requirements. Entities that have more than one (1) FMI as part of its organisational structure shall have to complete a disclosure document for each FMI under its control. The FMI shall also place the disclosure document(s) on its official website for public dissemination.

The assessments of FMIs operating within the local securities industry shall be conducted on a pre-determined schedule with a recommendation that they are conducted on an annual basis. In its administration of the Assessment methodology, the C&I Division will determine the process by which its Staff will go into each FMI in order to conduct each assessment. The staff of the C&I Division will assign rating assignments for each principle under the PFMIs wherever applicable as part of the Assessment methodology. The rating framework is discussed in greater detail in Section VI of this document.[5] There shall be a consensus among the staff of the C&I Division regarding the rating assignments given for each principle during the assessments conducted on local FMIs.

[5] See pages 16 – 22 for this discussion.

Section V - IOSCO Disclosure Framework and Assessment Methodology for FMIs

The CPSS and IOSCO published **"Principles for financial market infrastructures: Disclosure framework and Assessment methodology"** in December 2012 as an addendum to its April 2012 report. The December 2012 report highlights the need for robust disclosures of the FMIs which will be evaluated via the disclosure framework and assessment methodology.

The Disclosure framework and Assessment methodology were chosen as the basis upon which the TTSEC will develop its own PFMI policy framework due to the integral role it possesses within the joint IMF/-World Bank FSAP. These assessments are essential in evaluating the financial stability within the local economy and have important ramifications for systemic risk mitigation. The Disclosure framework and Assessment methodology shall now be discussed in greater detail within the next paragraphs.

The Disclosure Framework: In discussing the proposed disclosure framework, the December 2012 report outlines its primary purpose in the following paragraph:

> *"The PFMI requires that an FMI provide relevant information to participants, relevant authorities and the broader public. In particular, Principle 23 on the disclosure of rules, key procedures and market data states that an FMI should provide sufficient information to enable participants to have an accurate understanding of the risks and costs they incur by participating in the FMI. <u>The disclosure framework prescribes the form and content of the public disclosures expected of FMIs under key consideration 5 of Principle 23. Standardised FMI disclosure practices will allow for more-robust comparisons of FMIs by participants, authorities and the broader public</u>. In addition, the CPSS and IOSCO are developing a separate set of key quantitative information disclosures that particular types of FMIs would be expected to update more frequently than the disclosure framework."* (The Committee on Payment and Settlement Systems and the International Organization of Securities Commissions 2012, 1).

The framework is focused on the completion of a disclosure document as seen in **Appendix 3**. The objective of the disclosure framework is to improve the overall transparency of the FMI and its governance, operations and risk management framework for a broad audience that includes current and prospective participants in the FMI, other market participants, authorities and the general public. Greater market transparency supports the main public policy objectives of the CPSS and IOSCO to enhance the safety and efficiency in payment, clearing, settlement and recording arrangements, and, more broadly, to foster financial stability (The Committee on Payment and Settlement Systems and the International Organization of Securities Commissions 2012, 5).

The Assessment Methodology: Currently, the Trinidad and Tobago Stock Exchange and its subsidiary, the Trinidad and Tobago Central Depository are the only FMIs that are currently under the TTSEC's regulatory purview. This section provides guidance to assessors (C&I Division, MR&S Division internally and FSAP examiners externally) for the evaluating observance of the

24 principles and five responsibilities by FMIs operating within Trinidad and Tobago as set forth in the PFMIs. The December 2012 report states the following regarding its purpose:

> *"Also, the PFMI states that all FMIs should observe the principles and that all relevant authorities should observe the responsibilities to the fullest extent allowed by the legal framework in their jurisdiction. In order to promote and monitor observance of the principles and responsibilities, the assessment methodology provides guidance to assessors on how to conduct assessments of observance against the PFMI. For the principles, the goal of the assessment methodology is to determine whether and how well an FMI observes the principles and to help identify potential opportunities for improvement. For the responsibilities, the goal of the assessment methodology is to determine whether and how well authorities fulfil their regulatory, supervisory and oversight responsibilities for FMIs and to help identify potential opportunities for improvement"* (The Committee on Payment and Settlement Systems and the International Organization of Securities Commissions 2012, 1-2).

There are six (6) steps identified within the aforementioned December 2012 report for assessing the PFMIs:

1. **Step 1:** Determine the appropriate scope of the assessment;
2. **Step 2:** Gather facts on each applicable key consideration;
3. **Step 3:** Develop key conclusions for each principle;
4. **Step 4:** Assign a rating for each principle;
5. **Step 5:** Indicate an appropriate time frame for addressing each identified issue of concern, if any, including a discussion of priorities; and
6. **Step 6:** Prepare an assessment report.

Step 1: Determine the appropriate scope of the assessment

The report states that careful consideration should be given to the scope of the assessment, which should include a determination of which FMIs to assess, which FMI operations and services to assess, and which principles to assess. This scope should be clearly communicated to the assessed FMIs prior to the assessment being undertaken.

Regarding the FMIs to be assessed, the TTSEC (will regularly assess FMIs that are deemed systemically important within the local securities industry. These assessments will be conducted via its Compliance and Inspection Division as part of the Division's compliance review programme.

External assessors, such as FSAP, may typically rely on the TTSEC's designation of an FMI as systemically important. However, there may be instances where it may define certain FMIs as being outside the scope of the assessment. Additionally, external assessors may choose to focus on FMIs that are the most relevant to global financial stability.

Regarding which FMI operations and services to be assessed, each FMI should be assessed separately due to the significant differences in organisation, function and design that likely exist. A determination must be made by the C&I Division as to which of the FMI's operations and services are within scope and identify the entity to be assessed for each assessment. In instances where the FMI has established links to settle cross-border trades, assessors may need to consider the best methods for coordinating with authorities in the relevant jurisdictions if the coordination is essential for completing the assessment.

Regarding which principles to be assessed, an assessment can be conducted under the following modalities:

- The assessment is conducted against all relevant principles as part of a periodic comprehensive review of a FMI's safety and efficiency;
- The assessment is conducted against one or more individual principles that relate to a proposed new service offering or a proposed material change to a FMI's risk management framework,
- The assessment is conducted against one or more individual principles that may be targeted for a thematic (or "horizontal") review across one or more FMIs; or
- The assessment is conducted against one or more individual principles that are relevant to certain problems identified before the assessment and may be targeted at one or more FMIs.[6]

It is recommended that such assessments are conducted against all relevant principles as part of a periodic comprehensive review of a FMI's safety and efficiency.

Step 2: Gather facts on each applicable key consideration

Section 5 of the December 2012 report outlines questions which are categorised by key consideration for each of the 24 Principles. These questions will help the assessors gather facts as to whether a FMI is in compliance with the PFMIs. The information collection process can also serve as an early indicator of the extent to which the assessed FMI is meeting expectations regarding how it is providing access to information. It should be noted that the following questions are intended to inform and guide the judgment of assessors and not become a replacement for it. Focus should be placed on the issues where risk is greatest, and risk assessment should be forward-looking and based on sound judgment. It should be noted that the list of questions is not exhaustive, and are open to modification by assessors when conducting their review. In order to develop meaningful conclusions and rating assignments, it is stated that assessors from the TTSEC should develop a general understanding of a FMI's basic business activities, operations and services, processes, rules and procedures. To accomplish same, the following overarching questions for each principle should be kept in mind during any assessment conducted by the TTSEC:

- What is the FMI's approach or method for observing the principle?

[6] Please see page 9 of the December 2012 report.

- What analyses, processes and rationale does the FMI use to ensure the effectiveness of its approach or method for observing the principle?
- How does the FMI measure and monitor its ongoing performance in observing the principle?
- What other evidence is available to help monitor the FMI's ongoing performance in observing the principle?

Step 3: Develop key conclusions for each principle

The December 2012 report argues that any key conclusions drawn are *"an assessor's overall determination of the extent to which a principle is observed by the FMI being assessed"* (The Committee on Payment and Settlement Systems and the International Organization of Securities Commissions 2012). These should be provided in the form of a narrative summary based on the facts found by the assessors. When drawing a key conclusion, assessors should:

- Summarise the FMI's practices and achievements, as warranted.
- Identify any gaps or shortcomings as they emerge from the facts gathered by assessors.
- For each gap or shortcoming, describe any associated risks or other issues and the implications for observing the principle.
- For each gap or shortcoming, determine if it is an issue of concern[7] based on the associated risks and issues. Assessors will be asked to distinguish between the three (3) categories of issues of concern:
    - Those that are serious and warrant immediate attention;
    - Those that could become serious if not addressed promptly; and
    - Those that should be addressed in a defined timeline.

The derived key conclusions will serve as building blocks for rating assignments.

Step 4: Assign a rating for each principle

The Assessment Methodology Rating Framework provides guidance for assigning a rating to each principle. The rating framework is built on the gravity and urgency of the need to remedy identified issues of concern as outlined in **Table 1** below.

Table 1 - Rating Framework for Assessments of the PFMIs

Rating Category	Comments
Observed	The FMI observes the principle. Any identified gaps and shortcomings that are not issues of concern and are minor, manageable and of a nature that the FMI could consider taking them up in the normal course of its business.
Broadly Observed	The FMI broadly observes the principle. The assessment has identified one or more issues of concern that the FMI should address and follow up on in a defined timeline.

[7] The CPSS and IOSCO defined an issue of concern as *"a risk management flaw, a deficiency, or a lack of transparency or effectiveness that needs to be addressed"* (The Committee on Payment and Settlement Systems and the International Organization of Securities Commissions 2012, 10).

Rating Category	Comments
Partly Observed	The FMI partly observes the principle. The assessment has identified one or more issues of concern that could become serious if not addressed promptly. The FMI should accord a high priority to addressing these issues.
Not Observed	The FMI does not observe the principle. The assessment has identified one or more issues of concern that warrant immediate action. Therefore, the FMI should accord the highest priority to addressing these issues.
Not Applicable	The principle does not apply to the type of FMI being assessed because of the particular legal, institutional, structural or other characteristics of the FMI.[8]

When assigning ratings, assessors should ensure that they reflect conditions at the time of the assessment as they are premised on the key conclusions as determined by the assessors. They are also a reflection of the type or impact of the risks and other issues associated with each identified gap or shortcoming. Any plans for improvements should be noted in the assessment report, where appropriate, but should not influence judgments about observance of the PFMIs

The process for determining a rating is influenced by numerous factors:

1. Firstly, there is the need for assessors to note instances where observance of a particular principle could not be adequately assessed with an explanation as to why this is so.
2. Further to this, assessors should also identify whether the principle is applicable. This is the case when a principle does not apply to the type of FMI being assessed. This also occurs when the principle applies to the type of FMI being assessed but the specific legal, institutional, structural or other characteristics of the FMI's jurisdiction or design make the principle irrelevant.
3. Assessors should determine whether observance of an applicable principle has occurred during the time of assessment. The December 2012 report argues that for a principle to be assessed as being 'observed', any identified gaps or shortcomings should not be issues of concern and should be minor, manageable and of a nature that the FMI could consider taking them up in the normal course of business.
    a. When a principle is not fully observed, assessors must decide on the degree of observance. Ratings should consider not only the number of issues identified but also the level of concern they present.
    b. It is important to note that there may be multiple issues with differing degrees of concern. In such cases, the assessor shall assign a rating that reflects the assessor's judgment of the severity of the most serious concerns identified. An explanation of these ratings can be found in **Table 1** on pages 19 - 20.

[8] The December 2012 report states that the case of a principle not being assessed does not fall within this category. A list of principles not covered in the assessment, and an accompanying explanation of the reasons for the exclusion, are part of the introduction to the assessment.

c. Assessors should ensure that the rating appropriately reflects the circumstances. The December 2012 report provides the example of an assessment where there is a combination of a number of smaller gaps or shortcomings found, which may form an issue of concern.

Step 5: Indicate an appropriate time frame for addressing each identified issue of concern, if any, including a discussion of priorities

There is no fixed process for defining an appropriate time frame for the assessed entities to treat with identified issues of concern. Additionally, there are some basic steps to consider when deciding time frames. When preparing the assessment report, assessors should ensure that the report has a conclusion that is comprised of the following components:

a. A clear identification of the issues of concern that need to be addressed, if any; and
b. An indication of an appropriate time frame for addressing each identified issue of concern.
c. In preparing recommendations for a principle that is not rated as "observed", assessors should provide recommendations that address any identified issues of concern and serve to improve the FMI's level of observance of the principle.

Step 6: Prepare an Assessment Report

The final step is the preparation of the assessment report. The assessment report template for assessing a FMI against the PFMIs that was sourced from the December 2012 report is provided in **Appendix 4**. Once completed, the assessment report will be prepared by the C&I Division and the results of the assessment disseminated with the management of the FMI.

Section VIII - Conclusions and Recommendations

The PFMIs represent an additional level of transparency that will help to foster the development of the local securities industry. The applicability of each of the 24 Principles of the PFMI framework is summarised in **Table 2** below. It is noted that applicability will be evaluated on an annual basis or whenever changing market conditions results in central counterparties and trade repositories commencing operations within the local securities industry.

Table 2 - Applicability of the PFMIs in Trinidad & Tobago securities industry

Principles	Applicable in Trinidad & Tobago? Yes or No	Reasons
1. Legal Basis	Yes	Applicable to all types of FMIs.
2. Governance	Yes	Applicable to all types of FMIs.
3. Framework for the comprehensive management of risks	Yes	Applicable to all types of FMIs.

Principles	Applicable in Trinidad & Tobago? Yes or No	Reasons
4. Credit risk	Yes	Applicable to all types of FMIs.
5. Collateral	Yes	Applicable to all types of FMIs.
6. Margin	No	There are no central counterparties currently operating locally.
7. Liquidity risk	Yes	Applicable to all types of FMIs.
8. Settlement finality	Yes	Applicable to all types of FMIs.
9. Money settlements	Yes	Applicable to all types of FMIs.
10. Physical deliveries	Yes	Applicable to all types of FMIs.
11. Central securities depositories	Yes	Applicable to the securities industry.
12. Exchange-of-value settlement systems	Yes	Applicable to the securities industry.
13. Participant default rules and procedures	Yes	Applicable to the securities industry.
14. Segregation and portability	No	There are no central counterparties currently operating locally.
15. General business risk	Yes	Applicable to all types of FMIs.
16. Custody and investment risks	Yes	Applicable to all types of FMIs.
17. Operational risk	Yes	Applicable to all types of FMIs.
18. Access and participation requirements	Yes	Applicable to all types of FMIs.
19. Tiered participation arrangements	Yes	Applicable to all types of FMIs.
20. FMI links	Yes	The TTCD is currently a subsidiary of the TTSE.
21. Efficiency and effectiveness	Yes	Applicable to all types of FMIs.
22. Communication procedures and standards	Yes	Applicable to all types of FMIs.
23. Disclosure of rules, key procedures and market data	Yes	Applicable to all types of FMIs.
24. Disclosure of market data by trade repositories	No	There are no trade repositories currently operating locally.

The Staff of the TTSEC recommends:

- The approval of the implementation document by either the Board of Commissioners or the Chief Executive Officer (if possible);
- The review of the regulatory framework as part of the process for incorporating the PFMIs as part of the TTSEC's regulatory framework;
- The creation and approval of the submission documents that will be used under the Disclosure framework and the Assessment methodology;
- The development and publication of an Official Statement for the adoption of the PFMIs as part of its regulatory framework;
- The administration of the Disclosure framework and the Assessment methodology by the highlighted Divisions within the TTSEC (i.e. the MR&S and C&I Divisions).

It is recommended that the Disclosure framework and the Assessment methodology should be placed on an annual administrative schedule, which will be administered by the MR&S and C&I Divisions respectively. When developed, the policy framework for the PFMIs shall be reviewed on a biennial basis as previously discussed in the document by the Policy, Research and Planning Department. If there are any changes to the policy framework, Staff of the Policy, Research and Planning Department will undergo the path taken under this initial exercise.

APPENDICES

Appendix 1 – Draft - Official Statement on TTSEC's Adoption of PFMIs

Official Policy Statement on the Adoption of Committee on Payment and Settlement Systems (CPSS) and International Organization of Securities Commissions (IOSCO) Principles for Financial Market Infrastructures by the Trinidad and Tobago Securities and Exchange Commission

1. INTRODUCTION

Financial Market Infrastructures (FMIs) play a critical role in the financial system and the broader economy and contribute to maintaining and promoting financial stability and economic growth. At the same time, FMIs also concentrate risk and, if not properly managed, can transmit and even amplify shocks across financial markets.

An FMI is defined as "a multilateral system among participating institutions, including the operator of the system, used for the purposes of clearing, settling, or recording payments, securities, derivatives, or other financial transactions". The term FMI is used in reference to systemically important payment systems (SIPS), Central Securities Depositories (CSDs), Securities Settlement Systems (SSSs), Central Counter Parties (CCPs), and Trade Repositories (TRs) that facilitate the clearing, settlement, and recording of financial transactions.

Over the years various standards have been established for FMIs by international standard setting bodies such as the Bank for International Payments (BIS) Committee on Payment and Settlement Systems (CPSS) and International Organization of Securities Commissions (IOSCO).

In February 2010 CPSS and IOSCO launched a comprehensive review of the three existing sets of standards[9] for FMIs incorporating the lessons learned from the financial crisis. This was initiated in support of the Financial Stability Board's[10] (FSB) broader efforts to strengthen core financial infrastructures to adapt to greater uncertainties and risks in financial markets.

In April 2012, CPSS and IOSCO published 24 new standards for FMI: Principles for Financial Market Infrastructures (PFMI). These new standards harmonized and consolidated the existing sets of international standards (CPSIPS, RSSS and RCCP), raised minimum requirements for more effective risk mitigation, provided more detailed guidance and broadened the scope of the standards to cover new risk-management areas and new types of FMIs.

As a tool to guide regulators in their adoption of these PFMI, the new standards also describe the general responsibilities of relevant authorities for FMIs in implementation. CPSS and IOSCO have also published the Principles for Financial Market Infrastructures: disclosure framework and assessment methodology which recommends standard disclosure of information by FMIs and consistent assessments by international financial institutions such as the IMF and World Bank, and national authorities.

In Trinidad and Tobago, the responsibility for the supervision and oversight of CSDs and SSSs resides with the Trinidad and Tobago Securities and Exchange Commission (TTSEC), while that

[9] The three existing sets of international standards are the Core Principles for systemically important payment systems (CPSS, 2001); the Recommendations for securities settlement systems (CPSS-IOSCO, 2001); and the Recommendations for central counterparties (CPSS-IOSCO, 2004).

[10] The FSB has been established to coordinate at the international level the work of national financial authorities and international standard setting bodies and to develop and promote the implementation of effective regulatory, supervisory and other financial sector policies. It brings together national authorities responsible for financial stability in significant international financial centres, international financial institutions, sector-specific international groupings of regulators and supervisors, and committees of central bank experts. http://www.financialstabilityboard.org/about/overview.htm.

of Systemically Important Payment Systems (SIPS) rests with the Central Bank. The Central Bank currently uses the BIS Core Principles as the framework for assessment of the systemically important payment systems in Trinidad and Tobago. As at March 31st, 2021, the Trinidad and Tobago Securities and Exchange Commission has taken a decision to adopt the PFMI in the execution of its Payments System Oversight Function and has set a two-year timeframe for its implementation.

2. The Payments System Oversight Function within the Securities Industry of Trinidad and Tobago

The Trinidad and Tobago Securities and Exchange Commission is mandated to regulate all aspects of the local securities industry. Currently, the Trinidad and Tobago Securities and Exchange Commission oversees the following registrants who control and/or operate payments systems:

I. Trinidad and Tobago Stock Exchange Limited and its subsidiary, Trinidad and Tobago Central Depository Limited (which manages the Avvento Trading and Surveillance System); and
II. The Government Securities Auctioning and Registry (GSS).

The trading system of the Trinidad and Tobago Stock Exchange Limited has become accessible with the establishment of an online trading platform, referred to as TOP (TTSE Online Platform).

Oversight of these institutions is effected mainly via two pieces of legislation: the Securities Act 2012, As Amended ("SA 2012 as amended") and the Securities General By-Laws, 2015 ("The By-Laws"). The SA 2012 as amended provides the following critical definitions regarding the payment and settlement systems of securities transaction:

I. "Alternative Trading System" or "ATS" means a securities market that—
   a. is not a quotation and trade reporting system or a securities exchange; and
   b. does not—
      i. require an issuer to enter into an agreement to have its securities traded on the securities market;
      ii. provide, directly or through one or more subscribers, a guarantee of a two-sided market for a security on a continuous or reasonably continuous basis;
      iii. set requirements governing the conduct of subscribers, other than conduct in respect of the trading by those subscribers on the securities market; and
      iv. discipline subscribers other than by the exclusion from participation in the securities market.
II. "Clearing agency" includes the Central Depository and any entity that—
   a. maintains records of trades of securities for the purpose of settling claims for money and securities;
   b. maintains records of transfers and pledges of securities for the purpose of permitting securities to be transferred by record entry;
   c. holds security certificates deposited with it for the purpose of permitting securities to be transferred by record entry;
   d. acts as an intermediary in paying funds or delivering securities, or both, in connection with trades and other transactions in securities;

e. provides centralised facilities for the clearing of trades and other transactions in securities, including facilities for comparing data in respect of the terms of settlement of a trade or transaction; or
f. provides centralised facilities as a depository of securities,

but does not include a broker-dealer or financial institution acting exclusively in the ordinary course of its business.

III. "Securities exchange" means an entity which maintains or provides—
a. physical facilities where persons may meet to execute trades in securities; or
b. a mechanical, electronic or other system that facilitates execution of trades in securities by matching offers of purchase and sale, and includes the Stock Exchange.

IV. "Securities market" means—
a. a securities exchange, quotation and trade reporting system, ATS; or
b. any other person that—
i. constitutes, maintains or provides a market or facility for bringing together buyers and sellers of securities;
ii. brings together the orders for securities of multiple buyers and sellers; and
iii. uses established, non-discretionary methods under which the orders interact with each other and buyers and sellers entering the orders agree to the terms of a trade.

Part III of the SA 2012 as amended is the backbone upon which the Trinidad and Tobago Securities and Exchange Commission is able to effectively monitor and regulate the activities of the industry's financial market infrastructures. Additionally, there will be consultations with its stakeholders to ensure that the aforementioned institutions are abiding by the principles outlined by the PFMIs.

The Securities (General) By-Laws, 2015 ("The By-Laws") also provides regulatory guidance as to the regulation of Financial Market Infrastructures. Part III of the By-Laws outlines two major aspects:

3. By-Law 15 prescribes the application process to which any self-regulatory organisation, including the Trinidad and Tobago Stock Exchange, must adhere for registration with the Trinidad and Tobago Securities and Exchange Commission.
4. By-Law 16 outlines the prescribed records that must be kept by the self-regulatory organisation.

Part V (By-Laws 27 – 53) outline the obligations of registrants and self-regulatory organisations, which includes:

- By-Law 27: Capital requirements and notification
- By-Law 28: Quarterly calculation of capital requirements
- By-Law 29: Record-keeping by registrants
- By-Law 30: Adequate precautions and access
- By-Law 31: Records of original entry
- By-Law 32: Ledgers
- By-Law 33: Ledger account

- By-Law 34: Securities record
- By-Law 35: Order and instructions
- By-Law 36: Confirmation and notice
- By-Law 37: Cash and margin account
- By-Law 38: Option records
- By-Law 39: Audited annual comparative financial statements of registrants
- By-Law 40: Interim financial statements
- By-Law 41: Financial statements to customer by registrants
- By-Law 42: Education and training
- By-Law 43: Standards of investment for filing
- By-Law 44: Statements of accounts
- By-Law 45: Acknowledgement of record entry transfers in contract
- By-Law 46: Branch offices
- By-Law 47: Filing of annual report
- By-Law 48: Annual comparative financial statements
- By-Law 49: Certificate of annual and interim comparative financial statements
- for collective investment schemes
- By-Law 50: Management discussion and analysis
- By-Law 51: Acceptable accounting principles
- By-Law 52: Filing of material sent to security holders or filed abroad
- By-Law 53: Notification of changes

Part IX (By-Law 80) states, ***"For the purposes of section 130(1) of the Act, an issuer shall give the clearing agency no less than seven days' notice of its intention to close its securities register or fix a record date."***

For more detailed information on these principles and the associated assessment methodology please access the links below. Bank for International Settlements, Principles for financial market infrastructures, April 2012, http://www.bis.org/publ/cpss101a.pdf and Principles for financial market infrastructures: disclosure framework and assessment methodology, December 2012, http://www.bis.org/publ/cpss106.htm.

Appendix 2 - Cover Page of Research Paper and Link to PDF Document

TRINIDAD AND TOBAGO SECURITIES AND EXCHANGE COMMISSION

Principles of Financial Market Infrastructures: An Overview

Policy, Research and Planning Division
29th June 2016

This document outlines briefly the Principles of Financial Market Infrastructures (PFMIs) developed by the Bank of International Settlements. The The purpose of this paper is to discuss the Principles of Financial Market Infrastructures (hereby referred to as "PFMIs"). It will form the basis for future discussions with the Management of the Trinidad and Tobago Securities and Exchange Commission (hereby referred to as "The Commission") on its applicability and, if so, future implementation.

Research Paper -
Principles for Financ

Appendix 3 – FMI disclosure template from the CPSS-IOSCO December 2012 Report

Responding institution: [FMI name]
Jurisdiction(s) in which the FMI operates: [list jurisdictions]
Authority(ies) regulating, supervising or overseeing the FMI: [list authorities]

The date of this disclosure is [date].
This disclosure can also be found at [website address].
For further information, please contact [contact details].

I. Executive summary

This section should summarise the key points from the disclosure framework, including a brief overview of the FMI, its participants, its legal and regulatory framework, its primary risks, and its key risk management and other relevant practices.

II. Summary of major changes since the last update of the disclosure

This section should summarise the major changes to the FMI's organisation, services, design, rules, markets served and regulatory environment since its last disclosure. The FMI should note the sections in its disclosure where such changes are reflected.

III. General background on the FMI

General description of the FMI and the markets it serves

This section should provide basic, concise descriptions of the services offered and functions performed by the FMI. It should also provide an overview of the markets the FMI serves and the role it fulfils within those markets. Further, the section should include basic data and performance statistics on its services and operations. An FMI should provide, for example, basic volume and value statistics by product type, average aggregate intraday exposures of the FMI to its participants, and statistics on the FMI's operational reliability.

General organisation of the FMI

This section should provide an overview of the organisational and governance structure of the FMI, including a description of the FMI's governance policies, governance structure and management structure.

Legal and regulatory framework

This section should provide an overview of the FMI's legal and regulatory framework, including the legal and ownership structure of the FMI, the legal basis for each material aspect of the FMI's activities, and the regulatory, supervisory and oversight framework for the FMI.

System design and operations

This section should explain the FMI's design and operations. It should include a clear description of the typical lifecycle of the transaction process. The information should highlight how the FMI processes a transaction, including the timeline of events, the validation and checks to which a transaction is subjected, and the responsibilities of the parties involved.

IV. Principle-by-principle summary narrative disclosure

This section should provide a summary narrative disclosure for each applicable principle with sufficient detail and context to enable a reader to understand the FMI's approach to observing the principle.

Principle-by-principle summary narrative disclosure	
Principle X *Text of the principle*	
Summary narrative	*This section should provide a summary narrative disclosure with sufficient detail and context, as well as any other appropriate supplementary information, to enable readers to understand the FMI's approach to or method for observing the principle.* *In preparing its summary narrative disclosure for the principle, an FMI should refer to Section 5 of this report as guidance for the points of focus and level of detail it is expected to convey in its disclosure.* *Cross references to publicly available documents should be included, where relevant, to supplement the discussion.*
Answers to individual questions (optional)	*This section, which is optional, should provide answers to the individual questions outlined in Section 5 of this report. Answers to the questions should be organised by key considerations.*

V. List of publicly available resources

This section should list publicly available resources, including those referenced in the disclosure that may help a reader understand the FMI and its approach to observing each applicable principle.

Appendix 4 – FMI Assessment report template on the observance of the responsibilities of authorities for FMIs from the CPSS-IOSCO December 2012 Report

I. Executive summary

This section should highlight the key findings of the assessment.

II. Introduction

This section should introduce the report and include the following key information regarding the assessment:

- Assessor: Identify the entity and assessors conducting the assessment.
- Objective of the assessment: Identify the objective and context of the assessment.
- Scope of the assessment: Identify the set of authorities; authorities' responsibilities over regulation, supervision and oversight of FMIs; and responsibilities assessed.
- Methodology of the assessment: Identify the process followed in conducting the assessment. If not all responsibilities were assessed, an explanation should be provided of why certain responsibilities were not assessed.
- Sources of information in the assessment: Identify the main sources of information, including public and non-public sources, used in conducting the assessment. These sources may include written documentation (such as other assessments, surveys, questionnaires, reports, studies, relevant laws and regulations, and regulatory and industry guidance) and conversations with authorities and relevant industry stakeholders.

In addition, this section should mention any difficulties in conducting the assessment, such as lack of information or cooperation and any factors limiting the assessment process or its scope. Further, an account of any information requested but not obtained should be given.

III. Overview of the payment, clearing and settlement landscape

This section should provide a general description of the overall payment, clearing and settlement landscape; a general description of the regulatory, supervisory and oversight framework relating to the FMIs in the jurisdiction; a brief description of the relevant authorities; and a summary of the major changes and reforms implemented in the recent past or scheduled for the near future.

IV. Summary assessment

Summary assessment of observance of the responsibilities

This section should summarise the key findings of the detailed assessment of the responsibilities. For each responsibility, the assessment should:

- highlight the authorities' key practices and achievements;
- list identified issues of concern; and

• comment on each responsibility that is not fully observed and provide the main reasons for assigning a rating of “broadly observed”, “partly observed” or “not observed”; indicate the risk factors that might influence the degree of non-observance; and indicate whether the issues of concern are being addressed, as well as the degree of observance that will be achieved if current efforts proceed as envisaged.

This section should conclude with a summary of the responsibility-by-responsibility assessment of observance (see Table 1).

Table 1

Ratings summary

Assessment category	Responsibility
Observed	*eg Responsibilities A and C*
Broadly observed	*eg Responsibilities B, D and E*
Partly observed	
Not observed	
Not applicable	

Recommendations for authorities

This section should list the suggested steps to improve authorities’ observance of the responsibilities. In Table 2, assessors should list issues of concern and other gaps or shortcomings in the authorities’ observance of the responsibilities, along with any recommendations to address them, the relevant authority to address the recommendation, and the time frame within which the relevant authority should take action.

Assessors should list recommendations in order of priority, from the most urgent to be implemented or addressed to the least urgent. Assessors should also explain the manner in which the recommended action would lead to an improvement in the level of observance of the responsibilities. Any specific obstacles to observance should also be noted. If authorities have plans for improvements under way, this should be noted in the comments section.

Some responsibilities may be listed multiple times in Table 2 when multiple issues of concern or other gaps or shortcomings have been identified.

Table 2

Prioritised list of recommendations

Responsibility	**Issue of concern or other gap or shortcoming**	**Recommended action and comments**	**Relevant parties**	**Time frame for addressing recommended action**

V. Detailed assessment report

The detailed assessment table should provide a description with regard to the key considerations, key conclusions and the assessment rating for each responsibility (see Table 3).

Table 3

Detailed assessment of observance of the responsibilities

For each responsibility	
Responsibility X *Text of the responsibility*	
Key consideration 1 *Text of key consideration*	*This section should provide information on the practices of the authorities as they relate to the key consideration. Assessors should be guided by the questions for each key consideration and, where applicable, should organise information according to the subject headers provided in the question set in Section 6.* *Responses should reflect the actual practices followed by authorities. The list of questions in Section 6 is a tool to help assessors gather facts and is not intended to be a checklist. The specific answers to each of these questions should not necessarily be part of the assessment report.*
⋮	⋮
Key consideration N *Text of key consideration*	*Supporting facts…*
Key conclusions for responsibility	*This section should provide a narrative summary of key information collected by the assessors for each responsibility based on the supporting facts collected for each key consideration. The narrative summary should summarise the authorities' practices and achievements, describe the seriousness of any issues of concern, and identify any other gaps or shortcomings.*
Assessment of responsibility	*This section should state whether the responsibility is "observed", "broadly observed", "partly observed", "not observed" or "not applicable". This section should also give the rationale for the assigned rating.*
Recommendations and comments	*This section should provide recommended actions and other comments for each identified issue of concern and any other gaps or shortcomings.*

Appendix 5: Country assessment report template on observance of the principles for FMIs and responsibilities of authorities

I. Executive summary

This section should highlight the key relevant findings of the assessment.

II. Introduction

This section should introduce the report and include the following key information regarding the assessment.

- Assessor: Identify the entity and assessors conducting the assessment.
- Objective of the assessment: Identify the objective and context of the assessment.
- Scope of the assessment: Identify the FMIs, the set of FMIs' operations and services (including instruments and markets served) and the set of principles assessed. Identify the set of authorities; authorities' responsibilities over regulation, supervision and oversight of FMIs; and responsibilities assessed.
- Methodology of the assessment: Identify the process followed in conducting the assessment. If not all principles or responsibilities were assessed, an explanation should be provided on why certain principles or responsibilities were not assessed.
- Sources of information in the assessment: Identify the main sources of information, including public and non-public sources, used in conducting the assessment. These sources may include written documentation (such as other assessments, surveys, questionnaires, reports, studies, relevant laws and regulations, and regulatory and industry guidance) and conversations with the FMIs themselves, authorities and relevant industry stakeholders (such as participants, stock exchanges, custodians, securities brokers or end user associations).

In addition, this section should mention any difficulties in conducting the assessment, such as lack of information or cooperation and any factors limiting the assessment process or its scope. Further, an account of any information requested but not obtained should be given.

III. Overview of the payment, clearing and settlement landscape

This section should provide a general description of the overall payment, securities or derivatives clearing and settlement architecture.
The section should also provide a general description of the FMIs' operations and services; and summary statistics to help understand the scope of the FMIs' activities, including by comparison with other FMIs of the same type, either from the same country or from other relevant countries.
The section should also provide a general description of the regulatory, supervisory or oversight framework relating to the FMIs; a brief description of the relevant authorities; and a summary of the major changes and reforms implemented in the recent past or scheduled for the near future.

IV. Summary assessment

Summary assessment of observance of the principles

This section should summarise the key findings of the detailed assessment of principles. Assessors should state the main findings of the detailed assessment of observance of the principles under the following main categories: (a) general organisation (Principles 1 to 3); (b) credit and liquidity risk management (Principles 4 to 7); (c) settlement (Principles 8 to 10); (d) central securities depositories and exchange-of-value settlement systems (Principles 11 and 12); (e) default management (Principles 13 and 14); (f) general business and operational risk management (Principles 15 to 17); (g) access (Principles 18 to 20); (h) efficiency (Principles 21 and 22); and (i) transparency (Principles 23 and 24).

Under each category, assessors should, for each FMI:

- highlight the FMI's key practices and achievements;
- list identified issues of concern; and
- comment on each principle that is not fully observed and provide the main reasons for assigning a rating of "broadly observed", "partly observed" or "not observed"; indicate the risk factors that might influence the degree of non-observance; and indicate whether the issues of concern are being addressed, as well as the degree of observance that will be achieved if current efforts proceed as envisaged.

This section should conclude with a summary of the results of the principle-by-principle assessment of observance (see Table 1).

Table 1

Ratings summary for principles: [name of FMI]

Assessment category	Principle
Observed	*e.g. Principles 1, 3, 6 and 8*
Broadly observed	
Partly observed	
Not observed	
Not applicable	

Summary assessment of observance of the responsibilities

This section should summarise the key findings of the detailed assessment of responsibilities. For each responsibility, the assessment should:

- highlight the authorities' key practices and achievements;
- list identified issues of concern; and
- comment on each responsibility that is not observed and provide the main reasons for assigning a rating of "broadly observed", "partly observed" or "not observed"; indicate the risk factors that might influence the degree of non-observance; and indicate whether the issues of concern are being addressed, as well as the degree of observance that will be achieved if current efforts proceed as envisaged. This section should conclude with a summary of the results of the responsibility-byresponsibility assessment of observance (see Table 2).

Table 2

Ratings summary for responsibilities

Assessment category	Responsibility
Observed	*e.g. Responsibilities A and C*
Broadly observed	*e.g. Responsibilities B, D and E*
Partly observed	
Not observed	

Not applicable	

Summary assessment of market-wide recommendations

This section should present any findings with regard to the assessment of market-wide recommendations, where applicable (such as FSAPs and technical assistance).[11]

Recommendations for FMIs

This section should list the suggested steps to improve the FMIs' observance of the principles. In Table 3, assessors should list their recommendations to address each identified issue of concern and other gaps or shortcomings in the FMIs' observance of the principles and the time frame within which the FMIs should take action.
Assessors should list recommendations by FMI and in order of priority, from the most urgent to be implemented or addressed to the least urgent. Assessors should explain the manner in which the recommended action would lead to an improvement in the level of observance of the principle. If FMIs have plans for improvements under way, this should be noted in the comments section (although the future impact of those plans will not be reflected in the current assignment of an assessment category). Any specific obstacles to observance should be noted.
Some principles may be listed multiple times in the table when multiple issues of concern or other gaps or shortcomings have been identified.

Table 3

Prioritised list of recommendations for [name of FMI]

Principle	Issue of concern or other gap or shortcoming	Recommended action and comments	Time frame for addressing recommended action

Recommendations for authorities

This section should list the suggested steps to improve authorities' observance of the responsibilities. In Table 4, assessors should list their recommendations to address each identified issue of concern and other gaps or shortcomings in the authorities' observance of the responsibilities and the time frame within which the relevant authority should take action.

Assessors should list recommendations in order of priority, from the most urgent to be implemented or addressed to the least urgent. Assessors should explain the manner in which the recommended action would lead to an improvement in the level of observance of the responsibilities. If authorities have plans for improvements under way, this should be noted (although the future impact of those plans will not be reflected in the current assignment of an assessment category). Any specific obstacles to observance should be noted. The parties that are best positioned to address each identified issue of concern should be indicated.
Some responsibilities may be listed multiple times in the table when multiple issues of concern or other gaps or shortcomings have been identified.

[11] For external assessments which cover the overall national payment system in the country, this section could be used to include comments on any relevant matter identified as an improvement opportunity for the broad payment, clearing and settlement environment.

Table 4

Prioritised list of recommendations for authorities

Responsibility	Issue of concern or other gap or shortcoming	Recommended action and comments	Relevant parties	Time frame for addressing recommended action

Other recommendations on market-wide issues

This section should present any recommendations stemming from the assessment of market-wide recommendations, where applicable (such as FSAPs and technical assistance).[12]

V. Detailed assessment reports

Detailed assessment table of observance of the principles

The detailed assessment table should provide a description of the FMI(s) with regard to applicable key considerations, key conclusions and an assessment rating for each by principle (see Table 5). An example of this template as applied to Principle 1 on legal basis is also provided (see Table 5 – example).

Table 5

Detailed assessment of observance of the principles

For each applicable principle
Principle X *Text of the principle*

[12] For external assessments which cover the overall national payment system in the country, this section could be used to include comments on any relevant matter identified as an improvement opportunity for the broad payment, clearing and settlement environment.

Key consideration 1 *Text of key consideration*	*This section should provide information on the practices of the FMI as they relate to the key consideration. Assessors should be guided by the questions for each applicable key consideration and, where applicable, should organise information according to the subject headers provided in the question set in Section 5. Only the key considerations applying to the category of FMI being assessed should be selected.* *Responses should reflect the actual practices followed by FMI operators and participants. The list of questions in Section 5 is a tool to help assessors gather facts and is not intended to be a checklist. The specific answers to each of these questions should not necessarily be part of the assessment report.*
⋮	⋮
Key consideration 1 *Text of key consideration*	*Supporting facts…*
Key conclusions for principle	*This section should provide a narrative summary of key information collected by the assessors for each principle based on the supporting facts collected for each applicable key consideration. The narrative summary should summarise the FMI's practices and achievements, describe the seriousness of any issues of concern, and identify any other gaps or shortcomings.*
Assessment of principle	*This section should state whether the principle is "observed", "broadly observed", "partly observed", "not observed" or "not applicable". This section should also give the rationale for the assigned rating.*
Recommendations and comments	*This section should provide recommended actions and other comments for each identified issue of concern and any other gaps or shortcomings.*

Table 5 – example

Example table for detailed assessment of observance of principles

Principle 1: Legal basis An FMI should have a well-founded, clear, transparent, and enforceable legal basis for each material aspect of its activities in all relevant jurisdictions.	
Key consideration 1 The legal basis should provide a high degree of certainty for each material aspect of an FMI's	Material aspects and relevant jurisdictions *Insert supporting facts*

activities in all relevant jurisdictions.	Legal basis for each material aspect *Insert supporting facts*
Key consideration 2 An FMI should have rules, procedures, and contracts that are clear, understandable, and consistent with relevant laws and regulations.	*Insert supporting facts*
Key consideration 3 An FMI should be able to articulate the legal basis for its activities to relevant authorities, participants, and, where relevant, participants' customers, in a clear and understandable way.	*Insert supporting facts*
Key consideration 4 An FMI should have rules, procedures, and contracts that are enforceable in all relevant jurisdictions. There should be a high degree of certainty that actions taken by the FMI under such rules and procedures will not be voided, reversed, or subject to stays.	Enforceability of the rules, procedures and contracts *Insert supporting facts* Degree of certainty for rules and procedures *Insert supporting facts*
Key consideration 5 An FMI conducting business in multiple jurisdictions should identify and mitigate the risks arising from any potential conflict of laws across jurisdictions.	*Insert supporting facts*
Key conclusions for Principle 1	*Insert narrative*
Assessment of Principle 1	*Insert assessment*
Recommendations and comments	*Insert recommendations and comments*

Detailed assessment of observance of the responsibilities

The detailed assessment table should provide a description with regard to the key considerations, key conclusions and the assessment rating for each responsibility (see Table 6). An example of this template as applied to Responsibility B is also provided (see Table 6 – example).

Table 6

Detailed assessment of observance of the responsibilities

For each responsibility	
Responsibility X *Text of the responsibility*	
Key consideration 1 *Text of key consideration*	*This section should provide information on the practices of the authorities as they relate to the key consideration. Assessors should be guided by the questions for each key consideration and, where applicable, should organise information according to the subject headers provided in the question set in Section 6.* *Responses should reflect the actual practices followed by authorities. The list of questions in Section 6 is a tool to help assessors gather facts and is not intended to be a checklist. The specific answers to each of these questions should not necessarily be part of the assessment report.*
⋮	⋮
Key consideration N *Text of key consideration*	*Supporting facts…*
Key conclusions for responsibility	*This section should provide a narrative summary of key information collected by the assessors for each responsibility based on the supporting facts collected for each key consideration. The narrative summary should summarise the authorities' practices and achievements, describe the seriousness of any issues of concern, and identify any other gaps or shortcomings.*
Assessment of responsibility	*This section should state whether the responsibility is "observed", "broadly observed", "partly observed", "not observed" or "not applicable". This section should also give the rationale for the assigned rating.*
Recommendations and comments	*This section should provide recommended actions and other comments for each identified issue of concern and any other gaps or shortcomings.*

Table 6 – example

Example table for detailed assessment of observance of responsibilities

Responsibility B: Regulatory, supervisory, and oversight powers and resources Central banks, market regulators, and other relevant authorities should have the powers and resources to carry out effectively their responsibilities in regulating, supervising, and overseeing FMIs.	
Key consideration 1 Authorities should have powers or other authority consistent with their relevant responsibilities, including the ability to obtain timely information and to induce change or enforce corrective action.	Powers or other authority consistent with relevant responsibilities *Insert supporting facts*
	Power to obtain timely information *Insert supporting facts*
	Powers to induce change or enforce corrective action *Insert supporting facts*
Key consideration 2 Authorities should have sufficient resources to fulfil their regulatory, supervisory, and oversight responsibilities.	Resources *Insert supporting facts*
	Legal protections *Insert supporting facts*
Key conclusions for Responsibility B	*Insert narrative*
Assessment of Responsibility B	*Insert assessment*
Recommendations and comments	*Insert recommendations and comments*

Appendix – The Assessment Methodology

Step 1: Determine the scope of the assessment

Authorities shall be assessed at a jurisdictional level and not at the level of the individual regulatory, supervisory or oversight authority. This shall allow assessors to perform a comprehensive assessment of the authorities' observance of the responsibilities and to identify regulatory gaps or overlaps in the jurisdiction. This will be in line with Responsibility E, which treats with cooperation between domestic authorities. It is noted that this does not preclude actions being addressed to a specific authority within the country's oversight framework. Additionally, authorities may wish to assess, jointly or individually, the jurisdiction's own observance of the responsibilities (The Committee on Payment and Settlement Systems and the International Organization of Securities Commissions 2012, 13).

Step 2: Gather facts on each key consideration

In order to build a contextual base for developing key conclusions and assigning ratings, assessors should develop a general understanding of the authorities' jurisdiction, rules and processes. Assessors shall keep in mind the following overarching questions for each responsibility during the assessment:

- What is the authorities' approach or method for observing the responsibility?
- What analyses, processes and rationale do the authorities use to ensure the effectiveness of their approach or method for observing the responsibility?
- How do the authorities measure and monitor their ongoing performance in observing the responsibility?
- What other evidence is available to help monitor the authorities' ongoing in observing the responsibility?

Step 3: Develop key conclusions for each responsibility

When drawing a key conclusion, assessors should:

- Summarise the authorities' practices and achievements, as warranted.
- Identify any gaps or shortcomings as they emerge from the facts gathered by assessors.
- For each gap or shortcoming, describe any associated risks or other issues and the implications for observing the responsibility.
- For each gap or shortcoming, determine if it is an issue of concern based on the associated risks and issues. Assessors should distinguish between the three (3) categories of issues of concern:
    i. Issues of concern that are serious and warrant immediate attention;
    ii. Issues of concern that could become serious if not addressed promptly; and
    iii. Issues of concern that should be addressed in a definite timeline.

The findings from such an exercise will serve as the building blocks for rating assignments.

Step 4: Assign a rating for each responsibility

The rating framework is similar to the one noted on pages 19 - 20 of this document. International Financial Institutions will use this rating framework, particularly in the FSAP context. National authorities, such as the TTSEC may also use this rating framework for their own self-assessments. The ratings should reflect conditions at the time of the assessment. The December 2012 report notes that any plans for improvement should be highlighted in the assessment report, where appropriate, but should not influence judgments about the observance of the responsibilities (The Committee on Payment and Settlement Systems and the International Organization of Securities Commissions 2012).

Step 5: Indicate an appropriate time frame for addressing each issue of concern, if any, including a discussion of priorities

The assessment report should conclude with the following:

- A clear identification of the issues of concern that need to be addressed, if any;
- An indication of an appropriate time frame for addressing each identified issue of concern; and
- An identification of the parties that are best positioned to address each identified issue of concern.

Where domestic authorities conduct self-assessments, they should prepare the action plan themselves. Assessments conducted by external assessors will result in the assessors usually preparing recommendations and discussing them with the authorities. In each case, the party best positioned to initiate each action or recommendation should be identified.

Step 6: Prepare an Assessment Report

The final step is the preparation of the assessment report. The assessment report template for assessing authorities against the Responsibilities is provided in **Appendix 4**. The assessment report template for assessing a country's FMIs and authorities against the PFMIs and the Responsibilities is provided in **Appendix 5.**