



OVERSIGHT part II - practical issues

9th Conference on Payments and Securities Settlement Systems, Ohrid, 5-8 June 2016

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AGENDA

Central Questions

How do we conduct oversight?

Today: practical issues

Organizational aspects

DEFINITION OVERSIGHT

Oversight of payment and settlement systems is a central bank function whereby the objectives of safety and efficiency are promoted by **monitoring** existing and planned systems, **assessing** them against these objectives and, where necessary, **inducing changes**

What about responsibilities?

Operator ?

Or

Overseer?



Oversight Process - Monitoring

Regular oversight activities

Advice: standardize and document working procedures and other arrangements, e.g.

- On meetings (frequency, representation, regular/irregular)
- On contact persons
- On reporting on incidents
- On statistics
- On assessments
- etc etc

Oversight Process - Assessing



Rating	Explanation
<input type="checkbox"/> Observed	<input type="checkbox"/> No issues of concern. FMI could take minor gaps up in normal course of business.
<input type="checkbox"/> Broadly observed	<input type="checkbox"/> Issue(s) of concern that FMI should address and follow up on in a defined timeline.
<input type="checkbox"/> Partly observed	<input type="checkbox"/> Issue(s) of concern become serious if not addressed promptly. FMI should accord high priority.
<input type="checkbox"/> Not observed	<input type="checkbox"/> Serious issue(s) of concern that warrant immediate action. FMI should accord highest priority.
<input type="checkbox"/> Not applicable	<input type="checkbox"/> Principle does not apply to FMI type being assessed

Assessment process

Standardize, use fixed formats

Project plan

1. Introduction
2. Scope of the assessment
3. Objectives – what do want to achieve?
4. Which standards apply?
5. Organizational issues
 - Who will be in charge? Both for Oversight and Operator: contact persons
 - Time schedule; start of assessment; finalization of assessment
6. Risks, e.g. with respect to time plan

Oversight Process – Inducing change

Regular Oversight:

- monitoring activities

Follow-up Assessment Process

- Infringements / recommendations
- Action Plan
- Time plan
- Monitor /assess follow-up
- Impose sanctions (if necessary)

Organizational issues

What is the impact of a more formal Oversight setting?

What type of overseer do you need?

A) as regards skills?

B) as regards characters?

Consequences of more formal oversight setting

Impact of regulatory framework

For Operator

- violations are acts against the law
- becomes vulnerable to fines and other sanctions
- more attention for compliance



Consequences of more formal setting

For Overseer

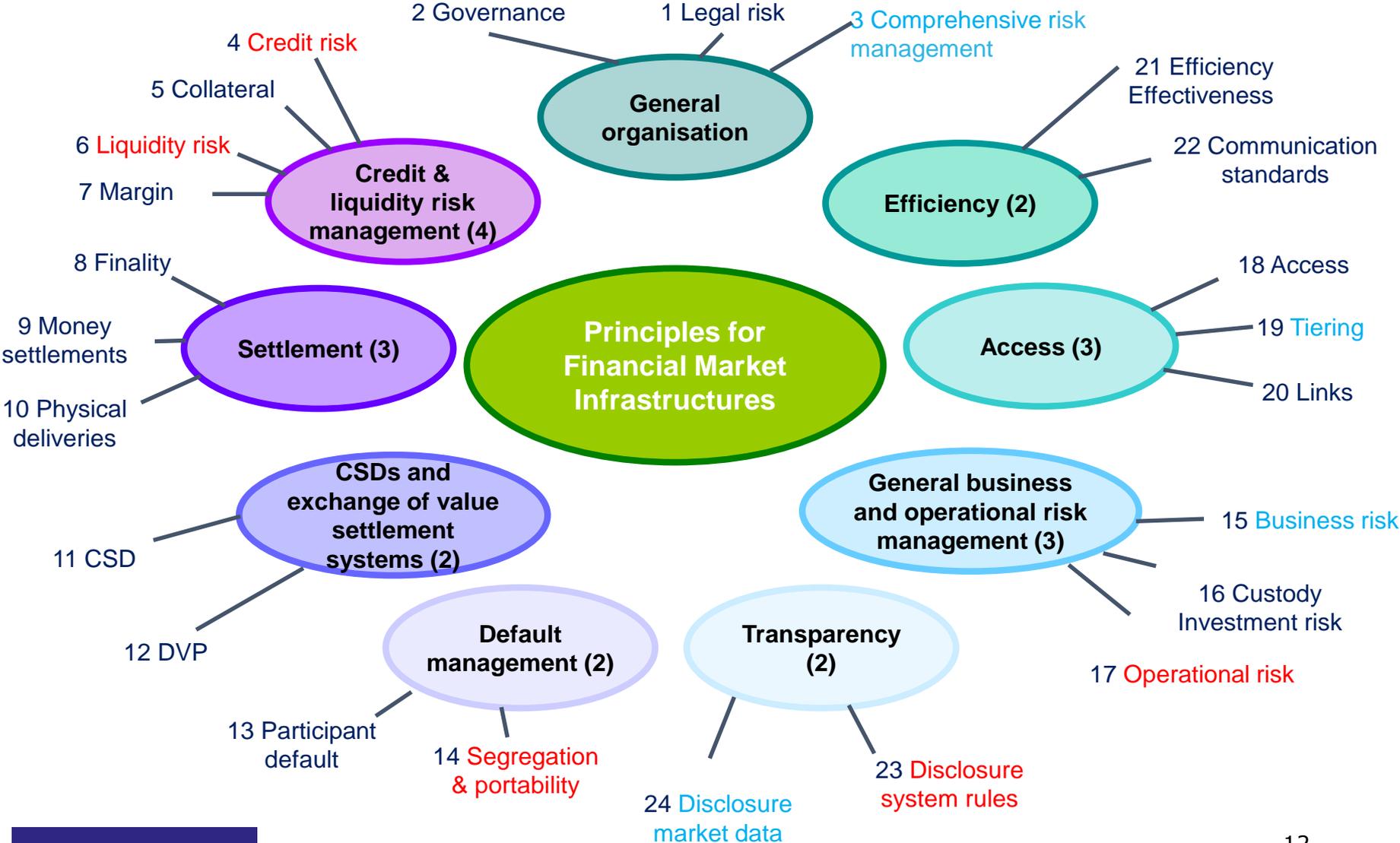
- Has the responsibility to enforce the law
- Operator may sue you

Consequences for

- Internal processes (complete dossiers etc)
- Timelines (e.g. to assess changes)
- Confidentiality e.g. Chinese walls
- etc



Organizational aspects – broad scope of activities



Organizational aspects - skills

DNB – Oversight - Staffing

Multidisciplinary in education (lawyers, (it)auditors, financial risk experts, economists, policy makers)

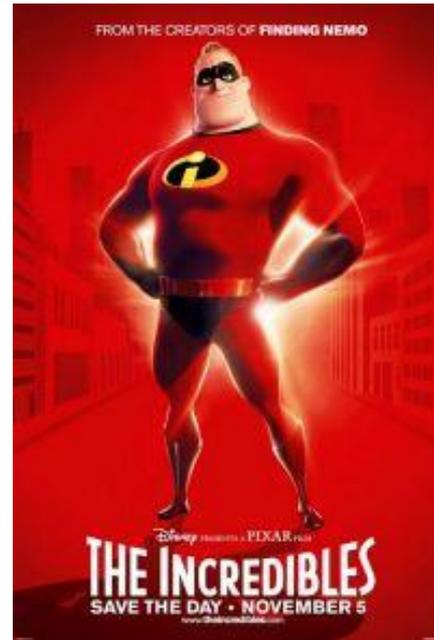
Experience in securities and/or payments

Mixture of junior and senior staff, and in work experience

If necessary:

Hire expertise and experience (within DNB or outside, e.g. by means of cooperating with other authorities)

Organizational aspects: Teamwork!!!



Organizational aspects - characters

A COP-LIKE TYPE?



Organizational aspects - characters

A CO-OPERATIVE TYPE?



Important questions

Examples

- How do you organize your intelligence?
- How do you avoid regulatory capture?
- How do you promote teamwork?

Practical Message I

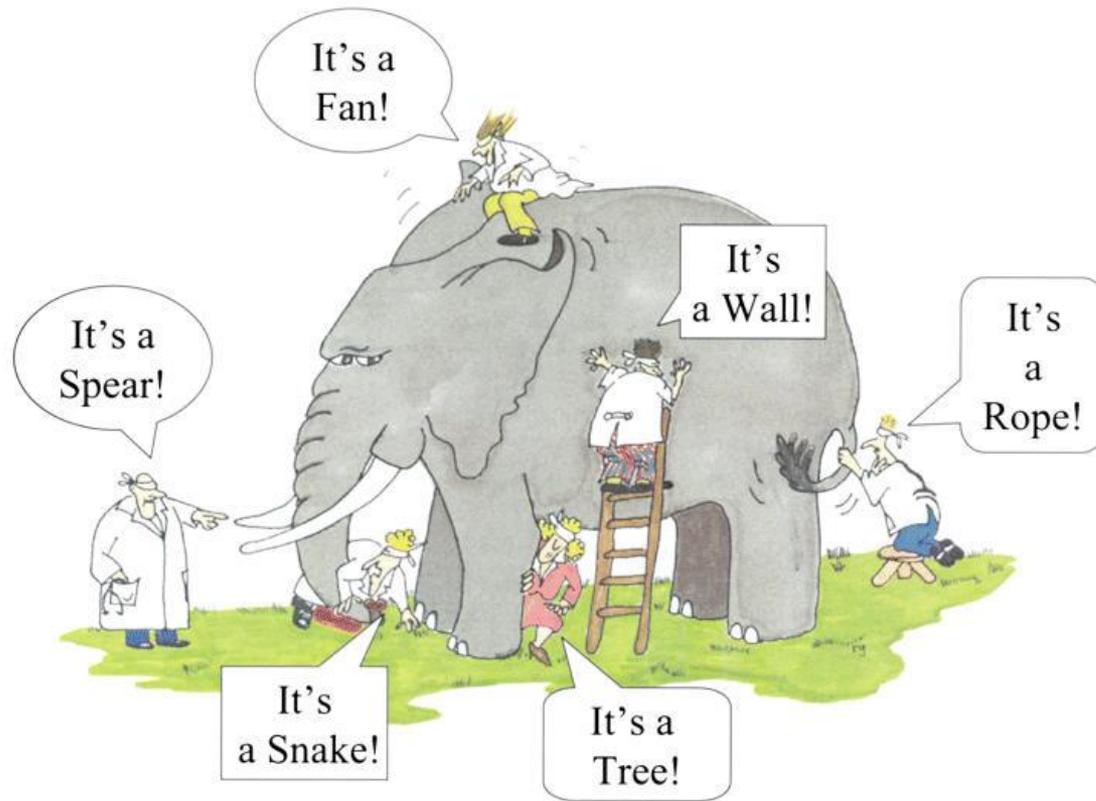
Key

- **Knowledge**



I WANT YOU TO BE CREDIBLE

THE ELEPHANT AGAIN



Practical Message II

On interaction between operator and overseer

'IT'S ALL ABOUT COMMUNICATION'

Important: interviewing techniques

Practical Message III

Best Practices for Overseers?

- Be accountable
- Explain, explain, explain
- Do what you say, say what you do
- Co-operate, but be clear about responsibilities



